



Special Executive Report

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August 30, 2013

Enhancement to Settlement Methodology for Certain Deferred-Month CBOT and KCBT Agricultural Futures Contracts Effective September 16, 2013

Pending all relevant regulatory review periods, effective September 16, 2013, CBOT and KCBT will implement an enhancement to the methodology for establishing certain deferred month settlement prices in the following agricultural futures: CBOT Corn, Wheat, Oats, Rough Rice, Soybeans, Soybean Meal, Soybean Oil and KCBT Wheat. As described below, the procedure for determining deferred month settlement prices in circumstances in which there are no relevant spread transactions during the settlement period will be enhanced to take into account additional market information.

Settlement Procedures

- The designated lead month will be settled to the volume-weighted average price ("VWAP") of all outright trades executed in the pit and on Globex from 13:14:00 - 13:15:00 Central Time ("CT").
- In the event a settlement calculation yields a value that is the midpoint between two ticks, the settlement price will be rounded to the tick closer to the prior day's settlement price.
- All months other than the designated lead month will settle based upon the VWAP of calendar spread transactions executed in the pit and on Globex from 13:14:00 - 13:15:00.
- In the absence of relevant calendar spread trades, bids and offers in those calendar spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract to be settled. These implied markets, along with the outright bid/ask market for the contract, will be used to derive the best possible bid and the best possible ask. Provided that implied bid/ask spread is consistent with reasonability thresholds for the product, as determined by the Global Command Center, the contract will settle at the midpoint of the implied bid/ask spread.
- In the absence of an implied best bid/best ask that meets reasonability thresholds, the net change of the previous contract month will be applied to determine the contract's settlement price. However, if a contract is initially settled to the net change of the previous month and there are posted markets at 13:15 in one or more calendar spreads with that contract as the nearby leg, then the settlement price will be adjusted on a subsequent iteration based upon the implied best bid/best ask of those calendar spreads, provided it is consistent with bid/ask reasonability thresholds.
- If the settlement price in a deferred month created by using the "net change" method described above violates a bid or an offer in a calendar spread or in the deferred month itself that could otherwise be honored, the settlement price for that deferred month will be adjusted to honor that bid or offer. If not all spread bids or offers can be honored in this way, precedence will be given to the tightest bid/ask markets.

- CME Group settlement staff reserves the right, in its sole discretion, to ignore bids or offers that are not transparently exposed for a sufficient period of time prior to 13:15.
- Expiration Procedures: On the last trading day of an expiring contract, the settlement period for the expiring contract will be 12:00:00 -12:01:00, and the contract's final settlement price will be the VWAP of all outright trades executed in the pit and on Globex during that period. In the absence of trading during the settlement period, the contract will settle to the last trade or a subsequent standing better bid or offer.
- Notwithstanding the foregoing, in the event that the aforementioned calculations cannot be made or if designated CME Group settlement staff, in their sole discretion, determines that the calculations yield results that are not representative of the fair value of the contract, staff shall establish an alternative settlement price.

Additional Notes Regarding Settlement Protocols

- The designated lead month in each product shall be determined by the applicable Exchange. As is presently the case, the designated lead month for a product is generally the most active month and will shift as open interest and volume migrate during the contract lifecycle. Advance notification of changes to the designated lead month will be provided to the marketplace. While the settlement ordering of months after the designated lead month will generally be chronological, this order may be altered to reflect shifting volume and open interest in deferred contract months at the discretion of CME Group staff where it is determined that doing so will generate a more representative settlement price for the deferred contract months.
- Consistent with current practice, on option expiration days (including CBOT Crush option expiration days), when the designated lead month futures contract is not the expiring month, both the lead month and the expiring month will settle based on the VWAP of outright activity during the settlement period from 13:14:00 -13:15:00. The settlements will be based upon the VWAP of both outright pit activity and outright Globex activity during that period.
- There will continue to be a three-minute post close session in the open-outcry venue that will begin as soon as practicable following the conclusion of regular trading hours. During the post close session, trades may be executed at any price within the daily price limits for the contract. Spread transactions executed during the post close session also may occur at any price, provided that all legs of the spread are priced within the daily price limits. Activity during the post close session will not impact the determination of settlement prices.

Questions regarding this Special Executive Report may be directed to the CME Global Command Center at 312.456.2391 or in Europe at 44.207.623.4708.

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