



## Special Executive Report

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December 17, 2014

### **Revisions to CME Rule 807 (“Open Long Positions During Delivery Month”) effective January 2, 2015**

Effective on January 2, 2015, CME will adopt revisions to Rule 807 (“Open Long Positions During Delivery Month”) that will eliminate the current prohibition on the intraday freshening of delivery dates in Live Cattle futures. CME currently prohibits freshening by requiring that, beginning on the day following the first day on which long position holders may be assigned delivery, all purchases and sales made on a single trade date by a person holding a long position in spot month Cattle futures must first be netted out as day trades with only excess buys considered new longs, or the excess sales being offsets of the long position. **Given that the effective date of the revisions is January 2, 2015, freshening in CME Live Cattle futures remains prohibited through the expiration of the December 2014 contract month.**

No such restriction has historically been applied to CBOT physically-delivered futures products provided that the trading activity is done in compliance with applicable rules. CBOT has taken disciplinary action for freshening involving impermissible prearranged trades pursuant to Rule 539 (“Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited”).

With the elimination of the freshening prohibition in CME Live Cattle futures, market participants are reminded that they must comply with all other rules when liquidating older long positions and reestablishing newer long positions, including strict adherence to the requirements of CME Rule 539.

The revisions to CME Rule 807 result in each CME Group Exchange having completely harmonized language in Rule 807.

The revisions to CME Rule 807 appear below, with deletions overstruck.

#### **CME Rule 807. OPEN LONG POSITIONS DURING DELIVERY MONTH**

At such times and in such manner as shall be prescribed by the Manual, clearing members shall submit a complete and accurate record of dates of all open purchases for use in making deliveries. Clearing members shall be fully responsible for inventories submitted to the Clearing House. ~~Unless otherwise provided in the Manual, beginning on the day following the first day on which longs may be assigned delivery, all purchases and sales, made in one day in the lead month contract by a person holding a long position in that contract, must first be netted out as day trades with only the excess buys considered new longs or the excess sales being offsets of the long position.~~ This rule shall not apply to trading in options contracts.

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