



Special Executive Report

S-7553

December 21, 2015

Amendments to Daily Settlement Procedures in CME Livestock and Random Length Lumber Futures and CBOT 30-Day Federal Fund Futures

Effective on trade date Monday, January 4, 2016, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME") and The Board of Trade of the City of Chicago, Inc. ("CBOT") will amend the daily settlement procedure in CME Livestock and Random Length Lumber futures, and CBOT 30-Day Federal Funds futures. These amendments are intended to harmonize the procedures and language used to describe the procedures across relevant products.

The CME Livestock and Random Length Lumber Futures daily settlement procedures are being amended to reference the low bid or the high offer for settlement determination in the absence of trading volume during the settlement period.

The CBOT 30-Day Federal Funds Futures daily settlement procedure is being amended to harmonize the procedure with other similar CBOT futures products primary settlement procedures.

The harmonized settlement procedures are described below.

Random Length Lumber Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

CME Group staff determines the daily settlements for Random Length Lumber (LBS) futures based on trading activity on CME Globex between 13:04:30 and 13:05:00 Central Time (CT), the settlement period.

Tier 1: For each contract month, the contract settles to its volume-weighted average price (VWAP) of all trades that occur between 13:04:30 and 13:05:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.

Tier 2: If no trades occur on CME Globex between 13:04:30 and 13:05:00 CT, the settlement period, then the last trade (or the contract's settlement price from the previous day in the absence of a last trade price) is used to determine whether to settle to the Low Bid/High Ask during this period.

1. If the last trade price is outside of the bid/ask spread, then the contract month settles to the nearest bid or ask price.
2. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract month settles to the last trade price.

Tier 3: In the absence of any trade activity or bid/ask in a given contract month during the current trading day, the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price.

Note: In the event the aforementioned calculations described in this advisory cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, the staff may determine an alternative settlement price.

CME Livestock Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

CME Group staff determines the daily settlements for Feeder Cattle (GF), Lean Hogs (HE), and Live Cattle (LE) futures based on trading activity on CME Globex between 12:59:30 and 13:00:00 Central Time (CT), the settlement period.

Tier 1: Each contract month settles to its volume-weighted average price (VWAP) of all trades that occur between 12:59:30 and 13:00:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.

Tier 2: If no trades occur on CME Globex between 12:59:30 and 13:00:00 CT, the settlement period, then the last trade (or the contract's settlement price from the previous day in the absence of a last trade price) is used to determine whether to settle to the low bid or the high ask during this period.

- a. If the last trade price is outside of the bid/ask spread, then the contract month settles to the nearest bid or ask price.
- b. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract month settles to the last trade price.

Tier 3: In the absence of any trade activity or bid/ask in a given contract month during the current trading day, the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price.

If you have any questions, please call the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

Note: In the event the aforementioned calculations cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity produces results that are not representative of the fair value of the contract, staff may determine an alternative settlement price.

30-Day Federal Funds Futures Daily Settlement Procedure

Normal Daily Settlement Methodology

CBOT 30-Day Federal Funds futures (ZQ) are settled by CME Group staff based on trading and market activity on CME Globex between 13:59:00 and 14:00:00 Central Time (CT), the settlement period.

Tier 1: Trades on CME Globex

All contract months settle to the volume-weighted average price (VWAP) of outright trades between 13:59:00 and 14:00:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is equidistant between two ticks, then it's rounded towards the prior day settlement price.

Tier 2: CME Globex Market Data

In the absence of trades during the closing range, the contract month settles to the midpoint of the Low Bid/High Ask of the closing range between 13:59:00 and 14:00:00 CT, the settlement period.

Tier 3: Absence of Two Sided Markets

If there are no two sided markets available during the closing range in a particular contract month, then the settlement price will be the last trade price (or prior settle in the absence of a last trade price) – adjusted to the Low Bid/High Ask if one side is present.

If you have any questions, please call the CME Global Command Center at +1 800 438 8616, in Europe at +44 800 898 013 or in Asia at +65 6532 5010.

Note: In the event the aforementioned calculations described in this advisory cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, the staff may determine an alternative settlement price.

Questions regarding this Special Executive Report may be directed to the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

For media inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312.930.3434 or news@cmegroup.com.