



Special Executive Report

S-7213

October 27, 2014

Modification to Daily Settlement Price Determinations in Certain CME Agricultural Futures

Effective on trade date Monday, December 15, 2014, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. (CME or Exchange) will modify the manner in which settlement prices are determined in CME Live Cattle futures, CME Feeder Cattle futures and CME Lean Hogs futures in an effort to incorporate all relevant bid, offer and trade prices in the calculation of the daily settlement price. Effective on December 15, 2014, daily settlement prices in those products will be determined pursuant to the following methodology:

- A VWAP of the outright trades executed in the pit for each contract month from 12:59:30 – 13:00:00 Central Time (“CT”) will be calculated.
- A VWAP of the outright trades executed on CME Globex for each contract month from 12:59:30 – 13:00:00 CT will be calculated.
- The two VWAPs will be combined to produce a single VWAP settlement price for each contract month, which will then be rounded to the nearest tradable tick.
- In the absence of any trade activity in a given contract month, the bid that is higher than the last sale or prior day’s settlement price or the offer that is lower than the last sale or prior day’s settlement price in either trading venue from 12:59:30 – 13:00:00 CT will determine the daily settlement price for that contract month.
- 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.
- Notwithstanding the foregoing, in the event the aforementioned calculations cannot be made or if CME Group staff determines that anomalous activity yields a result that is not representative of the fair value of the contract, CME Group staff may determine an alternative settlement price based upon other available market information.

Example

Front month – Live Cattle February 2015

Globex: 31 contracts trade at a VWAP of 167.550

Floor: 7 contracts trade at a VWAP of 167.500

The February 2015 daily settlement is the combined VWAP rounded to 167.550, calculated as:

$$((31*167.550) + (7*167.500))/38 = 167.541$$

Second month – Live Cattle April 2015

Globex: No trades occurred.

Floor: 5 contracts trade at a VWAP of 166.075

The April 2015 daily settlement price is the floor VWAP of 166.075, calculated as:

$$((5*166.075) + (0*0))/5 = 166.075$$

Third month – Live Cattle June 2015

Globex: No trades occurred.

Floor: No trades occurred.

The prior day's settlement is 156.325. There is an active offer on CME Globex of 156.250 and an active offer in the pit of 156.225.

The June 2015 daily settlement price is the best available offer of 156.225

Fourth month – Live Cattle August 2015

Globex: No trades occurred and no active bids or offers on CME Globex.

Floor: No trades occurred and no active bids or offers in the pit.

The prior day's settlement was 154.900. The net change for the June 2015 contract (the immediately preceding contract month) is -.100 from the previous day's settlement price.

The August 2015 daily settlement price is the prior day's settlement price minus the net change in the June 2015 contract, or 154.800, calculated as:

$$154.900 - .100 = 154.800$$

All remaining contract months will follow the same methodologies as described above.

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

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