

# Quick Facts on Settlements at CME Group

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Daily settlement prices play an integral role in the two most important functions of our markets at CME Group – price discovery and risk management. Settlement prices are essentially the fair market value of a commodity or financial derivative as determined by buyers and sellers in a market at a particular point in time known as the settlement period.

## What are daily settlement prices?

Frequently the price you hear quoted in your evening news for a bushel of corn, a barrel of crude oil, a 10-year U.S. Treasury note or even a foreign currency like the Japanese Yen is the settlement price for a futures contract on that particular day. Prices for our derivative products can be determined by trading activity during a given “settlement period” or “close” on our trading floor, through the CME Globex electronic trading platform, or by a combination of trading activity across both venues. Settlement prices are used to mark traders' positions to market on a daily basis, determining whether their positions had gains or losses on any particular day.

## How are Settlements Determined at CME Group?

While each product has a unique process for determining its settlement price, our objective is the same across all products – to ensure the safety and integrity of our markets by making sure that any settlement process relying on exchange-based trading, is representative of broad trading activity in each product. Prior to CME Group's formation in 2007, CME, CBOT, NYMEX, COMEX and KCBT were independent exchanges and used individual settlement methods. While the general policies for settlements have been harmonized over time, settlement terms may differ based on product-specific factors including a contract's level of trading activity during its “settlement window” or “close.”

Over the years, we've employed different types of settlement procedures to ensure the continued integrity of our markets:

- **Floor-based** – Prior to the introduction of electronic trading, all of our markets were settled based on trading activity in pits during the settlement window. After our CME livestock products transition to a blended settlement process in December 2014, none of our benchmark products will exclusively utilize a floor-based daily settlement process.
- **Globex-based** – As electronic trading has become a significant factor in both commodity and financial markets, price discovery for futures has largely migrated to the screen for most of the trading session. In order to be inclusive of price discovery taking place on the electronic trading platform, all of our benchmark products will now look to trading activity on CME Globex for their daily settlements.
- **Blended settlement** – Blended settlement incorporates both Floor-based and Globex-based trading activity during the settlement window. For some products a Volume Weighted Average Price (VWAP) formula is used to account for the prices of contracts executed in the pit and trades executed via Globex during the settlement window. To determine the daily settlement, the two VWAPs will be combined to produce a single VWAP settlement price for each contract month, which is then rounded to the nearest tradable tick. For example, our CBOT grain and oilseed products, CME lumber products and certain equity index products use a blended VWAP settlement process.

## Additional Resources

[Settlements Page](#)

[Detailed Settlement Procedures](#)

[Daily Settlement Posting Times](#)



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