

## Chapter 102 Feeder Cattle Futures

### **10200. SCOPE OF CHAPTER**

This chapter is limited in application to Feeder Cattle futures. In addition to this chapter, Feeder Cattle futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

### **10201. CONTRACT SPECIFICATIONS**

Each futures contract shall be valued at 50,000 pounds times the CME Feeder Cattle Index™.

### **10202. TRADING SPECIFICATIONS**

#### **10202.A. Trading Schedule**

Futures contracts shall be scheduled for trading during such hours and for final settlement in such months as may be determined by the Exchange.

#### **10202.B. Trading Unit**

The unit of trading shall be 50,000 pounds of feeder steers.

#### **10202.C. Price Increments**

Minimum price fluctuations shall be in multiples of \$.00025 per pound.

#### **10202.D. Daily Price Limits**

Daily price limits for Feeder Cattle futures are reset annually on the first trading day in June based on the price limit levels for Live Cattle futures (see CME Rulebook Chapter 10102.D. Daily Price Limits). Initial daily price limits for Feeder Cattle futures are set at 1.25 times the initial daily price limit level for Live Cattle futures, rounded up to the nearest \$0.0025 per pound.

There shall be no trading in Feeder Cattle futures at a price more than the price limit above or below the previous day's settlement price. Should any Feeder Cattle or Live Cattle futures contract month within the first four listed contracts subject to price limits settle at its initial limit, the daily price limits for all contract months shall increase by 50 percent on the next business day, rounded down to the nearest \$0.0025 per pound.

If none of the first four listed Feeder Cattle and Live Cattle contract months subject to price limits settle at a price change equal to or greater than the initial price limit on the next business day, daily price limits for all contract months shall revert back to the initial price limit on the following business day.

If at the end of trade on the day prior to last trade day for an expiring Feeder Cattle futures contract, the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the initial price limit (if under initial price limits), or if the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the expanded price limit (if under expanded price limits), the price limits on the last trading day for the expiring Feeder Cattle futures contract shall be two times the expanded price limit.

#### **10202.E. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

#### **10202.F. [Reserved]**

#### **10202.G. [Reserved]**

#### **10202.H. Termination of Trading**

Trading shall terminate on the last Thursday of the contract month, except:

1. The November contract shall terminate on the Thursday prior to Thanksgiving Day, unless a holiday falls on that Thursday or on any of the four weekdays prior to that Thursday, in which case trading shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday. Weekdays shall be defined as Monday, Tuesday, Wednesday, Thursday and Friday.
2. Any contract month in which a holiday falls on the last Thursday of the month or on any of the four weekdays prior to that Thursday shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday.

**10202.I. [Reserved]****10203. SETTLEMENT PROCEDURES****10203.A. Final Settlement**

There shall be no delivery of feeder cattle in settlement of this contract. All contracts open as of the termination of trading shall be cash settled based upon the CME Feeder Cattle Index™ for the seven calendar days ending on the day on which trading terminates.

**1. The Sample**

The CME Feeder Cattle Index™ is based upon a sample of transactions from these weight/frame score categories: 700 to 899 pound Medium and Large Frame #1 feeder steers, and 700 to 899 pound Medium and Large Frame #1-2 feeder steers.

The sample consists of all feeder cattle auction, direct trade, video sale, and Internet sale transactions within the 12-state region of Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming for which the number of head, weighted average price and weighted average weight are reported by the Agricultural Marketing Service of the USDA (USDA-AMS).

All direct trade reports shall be considered to be Friday transactions.

Multiple day sales, for which separate weighted average reports are not issued for each day or it is not evident from the reports issued what cattle sold on which day, shall be included in the sample as if all transactions occurred the final day of the sale.

Saturday and Sunday sales shall be included in the sample as if all transactions occurred on Monday.

Reports that are designated as "preliminary" shall not be included in the sample, and no transactions from that location shall be used until a final report is issued.

Cattle identified in the report as having predominantly dairy, exotic or Brahma breeding; shall be excluded from the sample. Transactions for cattle that are reported by USDA-AMS as having an origin outside of the United States shall be excluded from the sample. Direct trade, video sale, and Internet sale transactions must be quoted on an FOB basis, 3% standing shrink or equivalent, with pickup within 14 days to be included in the sample.

**2. The Calculation**

The procedure for calculating the CME Feeder Cattle Index™ is as follows:

- a. For each of the relevant weight/frame score categories in each report:
  - i. the number of head is multiplied by the corresponding weighted average weight to obtain the total pounds sold in that weight/frame score category for that report; and
  - ii. the number of head is multiplied by the corresponding weighted average weight, and the resulting product is then multiplied by the corresponding weighted average price, to obtain the total dollars sold in that weight/frame score category for that report.
- b. For each report:
  - i. the total pounds sold in the relevant weight/frame score categories (i.e., the results from 1.a., above) are aggregated to obtain the total pounds sold for that report; and
  - ii. the total dollars sold in the relevant weight/frame score categories (i.e., the results from 1.b., above) are aggregated to obtain the total dollars sold for that report.
- c. For all reports covering relevant transactions that occurred within the same seven calendar day period:
  - i. the total pounds (i.e., the results from 2.a., above) are aggregated to obtain the total pounds sold within the 12-state region during that seven calendar day period; and
  - ii. the total dollars (i.e., the results from 2.b., above) are aggregated to obtain the total dollars

sold within the 12-state region during that seven calendar day period.

- d. The total dollars sold within the 12-state region during that seven calendar day period (i.e., the result from 3.b., above) is divided by the total pounds sold within the 12-state region during that same seven calendar day period (i.e., the result from 3.a., above) to obtain the CME Feeder Cattle Index™.

Should USDA price reporting be unavailable during any portion of the final settlement pricing timeframe, CME may utilize data compiled from futures market activity during that corresponding pricing timeframe to calculate the final settlement price.

**10203.B.- H. [Reserved]**

**10204.-08. [RESERVED]**

(End Chapter 102)