

SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): 18-437

Organization: Chicago Mercantile Exchange Inc. (CME)

Filing as a: **DCM** **SEF** **DCO** **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 10/30/2018 **Filing Description:** Amendments to the Daily Settlement Procedure Document for the Dairy Futures Contracts

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: See filing.

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

October 30, 2018

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
 Office of the Secretariat
 Commodity Futures Trading Commission
 Three Lafayette Centre
 1155 21st Street, N.W.
 Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to the
 Daily Settlement Procedures Document for the Dairy Futures Contracts.
 CME Submission No. 18-437**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange, Inc. (“CME”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the Daily Settlement Procedures Document relating to the Class III Milk Futures, Class IV Milk Futures, Non-fat Dry Milk Futures, Dry Whey Futures, Cash-settled Butter Futures, and Cash-settled Cheese Futures contracts (the “Dairy Contracts”), as noted in the table below effective Sunday, November 18, 2018 for trade date Monday, November 19, 2018.

Product Class	Contract Title	CME Rulebook Chapter	CME Globex Code
Dairy	Class III Milk Futures	52	DC
	Class IV Milk Futures	55	GDK
	Non-fat Dry Milk Futures	54	GNF
	Dry Whey Futures	57	DY
	Cash-settled Butter Futures	56	CB
	Cash-settled Cheese Futures	60	CSC

The Exchange previously advised the Commission of amendments to settlement procedures for various agriculture products. (see [CME Submission No. 18-342](#) dated September 12, 2018). Upon feedback from market participants, the Exchange is removing “net change” language from the daily settlement procedure document for dairy futures contracts. These amendments will enhance market participants’ ability to more accurately price the dairy crush market on days when no trading activity occurs in the longer dated contract months.

The amended Daily Settlement Procedure Document for the Contracts is provided in Exhibit A below in blackline format.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”). During the review, Exchange staff identified that the listing of existing contracts on an additional trading venue may have some bearing on the following Core Principles:

- **Daily Publication of Trading Information:** The Exchange shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded and cleared contracts on the contract market.

- **Prevention of Market Disruption**: The Exchange believes that the amendments are consistent with the Core Principles requiring the Exchange to maintain and promote orderly markets.
- **Availability of General Information**: The Exchange will make publicly available the details of the revision and will update the daily settlement details on the CME Group website. In addition, the Exchange will publish a Special Executive Report (“SER”) to advise the marketplace of the amendment. The SER will be posted on the CME Group website.
- **Execution of Transactions**: The amendments will further enable the Exchange to continue their current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the amendments to the Daily Settlement Procedure Document of the Contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at 212-299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – Dairy Settlement Procedure Document

Exhibit A

Dairy Settlement Procedure Document

(deletions overstruck)

Dairy Futures

Normal Daily Settlement Procedure

Daily settlement of Class III Milk (DC), Class IV Milk (GDK), Nonfat Dry Milk (GNF), Dry Whey (DY), Cash-Settled Butter (CB), and Cash-Settled Cheese (CSC) futures is determined by CME Group staff based on trading activity on CME Globex between 13:09:30 and 13:10:00 Central Time (CT).

- Tier 1:** Each contract month settles to its volume-weighted average price (VWAP) of all trades that occur between 13:09:30 and 13:10:00 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 13:09:30 and 13:10:00 CT, the settlement period, then the last trade is used to determine the settlement price validated against the bid/ask.
- Tier 3:** In the absence of any trading activity, 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 validated against the bid/ask and adjusted to the bid or the ask if necessary.

CME Class III Milk Futures Final Settlement

Class III Milk (DC) futures are cash settled. Please note that the settlement price determined on the last day of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA Class III price for milk for the particular month, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Class III Milk (DC) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

- Tier 1:** If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.
- Tier 2:** If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 52).

CME Class IV Milk Futures Final Settlement

Class IV Milk (GDK) futures are cash settled. Please note that the settlement price determined on the last day of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA Class I V price for milk for the particular month, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Class IV Milk (GDK) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 55).

CME Butter Futures Final Settlement

Butter (CB) futures are cash settled. Please note that the settlement price determined on the last of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA monthly weighted average price in the U.S. for butter, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Cash-Settled Butter (CB) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 56).

CME Cheese Futures Final Settlement

Cheese (CSC) futures are cash settled. Please note that the settlement price determined on the last day of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA monthly weighted average price in the U.S. for cheese. The reported USDA monthly weighted average price for cheese uses both 40 pound cheddar block and 500 pound barrel prices.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Cheese (CSC) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 60).

CME Dry Whey Futures Final Settlement

Dry Whey (DY) futures are cash settled. Please note that the settlement price determined on the last of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA monthly weighted average price in the U.S. for dry whey, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Dry Whey (DY) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 57).

CME Nonfat Dry Milk Futures Final Settlement

Nonfat Dry Milk (GNF) futures are cash settled. Please note that the settlement price determined on the last of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA monthly weighted average price in the U.S. for nonfat dry milk, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Nonfat Dry Milk (GNF) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 54).

Dairy Spot Call

Normal Daily Settlement Procedure

The settlement of the following products is determined by CME Group staff based on trading activity in the pit:

- Butter Spot Call (AA)
- Cheese Spot Call Blocks (KB)
- Cheese Spot Call Barrels (RB)
- Nonfat Dry Milk Spot Call Grade A (NM)

Tier 1: The contract settles to the last trade price if the last trade price is within the current bid/ask.

Tier 2: If the last trade price is outside of the current bid/ask, the contract will settle to the current bid price that is higher than the last trade or the current ask price that is lower than the last trade.

Tier 3: If no trades occur, then the contract will settle to the prior day settlement price if the prior day settlement price is within the current bid/ask. If the prior day settlement price is outside of the current bid/ask, then the contract will settle to the current bid price that is higher than the prior day settlement price or the current ask price that is lower than the prior day settlement price. In the absence of any trades or current bid/asks, the contract will settle to the prior day 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.