



## Special Executive Report

S- 7787

November 17, 2016

### Amendments to CME Livestock, Lumber, and Dairy Option Exercise Price Listing Rules

Effective Sunday, December 18, 2016 for trade date Monday, December 19, 2016, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend the rules governing the minimum listed range of option exercise prices ("strikes") available for trade at the commencement of daily trading for the CME Livestock, Lumber, and Dairy options contracts ("Contracts") listed in the table below:

CME Options Contracts	Rulebook Chapter	Rule	Clearing Code	CME Globex Code	Trading Floor Code	CME ClearPort Code
Class III Milk Options	52A	52A01.E	DA	DC	DA	DA
Mid-sized Class III Milk Options	52B	52B01.E	A2	JQ	JQ	A2
Nonfat Dry Milk Options	54A	54A01.E	NF	GNF	NF	NF
Class IV Milk Options	55A	55A01.E	DK	GDK	DK	DK
Butter Options	56A	56A01.E	CB	CB	CB	CB
Dry Whey Options	57A	57A01.E	DY	DY	DY	DY
Cheese Options	60A	60A01.E	CSC	CSC	CSC	CSC
Live Cattle Options	101A	101A01.E	48	LE	CK, PK	48
Feeder Cattle Options	102A	102A01.E	62	GF	JF, KF	62
Lean Hog Options	152A	152A01.E	LN	HE	PH, CH	LN
Random Length Lumber Options	201A	201A01.E	LB	LBS	JL, KL	LB

Specifically, the Contracts are being amended to reflect that the minimum range of listed tradeable strikes will be based on a percentage range relative to the strike closest to the settlement price of the previous day's underlying futures contract prior to the commencement of trading each business day.

Additionally, Rule 54A01.E in Chapter 54A ("Options on Nonfat Dry Milk Powder Futures") will be amended to reflect that strikes at \$.01 intervals will be added when a contract becomes the second nearby contract month.

Amendments to the relevant CME rules of the Contracts are provided in Appendix A in blackline format.

The Commodity Futures Trading Commission ("CFTC") will be notified of these amendments during the week of December 26, 2016, via the weekly notification procedures set forth in Part 40 of the CFTC Regulations.

Product-specific questions regarding this notice may be directed to:

**Dairy:**

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Andrew Crafton	312-634-8923	<a href="mailto:Andrew.Crafton@cmegroup.com">Andrew.Crafton@cmegroup.com</a>
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For media inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312-930-3434 or [news@cmegroup.com](mailto:news@cmegroup.com).

## Appendix A

### CME Rulebook

(Additions are underlined and deletions are struck through.)

### Chapter 52A Options on Class III Milk Futures

#### 52A01.E. Exercise Prices

The exercise prices shall be stated in terms of dollars per cwt. For all contract months, exercise prices shall be at intervals of \$0.25; e.g., \$11.75, \$12.00, \$12.25, etc.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range of ~~\$6~~ within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). ~~If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.~~

~~When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a \$6 range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be delisted.

New ~~options~~ strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

## Chapter 52B Midsize Options on Class III Milk Futures

### 52B01.E. Exercise Prices

The exercise prices shall be stated in terms of dollars per cwt. For all contract months, exercise prices shall be at intervals of \$0.25; e.g., \$11.75, \$12.00, \$12.25, etc.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range of ~~\$6~~ within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

~~When a sale, bid, offer or settlement price in the underlying futures contract occurs at, or passes through, an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a \$6 range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer or settlement price occurred.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be de-listed.

New options strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

## Chapter 54A Options on Nonfat Dry Milk Futures

### 54A01.E. Exercise Prices

The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of 2 cents; e.g., 100 cents, 102 cents, etc. In addition, for the second nearest contract month, exercise prices shall be at intervals of 1 cent., as described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range of ~~10 cents~~ within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

~~When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a 10-cent range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

When a contract month becomes the second nearest contract month, the Exchange shall add exercise prices at 1 cent intervals at a range of ~~4 cents~~ within 25 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. ~~If the previous day's futures contract settlement price equals an eligible exercise price, then that exercise price shall also be listed, if not yet listed. Thereafter, when a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through, an odd-numbered exercise price, the Exchange shall list on the next Trading Day put and call options at the next higher (or next lower) exercise price within a 4 range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be delisted.

New ~~options~~ strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

## Chapter 55A Options on Class IV Milk Futures

### 55A01.E. Exercise Prices

The exercise prices shall be stated in terms of dollars per cwt. For all contract months, exercise prices shall be at intervals of \$0.25; e.g., \$11.75, \$12.00, \$12.25, etc.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range of \$4 within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

~~When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a \$4 range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be de-listed.

~~New options~~ strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

## Chapter 56A Options on Cash-Settled Butter Futures

### 56A01.E. Exercise Prices

The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of 2 cents; e.g., 100 cents, 102 cents, etc.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range ~~of 10 cents~~ within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

~~When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a 10-cent range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be delisted.

New options strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

## Chapter 57A Options on Dry Whey Futures

### 57A01E. Exercise Prices

The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of 1 cent; e.g., 20 cents, 21 cents, etc. In addition, for the ~~2~~ two nearest contract months, some exercise prices shall be at intervals of .50 cent; e.g., 20.50 cents, 21.50 cents, as described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range ~~of 5 cents~~ within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

~~When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a 5 cent range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

When a contract month becomes the second nearest contract month, the Exchange shall add exercise prices at .50 cent intervals at a range ~~of 5 cents~~ within 25 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. ~~If the previous day's futures contract settlement price equals an eligible exercise price, then that exercise price shall also be listed, if not yet listed. Thereafter, when a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through, an exercise price within a 5 cent range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred, the Exchange shall list on the next Trading Day put and call options at the next higher (or next lower) exercise price within a 5 range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be de-listed.

~~New options~~ strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.



## Chapter 60A Options on Cheese Futures

### 60A01.E. Exercise Prices

The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of \$0.025 cents; e.g., \$0.025 cents, \$0.050 cents, etc.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range of \$0.60 within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

~~When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a \$0.60 range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be delisted.

New options strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions

## Chapter 101A Options on Live Cattle Futures

### 101A01. E. Exercise Prices

#### 1. Options in the February Bi-Monthly Cycle

The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of 2¢; e.g., 60¢, 62¢, 64¢, etc. In addition, for the first two contract months, some exercise prices shall also be at intervals of 1¢; e.g., 60¢, 61¢, 62¢, etc., as is described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options at intervals of 2¢ in a range ~~24¢~~ within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. ~~When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call options at the next higher (or next lower) exercise price within a 24¢ range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

When a contract becomes the second nearest contract month in the February bi-monthly cycle, the Exchange shall add exercise prices at 1¢ intervals at a range ~~24¢~~ within 25 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. ~~Thereafter, when a sale, bid, offer, or settlement price occurs at, or passes through, any exercise price, the Exchange shall on the next Trading Day list put and call options at the next higher (or next lower) exercise price within a 24¢ range above (or below) the exercise price through which the underlying futures sale, bid, offer, or settlement price occurred. In addition, when a sale, bid, offer, or settlement price occurs at, or passes through, any even-numbered exercise prices; e.g., 60¢, 62¢, 64¢, the Exchange shall on the next Trading Day list put and call options at the next higher (or next lower) even-numbered exercise price within a 24¢ range above (or below) the exercise price through which the underlying futures sale, bid, offer, or settlement price occurred.~~

~~When a contract becomes the nearest contract month in the February bi-monthly cycle, the Exchange shall add exercise prices at 1¢ intervals within the range that exercise prices at 2¢ intervals have been listed.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be de-listed.

New options strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

## Chapter 102A

### Options on Feeder Cattle Futures

#### 102A01.E. Exercise Prices

The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of 2¢; e.g., 60¢, 62¢, 64¢, etc. In addition, for the first two contract months, some exercise prices shall be at intervals of 1¢; e.g., 61¢, 62¢, 63¢, etc., as described below. For the expiring contract month, some exercise prices shall also be at intervals of .50¢; e.g., 60.50¢, 61.50¢, 62.50¢, etc., as described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options at 2¢ intervals in a range of ~~16¢~~ within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

~~When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a 16¢ range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

~~When a contract month becomes the second nearest contract month, the Exchange shall add exercise prices at 1¢ intervals at a range of 6¢ within 25 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. If the previous day's futures contract settlement price equals an eligible exercise price, then that exercise price shall also be listed, if not yet listed. Thereafter, when a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through, an odd-numbered exercise price, the Exchange shall list on the next Trading Day put and call options at the next higher (or next lower) exercise price within a 6¢ range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.~~

~~On the first Business Day of the expiring contract month, the Exchange shall add exercise prices for the expiring contract at .50¢ intervals at a range of 2¢ within 5 percent above and below the strike closest to the previous day's settlement price (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. If the previous day's futures contract settlement price equals an eligible exercise price, then that exercise price shall also be listed. Thereafter, when a sale, bid, offer, or settlement price occurs at, or passes through, a half-cent exercise price, the Exchange shall on the next Trading Day list put and call options at the next higher (or next lower) exercise price within a 2¢ range above (or below) the exercise price through which the underlying futures sale, bid, offer, or settlement price occurred.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be de-listed.

New options strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

## Chapter 152A

### Options on Lean Hog Futures

#### 152A01.E. Exercise Prices

The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of 2¢; e.g., 60¢, 62¢, 64¢, etc. In addition, for the first two contract months, some exercise prices shall also be at intervals of 1¢; e.g., 60¢, 61¢, 62¢, etc., as is described below.

~~At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range 24¢ within 50 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. When a sale, bid, offer or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a 24¢ range above (or below) the exercise price at which or through which the underlying futures sale, bid offer or settlement price occurred.~~

~~When a contract becomes the second nearest contract month, the Exchange shall add exercise prices at 1¢ intervals at a range 12¢ within 25 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. Thereafter, when a sale, bid, offer, or settlement price occurs at, or passes through, any exercise price, the Exchange shall on the next Trading Day list put and call options at the next higher (or next lower) exercise price within a 12¢ range above (or below) the exercise price through which the underlying futures sale, bid, offer, or settlement price occurred. In addition, when a sale, bid, offer, or settlement price occurs at, or passes through, any even-numbered exercise price; e.g., 60¢, 62¢, 64¢, the Exchange shall on the next Trading Day list put and call options at the next higher (or next lower) even-numbered exercise price within a 24¢ range above (or below) the exercise price through which the underlying futures sale, bid, offer, or settlement price occurred.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be delisted.

New options strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

## Chapter 201A Options on Random Length Lumber Futures

### 201A01.E. Exercise Prices

#### 1. ~~Options in the Regular Cycle~~

The exercise prices shall be stated in terms of dollars per thousand board feet at intervals of \$5, e.g., \$170, \$175, \$180, \$185, \$190, etc.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range within 50 percent above and below at the exercise price the strike closest to that is nearest the previous day's settlement price of the underlying futures contract as well as the next twenty higher and the next twenty lower exercise prices. (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

~~When a sale, bid or offer in the underlying futures contract occurs at, or passes through, the twentieth highest (or twentieth lowest) listed exercise price, put and call option contracts at the next higher (or lower) exercise price shall commence trading on the next Trading Day. New options may be listed for trading up to and including the termination of trading.~~

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be de-listed.

New strikes may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

#### 2. ~~Options Not in the Regular Cycle~~

~~Upon demand evidenced in the respective options pit, the Exchange shall list put and call options at any exercise price listed for trading in the next regular cycle futures options that is nearest the expiration of the option. New options may be listed for trading up to and including the termination of trading. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.~~