

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 17-092

**Organization:** Chicago Mercantile Exchange, Inc. ("CME")

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

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 03/10/17 **Filing Description:** Amendments to CME Chapters 7 ("Delivery Facilities and Procedures") and Chapter 101 ("Live Cattle Futures")

**SPECIFY FILING TYPE**

**Please note only ONE choice allowed per Submission.**

**Organization Rules and Rule Amendments**

- |                          |                                     |            |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/> | Approval                            | § 40.5(a)  |
| <input type="checkbox"/> | Notification                        | § 40.6(d)  |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:**

**New Product**

**Please note only ONE product per Submission.**

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

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

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

**Official Name(s) of Product(s) Affected:** Live Cattle Futures

**Rule Numbers:** CME Rulebook Chapters 7 & 101

March 10, 2017

**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 40.4(b)(5) “Non-Material Agricultural Rule Change.” Notification Regarding Amendments to CME Chapter 7 (“Delivery Facilities and Procedures”) and CME Chapter 101 (“Live Cattle Futures”).  
CME Submission No. 17-092**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange, Inc. (“CME” or the “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to CME Rulebook Chapter 7 (“Delivery Facilities and Procedures”) and CME Rulebook Chapter 101 (“Live Cattle Futures”) (the “Rule Amendments”), effective on Monday, March 27, 2017 and commencing with the April 2017 contract month and beyond.

The Rule Amendments to Chapter 7 are intended to implement the terms and conditions that livestock yards and slaughter plants must comply with in order to be designated and approved for live cattle deliveries by the Exchange; codify the process for revocation, expiration, or withdrawal of regularity consistent with other CME products, and consistently use “road” miles when defining geographical requirements for slaughter plants to approved livestock yards. The Rule Amendments provide that the term “road” miles shall be used consistently when defining mileage between corresponding slaughter plants and livestock yards to eliminate any confusion on the determination of actual mileage. Additionally, in an effort to attract and onboard potential new slaughter plants, the Exchange is expanding the maximum mileage between slaughter plants and corresponding livestock yards, as well as originating feedlots to slaughter plants, from 200 miles to 225 road miles.

These terms and conditions will be used by the Exchange to begin the process of attracting and onboarding potential new livestock yards within the Live Cattle futures contract’s delivery territories: Colorado, Iowa, Minnesota, South Dakota, Kansas, Nebraska, Texas, Oklahoma and New Mexico. Increases in the number of livestock yards in the defined territories will expand the deliverable supply capacity of the Live Cattle futures contract. The Exchange will collaborate with the United States Department of Agriculture (USDA), Agricultural Marketing Service (AMS) throughout the approval process to confirm the availability of USDA graders to service any potential new livestock yards.

The Rule Amendments are presented in Appendix A and Appendix B in blackline format.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the following Core Principles may be impacted by this initiative as follows:

- **Availability of General Information:** The Exchange will amend the CME Rulebook accordingly on the effective date, which is publically available on the CME Group website, to reflect the changes that

[300 Vesey Street](#) [New York, NY 10282](#) [t 212 299 2200](#) [f 212 299 2299](#) [christopher.bowen@cmegroup.com](mailto:christopher.bowen@cmegroup.com) [cmegroup.com](#)

will be made to CME Rulebook Chapter 7 and CME Rulebook Chapter 101. In addition, the Exchange will inform the marketplace of the amendments by issuing a Market Surveillance Notice, Registrar's Office Notice and a Special Executive Report. The marketplace notices will also be posted on the Exchange's website.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.4(b)(5), the Exchange hereby certifies that the rule amendments 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 Exchange's 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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: CME Rulebook Chapter 7 ("Delivery Facilities and Procedures") (blackline format)  
Appendix B: CME Chapter 101 ("Live Cattle Futures") (blackline format)

**APPENDIX A**

**CME Rulebook**

**CHAPTER 7  
DELIVERY FACILITIES AND PROCEDURES**

**GENERAL**

- 700. SCOPE OF CHAPTER
- 701. DECLARATIONS OF FORCE MAJEURE
- 702. CLEARING MEMBER DUTIES TO THE CLEARING HOUSE

**DELIVERY FACILITIES AND PROCEDURES FOR AGRICULTURAL COMMODITIES**

- 703. ~~APPROVED WAREHOUSES~~
  - ~~703.A. Conditions for Approval~~
  - ~~703.B. Warehouse Receipts~~
- ~~704.~~ APPROVED LIVESTOCK YARDS AND SLAUGHTER PLANTS FOR LIVE CATTLE
  - ~~703.A. Conditions for Approval~~
  - 703.B. Delivery Location
- ~~704.~~ REVOCATION, EXPIRATION OR WITHDRAWAL OF REGULARITY
- 705. ~~[RESERVED]~~
- 706. APPLICATION FOR GRADING
- ~~707.-709.~~ ~~[RESERVED] OFFICIAL EXCHANGE CERTIFICATES~~
- ~~708.~~ ~~EXCHANGE CERTIFICATE INVALIDATED~~
- 709. DUPLICATE CERTIFICATES
- 710. LIABILITY FOR NEGLIGENCE OF GRADERS
- 711. FINALITY OF USDA OR OTHER REQUIRED GRADING CERTIFICATE
- 712. ~~[RESERVED] APPROVED FREIGHT FORWARDERS~~
- 713. DELIVERY PROCEDURES
  - 713.A. Notice of Intent to Deliver
  - 713.B. Delivery Notice
  - 713.C. Possession of Product and Relevant Documents
  - 713.D. Notice to Buyers
  - 713.E. Payment
- 714. FAILURE TO DELIVER
- 715. FAILURE TO ACCEPT DELIVERY OR REMIT FULL PAYMENT
- 716. DUTIES OF CLEARING MEMBERS
- 717. [RESERVED]
- 718. CUSTOMER SUBSTITUTION IN THE EVENT OF CLEARING MEMBER  
BANKRUPTCY

- 719. INITIAL REGULARITY FOR DELIVERY AGAINST A NEW FUTURES CONTRACT
- 720-729. [RESERVED]

**CLS CURRENCY DELIVERIES**

- 730. DELIVERY THROUGH CLS BANK
- 731. FOREIGN CURRENCY BUYER'S DUTIES FOR CLS DELIVERIES
- 732. FOREIGN CURRENCY SELLER'S DUTIES FOR CLS DELIVERIES
- 733. DELIVERY DATE
- 734.-735. [RESERVED]

**NON-CLS (LEGACY) CURRENCY DELIVERIES**

- 736. REGISTERED BANKS AND OTHER FACILITIES
- 737. FOREIGN CURRENCY BUYER'S DUTIES
  - 737.A. Currency Contracts
  - 737.B. Physical Delivery Currency Cross-Rate and Israeli Shekel Contracts
  - 737.C. Physical Delivery Euro versus Polish Zloty, Hungarian Forint and Czech Koruna Cross-Rate Contracts
  - 737.D. Physical Delivery U.S. Dollar/Turkish Lira and Euro/Turkish Lira Contracts
  - 737.E. Physical Delivery U.S. Dollar/Offshore Chinese Renminbi ("RMB") Contracts
  - 737.F. Restrictions
- 738. FOREIGN CURRENCY SELLER'S DUTIES
  - 738.A. U.S. Dollar-Based Currency Contracts, Euro versus Polish Zloty, Hungarian Forint, Czech Koruna Cross-Rate Contracts
  - 738.B. Physical Delivery Currency Cross-Rate and Israeli Shekel Contracts
  - 738.C. Physical Delivery U.S. Dollar/Turkish Lira and Euro/Turkish Lira Contracts
  - 738.D. Physical Delivery U.S. Dollar/Offshore Chinese Renminbi ("RMB") Contracts
  - 738.E. Restrictions
- 739. DELIVERY DATE
- 740. PAYMENTS
- 741. COSTS OF DELIVERY
- 742. DELIVERY NETTING
  - 742.A. CLS Delivered Currency Futures Contracts
  - 742.B. Non-CLS Delivered Currency Futures Contracts
- 743. DELIVERY INFRACTIONS
  - 743.A. Late or Inaccurate Delivery
  - 743.B. Delivery Obligation Failure

744. FAILSAFE CURRENCY AVAILABILITY PROCEDURES FOR PHYSICAL DELIVERY  
745.-759. [RESERVED]

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760. DELIVERY PROCEDURES IN OTHER COMMODITIES  
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**ALTERNATIVE DELIVERY PROCEDURES**

770. DELIVERY OBLIGATION TRANSFER PROCEDURES  
771. ALTERNATIVE NOTICE OF INTENTION TO DELIVER  
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**SECURITY FUTURES PRODUCTS**

780. SECURITY FUTURES PRODUCTS  
781. DELIVERY OF UNDERLYING SECURITIES  
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INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 7  
APPENDIX — LIVE CATTLE MAXIMUM DAILY GRADING CAPACITIES AT APPROVED  
STOCKYARDS  
LIVESTOCK YARDS, LOCATIONS, MAXIMUM DAILY LIVE DELIVERY LIMITS, CONTACT  
INFORMATION AND SLAUGHTER PLANTS BY DELIVERY TERRITORY

## Chapter 7 Delivery Facilities and Procedures

### GENERAL

#### 700. SCOPE OF CHAPTER

Deliveries and delivery facilities shall be governed by this chapter and, where applicable, the chapter which includes the contract specifications for the commodities being delivered and such other requirements as the Exchange may prescribe.

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

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### DELIVERY FACILITIES AND PROCEDURES FOR AGRICULTURAL COMMODITIES

#### ~~703. APPROVED WAREHOUSES~~

##### ~~703.A. Conditions for Approval~~

~~The Exchange may establish such requirements and conditions for approval as it deems necessary. However, no warehouse shall be eligible for approval unless it is a licensed, public, cold and/or dry storage warehouse, agrees to issue receipts, meets all local, state and federal requirements, and agrees:~~

- ~~1. To record the date and exact location of all commodities stored; to include the date of storage on the warehouse receipt; to record all changes of location; and to allow the Exchange to inspect all such records.~~
- ~~2. To clearly identify each lot and subplot by number.~~
- ~~3. To permit the graders sent by the Exchange to select their own samples.~~
- ~~4. To plainly mark any sample taken out of the storage room for grading.~~
- ~~5. To record when any lot or subplot has been reconditioned or had its number changed; to advise the Exchange of this fact prior to tendering such lot or subplot for inspection; and to wait a reasonable time after advising the Exchange for further instructions.~~
- ~~6. To make such reports, keep such records and permit such warehouse visitation as the CFTC may prescribe under the provisions of the Commodity Exchange Act; such books and records to be kept by the warehouse for a period of five years from the date thereof, or for such other period if the CFTC shall so direct, and such books and records and warehouse shall be open at all times to inspection by any representative of the CFTC, the United States Department of Justice or authorized officials of the Exchange.~~

##### ~~703.B. Warehouse Receipts~~

~~Warehouse receipts presented in satisfaction of delivery requirements must have been issued by a warehouse which has been approved by the Exchange for at least 30 days previous to the date of the delivery, and the commodities covered must have entered storage on or subsequent to the date of approval. The initial date of approval of warehouse, the approved status of which has been continued or renewed without interruption since that initial approval, shall be deemed the date of approval.~~

#### 704703. APPROVED LIVESTOCK YARDS AND SLAUGHTER PLANTS FOR LIVE CATTLE

##### 703.A. Conditions for Approval

Deliveries on Exchange contracts of live beef cattle can be made only at [slaughter plants or public livestock yards designated and approved for delivery by the Exchange](#).

Livestock yards and slaughter plants (hereafter "facilities") may be declared regular for delivery with the approval of the Exchange. Persons operating facilities who desire to have such facilities made regular for delivery under the Rules of the Exchange shall make application for initial Declaration of Regularity

on a form prescribed by the Exchange prior to January 1 for a one-year term beginning February 1, and at any time during a current term for the balance of that term.

Applications for renewal of regularity shall be made prior to January 1 for the respective year beginning February 1, and shall be on the same form as prescribed by the Exchange.

The Exchange, in its sole discretion, may determine and publish maximum daily live delivery limits (maximum grading capacity) for futures contracts at approved livestock yards (see Interpretations & Special Notices Relating to Chapter 7 for the current limits). These limits are subject to change based on changes such as livestock yard infrastructure (e.g., scales, holding pens, etc.) and availability of USDA grading personnel.

Regular facilities that desire to increase their regular daily limits during a current term shall make application for the desired amount of total regular daily limit on the same form as prescribed by the Exchange.

Initial regularity and increases in regularity for delivery against a listed futures contract shall be effective either thirty days after the Exchange posts a notice that a bona fide application has been received or the day after the application is approved by the Exchange, whichever is later.

Regular facilities that wish to have their regular daily limit decreased shall file with the Exchange a written request for such decrease and such decreases shall become effective once a notice has been posted by the Exchange.

The Exchange may establish such requirements and conditions for approval of regularity as it deems necessary. The application for regularity prescribed by the Exchange shall set forth conditions of regularity as well as other agreements with which the operator of the regular facility shall comply. In addition to any conditions and agreements contained in such application or in the relevant product chapter, the following shall constitute conditions for regularity and requirements with which the operator of a regular facility shall comply:

- (1) The facility making application shall be subject to inspection by the Exchange, the United States Department of Agriculture, or other government agency, as applicable.
- (2) A public livestock yard shall be a stockyard within the definition of the Packers and Stockyards Act, 1921 as amended, and shall have received notice to that effect from the Secretary of Agriculture.
- (3) The slaughter plant shall slaughter primarily fed cattle in the normal course of business, have a fed cattle slaughter capacity of at least 500 head per day, and have proper facilities for weighing and grading.
- (4) The facility must be registered and bonded with the Grain Inspection, Packers & Stockyards Administration ("GIPSA") of the U.S. Department of Agriculture.
- (5) The facility shall be provided with modern improvements and appliances for the convenient and expeditious receiving, handling and shipping of product.
- (6) The operator of the facility shall promptly notify the Registrar of any damage to the facility that prevents the facility from performing its delivery obligations under Exchange Rules.
- (7) The operator of the facility shall permit the Exchange, at any time, to examine the books and records of the facility in connection with deliveries against the contract.
- (8) The operator of the facility shall be required to keep such records, make such reports and be subject to inspection and regulation by the Secretary of Agriculture, as provided in said Packers and Stockyards Act.
- (9) The operator of the facility shall make such reports, keep such records and permit such facility visitation as the Exchange, the Commodity Futures Trading Commission or any other applicable government agency may require.
- (10) The facility must have scale(s) installed, maintained and operated in accordance with GIPSA requirements.
- (11) The operator of the facility shall not engage in unethical or inequitable practices, and shall comply with all applicable governmental laws, federal or state statutes, rules or regulations.
- (12) The facility shall immediately notify the Exchange of any changes in ownership or management of the facility.
- (13) The facility has secure holding pens with access to feed and water.
- (14) The facility must have the ability to segregate into secure holding areas cattle without access to feed or water.
- (15) The operator of the facility must provide the Exchange, on an annual basis, with its black-out dates, routine shutdown dates and must immediately notify the Exchange with any changes to those dates or any other unscheduled blackout or shutdown dates or events that will prevent the



facility from performing its delivery obligations under Exchange Rules.

(16) Persons operating regular facilities shall be subject to the Rules of the Exchange, the disciplinary procedures set forth in Chapter 4, and the arbitration procedures set forth in Chapter 6, and shall abide by and comply with the terms of any disciplinary decision imposed or any arbitration award issued against it pursuant to the Rules of the Exchange.

(17) Persons operating regular facilities shall consent to the disciplinary jurisdiction of the Exchange for five years after such regularity lapses, for conduct which occurred while the facility was regular.

The Exchange, in its sole discretion, may determine not to approve facilities for regularity, or for increases in regular daily limits of existing regular facilities, regardless of whether such facilities meet the preceding requirements and conditions. Some factors that the Exchange may, but is not required to, consider in exercising its discretion include, among others, whether deliveries at such facilities, if tendered in satisfaction of futures contracts, might be expected to adversely affect the price discovery function of futures contracts or impair the efficacy of futures trading in the relevant market, or whether the currently approved regular daily limits provide for an adequate deliverable supply.

### **703.B. Delivery Location**

Livestock yards must be located in any of the following territories:

- (1) Colorado;
- (2) Iowa, Minnesota, South Dakota;
- (3) Kansas;
- (4) Nebraska;
- (5) Texas, Oklahoma, New Mexico.

Slaughter plants must be located within a 225-road mile radius of one or more approved livestock yards.

## **704. REVOCATION, EXPIRATION OR WITHDRAWAL OF REGULARITY**

The Business Conduct Committee may revoke a declaration of regularity whenever a regular facility fails to comply with the conditions specified in this Chapter, any other conditions to which it has agreed in its application for regularity, or any other Rules of the Exchange.

Unless a shorter notification period is otherwise authorized by the Exchange, a facility shall give six (6) months prior written notice to the Exchange prior to withdrawing from regularity.

If the designation of a facility as regular is withdrawn or revoked, a notice shall be posted announcing such withdrawal or revocation and the period of time, if any, during which deliveries can be made through such facility in satisfaction of futures contracts under the Rules of the Exchange.

## **705. [RESERVED]**

## **706. APPLICATION FOR GRADING**

Application for live beef cattle gradings to be used for delivery on Exchange transactions must be filed by clearing members with the Clearing House. Requests for gradings will be forwarded to the appropriate government office in the order in which applications are received.

## **707.-709. [RESERVED] OFFICIAL EXCHANGE CERTIFICATES**

~~All agricultural commodities delivered through the Exchange must carry an Exchange Certificate bearing the signature of the President of the Clearing House and showing the grade of the commodity and the expiration date of the certificate. On all commodities where the grades are based on United States Government standards, and on all other commodities identified by the Exchange, the commodities shall be graded by government graders, and the government grading certificate shall be attached to the Exchange Certificate. The Exchange may charge for the Exchange Certificate.~~

~~If the official USDA grading certificate or other required grading certificate is, through no fault of the seller, not received in time to make delivery, the President of the Clearing House, at his sole discretion, may issue the Official Exchange Certificate on the basis of an electronically transmitted or telephoned report from the USDA grader or other designated grader. Such report shall state that the delivery unit has passed grading, note any defects that may be the basis for allowances, and state that the required USDA grading certificate has been prepared for transmittal. In such case, the report shall be attached to the Exchange Certificate pending receipt of the USDA grading certificate. The buyer shall in this event deliver payment by~~

noon on the business day following the day of delivery to the Clearing House which shall hold the payment until all the required documents are received. If all the required documents are not received within the required time, it will be deemed a delivery obligation failure by the seller who must replace the delivery unit within the time prescribed by the Clearing House.

**708. EXCHANGE CERTIFICATE INVALIDATED**

~~The removal of the commodity from the place of location designated on the Exchange Certificate invalidates the certificate.~~

**709. DUPLICATE CERTIFICATES**

~~Copies of an Exchange Certificate may be obtained at the Clearing House by the member who ordered the original grading or the owner of the goods if he is a member. There shall be stamped on each such copy the word "duplicate". The Exchange may charge for each duplicate copy issued.~~

**710. LIABILITY FOR NEGLIGENCE OF GRADERS**

~~The Exchange shall not be liable for any error or negligence of any grader. In all delivery matters, the determination of the USDA grader, for live-graded deliveries, or the USDA Meat Grader, for carcass-graded deliveries, shall be final and binding on all parties, and all claims for liability relating to gradings shall be waived by the application for the Exchange Certificate. The liability for any error in a certificate shall be that of the first party who uses the certificate for delivery through the Exchange.~~

**711. FINALITY OF USDA OR OTHER REQUIRED GRADING CERTIFICATE**

The Exchange assumes no responsibility and disclaims all liability on account of the grade, quantity or specifications of any commodity delivered on the basis of a USDA or other required grading certificate.

**712. ~~[RESERVED]~~APPROVED FREIGHT FORWARDERS**

~~In certain commodity products (i.e., International Skimmed Milk Powder Futures), freight forwarders may be used to facilitate the delivery process. A freight forwarder approved by the Exchange to facilitate the delivery process must maintain all required local, state and federal requirements applicable to a freight forwarder in its jurisdiction and any other requirements imposed on the freight forwarder by the Exchange.~~

**713. DELIVERY PROCEDURES**

**713.A. Notice of Intent to Deliver**

Where delivery requires a Notice of Intent to Deliver, the buyer and seller shall comply with the requirements of the relevant Rules contract specifications chapter and such requirements as are prescribed by the Exchange and the Clearing House.

**713.B. Delivery Notice**

Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearing House shall promptly furnish to each issuer the names of the buyers obligated to accept delivery for each commodity for which a notice was tendered and shall also inform the issuer of the number of contracts for which each buyer is obligated.

~~In the event a Delivery Notice is not generated by the Clearing House, the seller shall, within the time prescribed by the relevant contract specifications chapter or as may be prescribed by the Clearing House, tender to the Clearing House a Delivery Notice on a form prescribed by the Clearing House and such other information as is required by the Clearing House. The Delivery Notice shall contain the net invoicing price which shall be the last settlement price and, if applicable, allowances and adjustments.~~

**713.C. Possession of Product and Relevant Documents**

The seller shall by such time as is prescribed in the relevant contract specification chapter on the day of tender have possession of the product and all relevant documents.

**713.D. Notice to Buyers**

The Clearing House promptly shall pass the Delivery Notices in the order in which they are received to the clearing members obligated by the oldest open long contracts to take delivery of the same amounts of the same commodities for the same delivery month. When a member of the Clearing House who has open purchases is suspended from the Clearing House for default or insolvency, he shall be deemed out of line for delivery and tender shall be made to the clearing member obligated upon the next oldest long contract. Also, if tender is made to a clearing member who is thereafter suspended for default or insolvency before delivery is accepted, then, subject to the provisions of Rule 718, the Delivery Notice shall be withdrawn and another immediately served upon the clearing member obligated upon the next

oldest long contract.

**713.E. Payment**

Unless otherwise specifically provided in the relevant contract specification chapter, a buyer receiving a Delivery Notice from the Clearing House shall make payment in same day funds, for the net invoicing price. The buyer shall then be entitled to all required documents in proper form and with such endorsements as may be necessary to convey title and possession and as are necessary to expedite shipment. The buyer shall also be entitled to all other documents as are otherwise required by the provisions of the relevant contract specification chapter.

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**OTHER COMMODITIES**

**760. DELIVERY PROCEDURES IN OTHER COMMODITIES**

All other commodities which do not have delivery provisions specified in this chapter shall be governed by the requirements of the relevant contract specification chapter.

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**INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 7**

Live Cattle Maximum Daily Grading Capacities at Approved Stockyards by delivery territory.

Livestock Yards, Locations, Maximum Daily Live Delivery Limits, Contact Information and Slaughter Plants<sup>1</sup> by Delivery Territory

**COLORADO DELIVERY TERRITORY**

**Wray, CO**

<b><u>LIVESTOCK YARD</u></b>			
<b><u>Location Code</u></b>	<b><u>Livestock Yard</u></b>	<b><u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u></b>	<b><u>Telephone No.</u></b>
<u>WR01</u>	<u>Ranchland Livestock Auction, Inc.</u>	<u>10</u>	<u>970-332-4873</u>
<b><u>SLAUGHTER PLANTS</u></b>			
<b><u>Facility Code</u></b>	<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Telephone No.</u></b>
<u>102</u>	<u>Cargill Meat Solutions Corp.</u>	<u>Ft. Morgan, CO</u>	<u>970-867-8223</u>
<u>106</u>	<u>JBS</u>	<u>Greeley, CO</u>	<u>970-304-7336</u>
<u>113</u>	<u>Tyson Fresh Meats, Inc.</u>	<u>Holcomb, KS</u>	<u>620-277-2820</u>
<u>114</u>	<u>Tyson Fresh Meats, Inc.</u>	<u>Lexington, NE</u>	<u>308-324-5671</u>

**IOWA / MINNESOTA / SOUTH DAKOTA DELIVERY TERRITORY**

**Worthing, SD**

<b><u>LIVESTOCK YARD</u></b>			
<b><u>Location Code</u></b>	<b><u>Livestock Yard</u></b>	<b><u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u></b>	<b><u>Telephone No.</u></b>
<u>WO01</u>	<u>Sioux Falls Regional Livestock</u>	<u>60</u>	<u>605-372-8000</u>
<b><u>SLAUGHTER PLANTS</u></b>			
<b><u>Facility Code</u></b>	<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Telephone No.</u></b>
<u>103</u>	<u>Cargill Meat Solutions Corp.</u>	<u>Schuyler, NE</u>	<u>402-352-5411</u>

<sup>1</sup> Any approved slaughter plant may be selected for carcass-graded delivery provided that the approved slaughter plant corresponds to the livestock yard designated by the seller, or, is within 225 road miles of the feedlot from which the cattle originate.

<a href="#">105</a>	<a href="#">JBS</a>	<a href="#">Grand Island, NE</a>	<a href="#">308-384-5330</a>
<a href="#">111</a>	<a href="#">Tyson Fresh Meats, Inc.</a>	<a href="#">Dakota City, NE</a>	<a href="#">605-235-2061</a>

**KANSAS DELIVERY TERRITORY**

**Dodge City, KS**

<b><u>LIVESTOCK YARD</u></b>			
<b><u>Location Code</u></b>	<b><u>Livestock Yard</u></b>	<b><u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u></b>	<b><u>Telephone No.</u></b>
<a href="#">DC02</a>	<a href="#">Winter Livestock</a>	<a href="#">40</a>	<a href="#">620-225-4159</a>
<b><u>SLAUGHTER PLANTS</u></b>			
<b><u>Facility Code</u></b>	<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Telephone No.</u></b>
<a href="#">100</a>	<a href="#">Cargill Meat Solutions Corp.</a>	<a href="#">Dodge City, KS</a>	<a href="#">620-227-5800</a>
<a href="#">104</a>	<a href="#">JBS</a>	<a href="#">Cactus, TX</a>	<a href="#">806-966-5103</a>
<a href="#">107</a>	<a href="#">National Beef Packing Co.</a>	<a href="#">Dodge City, KS</a>	<a href="#">620-227-7135</a>
<a href="#">108</a>	<a href="#">National Beef Packing Co.</a>	<a href="#">Liberal, KS</a>	<a href="#">620-624-1851</a>
<a href="#">113</a>	<a href="#">Tyson Fresh Meats, Inc.</a>	<a href="#">Holcomb, KS</a>	<a href="#">620-277-2820</a>
<a href="#">114</a>	<a href="#">Tyson Fresh Meats, Inc.</a>	<a href="#">Lexington, NE</a>	<a href="#">308-324-5671</a>

**Pratt, KS**

<b><u>LIVESTOCK YARD</u></b>			
<b><u>Location Code</u></b>	<b><u>Livestock Yard</u></b>	<b><u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u></b>	<b><u>Telephone No.</u></b>
<a href="#">PK01</a>	<a href="#">Pratt Livestock Auction, Inc.</a>	<a href="#">10</a>	<a href="#">620-672-5961</a>
<b><u>SLAUGHTER PLANTS</u></b>			
<b><u>Facility Code</u></b>	<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Telephone No.</u></b>
<a href="#">100</a>	<a href="#">Cargill Meat Solutions Corp.</a>	<a href="#">Dodge City, KS</a>	<a href="#">620-227-5800</a>
<a href="#">107</a>	<a href="#">National Beef Packing Co.</a>	<a href="#">Dodge City, KS</a>	<a href="#">620-227-7135</a>
<a href="#">108</a>	<a href="#">National Beef Packing Co.</a>	<a href="#">Liberal, KS</a>	<a href="#">620-624-1851</a>
<a href="#">113</a>	<a href="#">Tyson Fresh Meats, Inc.</a>	<a href="#">Holcomb, KS</a>	<a href="#">620-277-2820</a>

**Syracuse, KS**

<b><u>LIVESTOCK YARD</u></b>			
<b><u>Location Code</u></b>	<b><u>Livestock Yard</u></b>	<b><u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u></b>	<b><u>Telephone No.</u></b>
<a href="#">SY01</a>	<a href="#">Syracuse Commission Co. Inc.</a>	<a href="#">25</a>	<a href="#">620-384-5259</a>
<b><u>SLAUGHTER PLANTS</u></b>			
<b><u>Facility Code</u></b>	<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Telephone No.</u></b>
<a href="#">100</a>	<a href="#">Cargill Meat Solutions Corp.</a>	<a href="#">Dodge City, KS</a>	<a href="#">620-227-5800</a>
<a href="#">104</a>	<a href="#">JBS</a>	<a href="#">Cactus, TX</a>	<a href="#">806-966-5103</a>
<a href="#">107</a>	<a href="#">National Beef Packing Co.</a>	<a href="#">Dodge City, KS</a>	<a href="#">620-227-7135</a>
<a href="#">108</a>	<a href="#">National Beef Packing Co.</a>	<a href="#">Liberal, KS</a>	<a href="#">620-624-1851</a>

<u>110</u>	<u>Tyson Fresh Meats, Inc.</u>	<u>Amarillo, TX</u>	<u>806-335-1531</u>
<u>113</u>	<u>Tyson Fresh Meats, Inc.</u>	<u>Holcomb, KS</u>	<u>620-277-2820</u>

**Nebraska Delivery Territory:**

**Columbus, NE**

<b><u>LIVESTOCK YARD</u></b>			
<b><u>Location Code</u></b>	<b><u>Livestock Yard</u></b>	<b><u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u></b>	<b><u>Telephone No.</u></b>
<u>CU01</u>	<u>Columbus Sales Pavilion, Inc.</u>	<u>15</u>	<u>402-564-3231</u>
<b><u>SLAUGHTER PLANTS</u></b>			
<b><u>Facility Code</u></b>	<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Telephone No.</u></b>
<u>103</u>	<u>Cargill Meat Solutions Corp.</u>	<u>Schuyler, NE</u>	<u>402-352-5411</u>
<u>105</u>	<u>JBS</u>	<u>Grand Island, NE</u>	<u>308-384-5330</u>
<u>111</u>	<u>Tyson Fresh Meats, Inc.</u>	<u>Dakota City, NE</u>	<u>605-235-2061</u>
<u>114</u>	<u>Tyson Fresh Meats, Inc.</u>	<u>Lexington, NE</u>	<u>308-324-5671</u>

**North Platte, NE**

<b><u>LIVESTOCK YARD</u></b>			
<b><u>Location Code</u></b>	<b><u>Livestock Yard</u></b>	<b><u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u></b>	<b><u>Telephone No.</u></b>
<u>NP01</u>	<u>North Platte Livestock Auction Co.</u>	<u>20</u>	<u>308-534-1200</u>
<b><u>SLAUGHTER PLANTS</u></b>			
<b><u>Facility Code</u></b>	<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Telephone No.</u></b>
<u>102</u>	<u>Cargill Meat Solutions Corp.</u>	<u>Ft. Morgan, CO</u>	<u>970-867-8223</u>
<u>103</u>	<u>Cargill Meat Solutions Corp.</u>	<u>Schuyler, NE</u>	<u>402-352-5411</u>
<u>105</u>	<u>JBS</u>	<u>Grand Island, NE</u>	<u>308-384-5330</u>
<u>114</u>	<u>Tyson Fresh Meats, Inc.</u>	<u>Lexington, NE</u>	<u>308-324-5671</u>

**Ogallala, NE**

<b><u>LIVESTOCK YARD</u></b>			
<b><u>Location Code</u></b>	<b><u>Livestock Yard</u></b>	<b><u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u></b>	<b><u>Telephone No.</u></b>
<u>ON01</u>	<u>Ogallala Livestock Auction Market, Inc.</u>	<u>25</u>	<u>308-284-2071</u>
<b><u>SLAUGHTER PLANTS</u></b>			
<b><u>Facility Code</u></b>	<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Telephone No.</u></b>
<u>102</u>	<u>Cargill Meat Solutions Corp.</u>	<u>Ft. Morgan, CO</u>	<u>970-867-8223</u>
<u>105</u>	<u>JBS</u>	<u>Grand Island, NE</u>	<u>308-384-5330</u>
<u>106</u>	<u>JBS</u>	<u>Greeley, CO</u>	<u>970-304-7336</u>
<u>114</u>	<u>Tyson Fresh Meats, Inc.</u>	<u>Lexington, NE</u>	<u>308-324-5671</u>

**TEXAS / OKLAHOMA / NEW MEXICO DELIVERY TERRITORY**

Amarillo, TX

<u>LIVESTOCK YARD</u>			
<u>Location Code</u>	<u>Livestock Yard</u>	<u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u>	<u>Telephone No.</u>
AT01	Amarillo Livestock Auction	60	806-373-7464
<u>SLAUGHTER PLANTS</u>			
<u>Facility Code</u>	<u>Name</u>	<u>City, State</u>	<u>Telephone No.</u>
101	Cargill Meat Solutions Corp.	Friona, TX	806-295-3201
104	JBS	Cactus, TX	806-966-5103
108	National Beef Packing Co.	Liberal, KS	620-624-1851
110	Tyson Fresh Meats, Inc.	Amarillo, TX	806-335-1531

Clovis, NM

<u>LIVESTOCK YARD</u>			
<u>Location Code</u>	<u>Livestock Yard</u>	<u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u>	<u>Telephone No.</u>
CN01	Clovis Livestock Auction, Inc.	15	575-762-4422
<u>SLAUGHTER PLANTS</u>			
<u>Facility Code</u>	<u>Name</u>	<u>City, State</u>	<u>Telephone No.</u>
101	Cargill Meat Solutions Corp.	Friona, TX	806-295-3201
104	JBS	Cactus, TX	806-966-5103
110	Tyson Fresh Meats, Inc.	Amarillo, TX	806-335-1531

Texhoma OK

<u>LIVESTOCK YARD</u>			
<u>Location Code</u>	<u>Livestock Yard</u>	<u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u>	<u>Telephone No.</u>
TA01	Texhoma Livestock Auction LLC	30	580-423-7641
<u>SLAUGHTER PLANTS</u>			
<u>Facility Code</u>	<u>Name</u>	<u>City, State</u>	<u>Telephone No.</u>
100	Cargill Meat Solutions Corp.	Dodge City, KS	620-227-5800
101	Cargill Meat Solutions Corp.	Friona, TX	806-295-3201
104	JBS	Cactus, TX	806-966-5103
107	National Beef Packing Co.	Dodge City, KS	620-227-7135
108	National Beef Packing Co.	Liberal, KS	620-624-1851
110	Tyson Fresh Meats, Inc.	Amarillo, TX	806-335-1531
113	Tyson Fresh Meats, Inc.	Holcomb, KS	620-277-2820

Tulia, TX

<u>LIVESTOCK YARD</u>			
<u>Location Code</u>	<u>Livestock Yard</u>	<u>Maximum Daily Live Delivery Limit (in contracts equivalent)</u>	<u>Telephone No.</u>

<u>TU01</u>	<u>Tulia Livestock Auction</u>	<u>30</u>	<u>806-995-4184</u>
<b><u>SLAUGHTER PLANTS</u></b>			
<b><u>Facility Code</u></b>	<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Telephone No.</u></b>
<u>101</u>	<u>Cargill Meat Solutions Corp.</u>	<u>Friona, TX</u>	<u>806-295-3201</u>
<u>104</u>	<u>JBS</u>	<u>Cactus, TX</u>	<u>806-966-5103</u>
<u>108</u>	<u>National Beef Packing Co.</u>	<u>Liberal, KS</u>	<u>620-624-1851</u>
<u>110</u>	<u>Tyson Fresh Meats, Inc.</u>	<u>Amarillo, TX</u>	<u>806-335-1531</u>

**Colorado Delivery Territory:**

<b>Approved Stockyard</b>	<b>Maximum Daily Grading Capacity (contracts)</b>
Wray CO	10

**Iowa / Minnesota / South Dakota Delivery Territory:**

<b>Approved Stockyard</b>	<b>Maximum Daily Grading Capacity (contracts)</b>
Worthing SD	60

**Kansas Delivery Territory:**

<b>Approved Stockyard</b>	<b>Maximum Daily Grading Capacity (contracts)</b>
Dodge City KS	40
Pratt KS	10
Syracuse KS	25

**Nebraska Delivery Territory:**

<b>Approved Stockyard</b>	<b>Maximum Daily Grading Capacity (contracts)</b>
Columbus NE	15
North Platte NE	20
Ogallala NE	25

**Texas / Oklahoma / New Mexico Delivery Territory:**

<b>Approved Stockyard</b>	<b>Maximum Daily Grading Capacity (contracts)</b>
Amarillo TX	60
Clovis NM	15
Texhoma OK	30
Tulia TX	30

## **APPENDIX B**

### **CME Rulebook Chapter 101 Live Cattle Futures**

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#### **10103. SETTLEMENT PROCEDURES**

##### **(FOR ALL CONTRACT MONTHS PRIOR TO OCTOBER 2017)**

###### **10103.A. Sources and Calculation of Adjustment Factors**

Quality grade adjustments for all delivery units will make use of the live weight equivalent of the Choice-Select boxed beef spread calculated from information reported by USDA (in \$/cwt.) for the day of tender in the National Daily Boxed Beef Cutout and Boxed Beef Cuts – Negotiated Sales – Afternoon report. This is referred to hereafter as the Live Equivalent Choice-Select Spread (LECSS) and is computed by subtracting the “Selected Boxed Beef Cut-Out Value” from the “Choice Boxed Beef Cut-Out Value” and multiplying that result by 0.0063.

The USDA By-Product Drop Value report for the day of tender shall serve as the source of information for calculating the condemned liver factor used in carcass-graded deliveries. The condemned liver factor shall equal the reported liver value (in \$/cwt.) multiplied by -0.01.

In addition, quality grade, yield grade and carcass weight adjustments will make use of factors calculated from values reported by USDA (in \$/cwt.) in the 5-Area Weekly Weighted Average Direct Slaughter Cattle – Premiums and Discounts report. The Prime, Standard, Yield Grade 1, Yield Grade 2, Yield Grade 4, Yield Grade 5, 400-500 lbs., 500-550 lbs., 550-600 lbs., 900-1000 lbs., 1000-1050 lbs. and over 1050 lbs. factors are calculated by multiplying the reported weighted average for the corresponding category by 0.0063. If a quality grade or yield grade is broken into subcategories on this report, then the factor for that quality or yield grade shall be the simple average of all reported averages for the subcategories in that category multiplied by 0.0063. The most recently issued report with respect to the day a Certificate is tendered shall be used to calculate the factors for that delivery unit. When a Certificate is tendered on the same day that a new report is issued that new report shall be used in factor calculation regardless of the time of day that the report is released.

The sub-Standard factor shall equal -25% of the tender day settlement price.

Should the USDA determine that an error exists in any of the reports used to calculate adjustment factors and subsequently issues a corrected report, that corrected report shall be used in place of the original.

###### **10103.B. Live Graded Deliveries**

###### **1. Delivery Days**

Delivery may be made on any Business Day of the contract month, and the first eleven Business Days in the succeeding calendar month, provided a Certificate has been tendered as prescribed in Rule 10104.A., except that live graded deliveries may not be made prior to the ninth Business Day following the first Friday of the contract month and may not be made on Christmas Eve nor made on New Year's Eve.

###### **2. Seller's Duties**

On the day of delivery, the seller shall promptly furnish the buyer a USDA Livestock Acceptance Certificate which shall include pen number, number of head, net weight of cattle, quality grade, estimated average hot yield, and estimated yield grade.

Delivering sellers must comply with all federal and Exchange policies concerning any affidavit that may be required for delivery of cattle.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been given an approved estrus-suppressing progestin additive. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been administered an approved open heifer protocol. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

###### **3. Payment**



Upon the seller's fulfillment of the delivery in accordance with all conditions of the contract herein set forth, the Clearing House shall release the retained funds to the seller. Title to each delivered unit shall pass to the buyer when the delivered unit is placed in the buyer's holding pen.

#### 4. Par Delivery and Substitutions

a. Par Delivery Unit. A par delivery unit is 40,000 pounds of USDA estimated Yield Grade 3, 55% Choice, 45% Select quality grade live steers or live heifers, with no individual animal weighing less than 1,050 pounds or more than 1,500 pounds and no individual heifer weighing less than 1,050 pounds or more than 1,350 pounds. A delivery unit must consist entirely of steers or entirely of heifers.

Par delivery units shall have an estimated average hot yield of 63%.

All cattle contained in a delivery unit shall be healthy. No cattle which are unmerchantable, such as crippled, sick, obviously damaged or bruised, or which for any reason do not appear to be in satisfactory condition to withstand shipment by truck shall be deliverable. No cattle showing a predominance of dairy breeding or showing a prominent hump on the forepart of the body shall be deliverable. Animals deemed to be heiferettes, cows or bred heifers shall not be deliverable. Such determinations shall be made by the grader and shall be binding on all parties.

b. Weight Deviations. Steers weighing less than 1,050 pounds or more than 1,550 pounds shall not be deliverable. Steers weighing more than 1,500 pounds but less than or equal to 1,550 pounds shall be deliverable at an adjustment equal to the 900-1000 lbs. factor described in Rule 10103.A., multiplied by the average live weight of the delivery unit. Heifers weighing less than 1,050 pounds or more than 1,350 pounds shall not be deliverable. The judgment of the grader as to the number of such overweight or underweight cattle in the delivery unit shall be final and shall be so certified on the grading certificate.

c. Yield Deviations. Delivery units with an estimated average hot yield over or under 63% shall be deliverable with an adjustment computed by dividing the estimated hot yield by 63% (the par hot yield), subtracting 1, multiplying the result by the settlement price, and then multiplying by the total live weight of the delivery unit. Units with an estimated average hot yield of less than 60% shall not be deliverable.

d. Yield Grade Deviations. Animals with an estimated yield grade of 3 are deliverable at par. Each animal with an estimated yield grade of 1, 2, 4 or 5 shall receive a per pound adjustment equal to the corresponding factors described in Rule 10103.A. Per animal yield grade adjustments shall be calculated by multiplying the per pound adjustment by the average live weight of the delivery unit.

e. Quality Grade Deviations. Delivery units composed of 55% USDA Choice grade steers or heifers and 45% USDA Select grade steers or heifers are deliverable at par.

All animals in a delivery unit shall receive a quality grade adjustment computed from the factors described in Rule 10103.A. The Live Equivalent Choice-Select Spread (LECSS) and other factors are defined in Rule 10103.A. Per pound quality grade adjustments shall be as follows:

USDA Prime:  $+0.45 \times \text{LECSS} + \text{Prime factor}$  USDA Choice:  $+0.45 \times \text{LECSS}$  USDA Select:  $-0.55 \times \text{LECSS}$  USDA Standard:  $+0.45 \times \text{LECSS} + \text{Standard factor}$  Below USDA Standard:  $+0.45 \times \text{LECSS} + \text{Standard factor} + \text{sub-Standard factor}$

The per animal quality grade adjustment shall be calculated by multiplying the per pound quality grade adjustment by the average live weight of the delivery unit.

f. Quantity Deviations. Variations in quantity of a delivery unit not in excess of 5% of 40,000 pounds shall be permitted at the time of delivery, with appropriate adjustment to reflect delivered weight but with no further penalty.

g. Delivery Points and Allowances. A delivery of live beef cattle shall be made at approved [livestock yards](#) in the following territories:

- A. Colorado – par delivery shall be made at any approved [livestock yard](#) in the state of Colorado.
- B. Iowa / Minnesota / South Dakota – par delivery shall be made at any approved [livestock yard](#) in the states of Iowa, Minnesota, or South Dakota.
- C. Kansas – par delivery shall be made at any approved [livestock yard](#) in the state of Kansas.
- D. Nebraska – par delivery shall be made at any approved [livestock yard](#) in the state of Nebraska.
- E. Texas / Oklahoma / New Mexico – par delivery shall be made at any approved [livestock yard](#) in the states of Texas, Oklahoma, or New Mexico.

h. Payment for Deviations. For the purpose of computing adjustments resulting from deviations from the par delivery unit the settlement price at the time the Certificate is tendered by the clearing member representing the seller will be used.

#### 5. Procedures and Standards for Grading, Estimating Yield and Weighing

a. Time for Grading. To be eligible for delivery, cattle must be confined in a secured pen at an approved livestock yard prior to 9:00 a.m. local time on the day of delivery. Grading and weighing shall be done on the day of delivery unless more deliveries are indicated than can be conveniently graded and weighed on the intended delivery day. In such case the President may allow grading and weighing after

2:00 p.m. local time on the day preceding delivery. The buyer must be notified within an hour after the cattle are in his holding pen that the delivery intended for him for the following day has been graded, weighed and sealed in his holding pen.

b. Grading and Estimating Yield. Seller shall deliver his cattle to a livestock yard approved by the Exchange and surrender the cattle for Exchange delivery by consigning the lot to a duly licensed, registered and bonded livestock commission firm. The cattle shall be identified in a manner satisfactory to the USDA grader and placed in holding pens.

If, on preliminary examination, the lot of cattle appears to be healthy, merchantable and in good condition, the USDA grader shall grade the cattle, estimate the average hot yield (dressing percentage) and estimate the yield grade, and shall record same on the USDA Livestock Acceptance Certificate along with the weights taken by the approved livestock yards company. Graders shall also record on the grading certificate the number of head and the pen number of the holding pen which has been sealed pending delivery to the buyer.

c. Weighing. Weighing shall be done within one hour following the completion of grading. The cattle must stand without feed but shall receive water during the interval between 9:00 a.m. and grading. However, in no event shall the cattle receive feed or water during the interval between grading and weighing.

Weighing shall be done by the approved livestock yards company on officially approved scales and recorded on the official scale ticket or official weight sheets which shall show total net weight and number of head of cattle, lot number and/or pen number and the date weighed. After grading and weighing, the cattle shall be sealed in a holding pen.

#### 6. Delivery Invoice

After grading and weighing, the USDA shall notify the Exchange of the results, from which the Exchange shall promptly prepare its Delivery Invoice incorporating the pen number, number of head, net weight, quality grade, estimated average hot yield, estimated yield grade, date of receipt of cattle and date of USDA grading. The Delivery Invoice shall be promptly delivered to the buyer and seller. Upon receipt, the USDA Livestock Acceptance Certificate shall be forwarded to the clearing member representing the buyer.

#### 7. Cost of Grading and Weighing

All yardage costs, including driving of livestock, feeding, bedding, weighing, insurance and any other required services up to and including weighing shall be borne by the seller in accordance with the published rates as set forth in the tariff of the livestock yard. The seller shall also bear the costs of grading and documentation, which will be established annually by the Exchange.

Any charges accruing after delivery by seller to the buyer's holding pen shall be borne by the buyer.

#### 8. Penalties

If, in the opinion of the USDA grader, the seller fails to present a load of steers, or fails to present steers which have been properly sorted prior to arrival at the delivery point livestock\_yards and are suitable for delivery on the date at the place specified in the Certificate of Delivery, the seller shall be penalized \$.015 per pound each Business Day, payable to the Exchange, until proper delivery is made.

If, in the opinion of the USDA grader, the seller fails to present a load of heifers, or fails to present heifers which have been properly sorted prior to arrival at the delivery point livestock\_yards and are suitable for delivery on the date at the place specified in the Certificate of Delivery, the seller shall be penalized \$.025 per pound each Business Day, payable to the Exchange, until proper delivery is made.

If, in the opinion of the USDA grader, the buyer or his agent delay, disrupt, or otherwise interfere with the delivery process in any manner, the buyer shall be penalized \$.015 per pound on each delivery unit delivered to the buyer, payable to the Exchange.

In these and all other delivery matters, the determination of the USDA grader shall be final and binding on all parties.

#### 9. Exchange Certificate

~~The rules of the Exchange in regard to the Exchange Inspection Certificate are not applicable to delivery under this Chapter.~~

### **10103.C. Carcass Graded Deliveries**

#### 1. Conditions

A buyer assigned a Certificate of Delivery may call for delivery of the cattle to an approved slaughter plant corresponding to the livestock\_yards designated in the Certificate, or to any other approved slaughter plant within 200-225 road miles of the feedlot from which the cattle originate. For the purposes of Chapter 101, a feedlot shall be defined as any location where cattle are confined to a pen and

provided access to feed and water including, but not limited to, commercial feeding operations, farmer feeding operations and livestock yards.

Final grading will reflect actual carcass results. If the buyer elects carcass grading, slaughter shall not occur prior to the third Business Day following the buyer's notification of the CME Clearing House. The Clearing House must be notified by 10:00 a.m. on the third Business Day prior to the day of slaughter of the buyer's election of carcass grading, the approved slaughter plant and slaughter day, and whether the buyer consents to a Large Lot Delivery Unit if elected by the seller under Rule 10103.C.5.f.

Upon arrival at the slaughter plant, cattle must be allowed access to water.

## 2. Delivery Days

Delivery may be made on any Business Day of the contract month on which the approved slaughter plant selected by the buyer is in operation, and on the first eleven Business Days in the succeeding calendar month, provided a Certificate has been tendered as prescribed in Rule 10104.A., and provided proper notification has been given to the Clearing House as prescribed in Rule 10103.C.1., except that carcass graded deliveries may not be made prior to the fifth Business Day following the first Friday of the contract month.

## 3. Seller's Duties

On the third Business Day prior to the day of slaughter, the Clearing House will notify the seller of the buyer's election of carcass grading, the approved slaughter plant selected by the buyer, the day of slaughter selected by the buyer and representatives of the approved slaughter plant, and whether the buyer consents to a Large Lot Delivery Unit if elected by the seller under Rule 10103.C.5.f. The seller shall be responsible for contacting representatives of the slaughter plant to coordinate arrival time and time of slaughter. The cattle shall be scheduled to arrive between 6:00 a.m. and 6:00 p.m. local time on the day of slaughter. The seller shall be responsible for transportation to the slaughter plant. The seller shall notify the Clearing House of the agreed upon arrival time by 3:00 p.m. on the second Business Day prior to slaughter.

Delivering sellers must comply with all federal or Exchange policies concerning any affidavit that may be required for delivery of cattle.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been given an approved estrus-suppressing progestin additive. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been administered an approved open heifer protocol. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

## 4. Payment

Upon the seller's fulfillment of delivery to the slaughter plant selected by the buyer and Clearing House receipt of visual grading results, the Clearing House shall release 90% of the funds to the seller. Remaining funds will be released to the seller upon the completion of final carcass grade and yield results. Title to each delivered unit shall pass to the buyer when the delivered unit is weighed and placed in a holding pen for slaughter at the approved slaughter plant selected by the buyer.

## 5. Par Delivery and Substitutions.

a. Par Delivery Unit. A par delivery unit, shipped to an approved slaughter plant designated by the buyer, shall be 40,000 pounds of live steers or live heifers which produce Yield Grade 3, 55% Choice, 45% Select grade carcass beef, with no individual carcass weighing less than 600 pounds or more than 900 pounds. A delivery unit must consist entirely of steers or entirely of heifers.

Par delivery units shall have an actual average hot yield of 63%.

All cattle contained in a delivery unit shall be healthy. Cattle which are unmerchantable, such as crippled, sick, obviously damaged or bruised, or which for any reason do not appear to be in satisfactory condition to enter normal fresh meat marketing channels shall be excluded. No cattle showing a predominance of dairy breeding or showing a prominent hump on the forepart of the body shall be deliverable.

For carcass graded deliveries only, a "prominent hump on the forepart of the body" shall be defined as a hump on a live animal which, when measured on the resulting carcass, is expected to exceed 2 inches in height when measured from a line formed by the extension of the top line (including the fat) and measuring the lean muscle (excluding the fat) perpendicular to that line in the center of the hump. Any animal(s) with a hump estimated to exceed 2 inches when measured in this manner shall be excluded from the delivery unit. If the delivered live weight falls below the 5% tolerance as specified in Rule 10103.C.5.f, the seller is responsible for replacing the removed animal(s) until the minimum live weight is achieved.

Such determinations shall be made by USDA personnel and shall be binding on all parties. All resulting carcasses must be merchantable. Carcasses which are not suitable to enter normal fresh meat marketing channels will be excluded from the delivery unit.

b. Weight Deviations. Resulting carcasses weighing less than 500 pounds shall be deliverable at a per pound adjustment equal to the 400-500 lbs factor described in Section 10103.A. Resulting carcasses weighing 500 pounds but less than 550 pounds shall be deliverable at a per pound adjustment equal to the 500-550 lbs factor described in Section 10103.A. Resulting carcasses weighing more than or equal to 550 pounds but less than 600 pounds shall be deliverable at a per pound adjustment equal to the 550-600 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 900 pounds but less than or equal to 1000 pounds shall be deliverable at a per pound adjustment equal to the 900-1000 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 1000 pounds but less than or equal to 1050 pounds shall be deliverable at a per pound adjustment equal to the 1000-1050 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 1050 pounds shall be deliverable at a per pound adjustment equal to the over 1050 lbs factor described in Section 10103.A. The per animal carcass weight adjustment shall equal the per pound adjustment multiplied by the average live weight of the delivery unit.

c. Yield Deviations. Delivery units with an actual average hot yield over or under 63% shall be deliverable with an adjustment computed by dividing the actual hot yield by 63% (the par hot yield), subtracting 1, multiplying the result by the settlement price, and then multiplying by the total live weight of the delivery unit.

d. Yield Grade Deviations. Yield grade 3 carcasses are deliverable at par. Each carcass with a yield grade of 1, 2, 4 or 5 shall receive a per pound adjustment equal to the corresponding factor described in Rule 10103.A. Per animal yield grade adjustments shall be calculated by multiplying the per pound adjustment by the average live weight of the delivery unit.

e. Quality Grade Deviations. Delivery units resulting in 55% USDA Choice grade carcasses and 45% USDA Select grade carcasses are deliverable at par. All gradeable carcasses in a delivery unit shall receive a quality grade adjustment computed from the factors described in Rule 10103.A. The Live Equivalent Choice-Select Spread (LECSS) and other factors are defined in Rule 10103.A. Per pound quality grade adjustments shall be as follows:

USDA Prime:  $+0.45 \times \text{LECSS} + \text{Prime factor}$  USDA Choice:  $+0.45 \times \text{LECSS}$  USDA Select:  $-0.55 \times \text{LECSS}$  USDA Standard:  $+0.45 \times \text{LECSS} + \text{Standard factor}$  Below USDA Standard:  $+0.45 \times \text{LECSS} + \text{Standard factor} + \text{sub-Standard factor}$ .

Carcasses with hardbone or dark cutter characteristics shall be deliverable at per pound adjustments in accordance with USDA grading procedures and equal to the quality grade factors described in Section 10103.A.

Carcasses deemed ungradeable with respect to quality grade by the USDA shall receive a per pound quality grade discount equal to 25% of the settlement price. The per animal quality grade adjustment shall be calculated by multiplying the per pound quality grade adjustment by the average live weight of the delivery unit.

f. Quantity Deviations. Variations in quantity of a delivery unit not in excess of 5% of 40,000 pounds of live weight at the approved slaughter plant shall be permitted at the time of delivery, with appropriate adjustment to reflect delivered weight but with no further penalty.

The seller shall be responsible for sorting the cattle into deliverable units prior to arrival at the slaughter plant, with each unit weighing between 38,000 pounds and 42,000 pounds and meeting the other specifications of the contract, except for Large Lot Delivery Units as described in the following paragraph. Any cattle delivered to a slaughter plant in excess of 42,000 pounds, or which do not otherwise meet the specifications of the contract, shall not be considered part of the delivery unit, and the seller shall be responsible for merchandising those additional and/or undeliverable cattle.

Delivery cattle from Certificates of Intent that were tendered to the same delivery point on the same date by one seller and are subsequently assigned to a single buyer may be grouped together for processing at the slaughter plant if both the buyer and seller consent. These Large Lot Delivery Units may not exceed a size of ten contracts. The par delivered live weight of Large Lot Delivery Units shall be 40,000 pounds times the number of contracts included in the Large Lot Delivery Unit. A 5% variance in this par delivered weight shall be allowed without penalty. For Large Lot Delivery Units only, the seller shall be relieved of the requirement that cattle be sorted into units weighing between 38,000 and 42,000 pounds prior to arrival at the slaughter plant.

g. Other Deviations. If one or more of the carcasses is condemned or is unacceptable for entry into normal fresh marketing channels (for reasons such as measles), then each such carcass shall not be considered as part of the delivery unit. If a carcass is removed from the delivery unit for reasons stated above, the total carcass weight will reflect only those carcasses acceptable for delivery, and the total delivered live-weight shall be reduced by the average live weight times the number of carcasses

removed. In the event that the total live weight falls below the 5% tolerance as specified in Rule 10103.C.5.f. as a result of the condemnation, for each removed carcass an amount equal to either 1) the par value of an animal at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining carcasses in the delivery unit, whichever is greater, shall be credited to the buyer.

Excess trimming required due to injection site abscesses or other carcass defects will reduce the total delivered carcass weight, and the resulting hot yield.

Liver condemnations in excess of 20% are the liability of the seller. To determine the maximum number of allowable liver condemnations in a par delivery unit, the number of head in the delivery unit shall be multiplied by 0.20 and the result rounded to the nearest integer. For each liver in excess of the maximum allowable, a discount equal to the condemned liver factor (described in Rule 10103.A.) multiplied by the average live weight of the delivery unit shall be applied.

If, after title to the delivery unit has passed from the seller to the buyer, an animal is condemned or otherwise becomes unacceptable for slaughter due to reasons clearly beyond the control of the seller (e.g., a broken leg caused by a fall after the pen has been sealed), that animal shall be removed from the delivery unit. An amount equal to either 1) the par value of an animal at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining animals in the delivery unit, whichever is greater, shall be credited to the seller.

If, after title to the delivery unit has passed from the seller to the buyer, a carcass is condemned, heavily trimmed, or altered in any manner such that the value of the carcass is adversely affected due to reasons clearly beyond the control of the seller (e.g., a carcass that falls off the chain or rail and onto the floor), that carcass shall be removed from the delivery unit. An amount equal to either 1) the par value of an animal at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining carcasses in the delivery unit, whichever is greater, shall be credited to the seller.

If, after title to the delivery unit has passed from the seller to the buyer, any carcass data required to perform the delivery calculations cannot be obtained for one or more carcasses due to reasons clearly beyond the control of the seller (e.g., the approved slaughter facility fails to hold carcasses for regrade), each such carcass shall be deemed Choice when the final quality grading results cannot be obtained; Yield Grade 3 when the actual yield grade results cannot be obtained; 63% or the average hot yield of the remaining carcasses in the delivery unit, whichever is greater, when the actual hot yield cannot be obtained.

h. Delivery Points and Allowances. Buyers electing carcass grading must specify an approved slaughter plant enumerated by the Exchange. Eligible slaughter plants include those enumerated for the [livestock yards](#) to which the cattle were tendered, and any other approved slaughter plant that is within [200-225 road miles](#) of the originating feedlot.

i. Payment for Deviations. For the purpose of computing adjustments resulting from deviations from the par delivery unit the settlement price at the time the Certificate is tendered by the clearing member representing the seller will be used.

#### 6. Procedures and Standards for Grading, Determining Yield and Weighing

a. Time for Arrival and Visual Inspection. Cattle shall arrive at the time agreed upon by the seller and the approved slaughter plant. Weighing and visual inspection of the cattle by USDA Meat Grading Service Personnel to ensure general conformance with the contract shall be done at the time of delivery. After completion of weighing and visual inspection, cattle will be placed in a holding pen as a unit prior to slaughter. Identity of the delivery unit shall be maintained in a manner satisfactory to the USDA Meat Grader, and shall include sealing the holding pen with a numbered seal, and recording the seal number and the plant-assigned sequential lot number of the delivery unit.

b. Grading and Determining Yield. Approved slaughter plants normally grading after one Business Day must hold carcasses falling in the top third of any quality grade except Prime for re-grading two Business Days after slaughter. Approved slaughter plants normally grading after two Business Days may hold carcasses falling in the top third of any quality grade except Prime for re-grading three Business Days after slaughter. Final grade and yield results must be completed within three Business Days of slaughter.

c. Weighing. The weight at the slaughter plant will be used as the live delivery weight and for purposes of calculating the resulting hot yield. If, in the judgment of the USDA Meat Grader, one or more of the animal(s) in the load do not generally conform with the contract specifications, the objectionable animal(s) will be removed from the delivery unit. If the delivered live weight falls below the 5% tolerance as specified in Rule 10103.C.5.f, the seller is responsible for replacing removed animal(s) until the minimum live weight is achieved.

Weighing shall be done promptly upon arrival at the slaughter plant. USDA Meat Grading Service Personnel will supervise weighing by slaughter plant employees, and shall record total net weight and

number of head of cattle, lot number and/or pen number and the date weighed. After weighing, the cattle shall be sealed in a holding pen prior to slaughter.

#### 7. Delivery Notice

Final grading results must be completed within three Business Days after the day of slaughter. The USDA Meat Grader shall notify the Exchange of the results, from which the Exchange shall promptly prepare its Delivery Invoice incorporating the lot number, number of head, net live weight, quality grade, actual average hot yield, yield grade, date of delivery to the slaughter plant, and date of final USDA grading. The Delivery Invoice shall be promptly delivered to the buyer and seller. Upon receipt, the USDA Carcass Grading Results Certificate shall be forwarded to the clearing member representing the buyer.

#### 8. Cost of Grading, Weighing, and Transportation

Death loss, feed and yardage, and all other costs are the responsibility of the seller until the cattle are delivered to the slaughter plant selected by the buyer. The buyer will be assessed a standard freight rate per mile for each additional mile the cattle are hauled over and above the distance between the feedlot and the livestock yards to which the seller originally tendered the cattle, and this freight assessment will be paid to the seller. The standard freight rate per mile will be established annually by the Exchange. The seller shall be responsible for the cost of visual inspection and weighing upon arrival at the slaughter plant. Any additional costs of carcass grading shall be borne by the buyer.

#### 9. Penalties

If, in the opinion of the USDA Meat Grader, the seller fails to present the required quantity of deliverable cattle to the slaughter plant on the date and time specified by the buyer, the seller shall be penalized \$0.015 per pound each Business Day, payable to the Exchange, until proper delivery is made.

In these and all other delivery matters, the determination of the USDA Meat Grader shall be final and binding on all parties.

#### ~~10. Exchange Certificate~~

~~The rules of the Exchange in regard to the Exchange Inspection Certificate are not applicable to delivery under this Chapter. —~~

### **10103. SETTLEMENT PROCEDURES**

#### **(FOR ALL CONTRACT MONTHS COMMENCING WITH OCTOBER 2017 AND BEYOND)**

##### **10103.A. Sources and Calculation of Adjustment Factors**

Quality grade adjustments for all delivery units will make use of the live weight equivalent of the Choice-Select boxed beef spread calculated from information reported by USDA (in \$/cwt.) for the day of tender in the National Daily Boxed Beef Cutout and Boxed Beef Cuts – Negotiated Sales – Afternoon report. This is referred to hereafter as the Live Equivalent Choice-Select Spread (LECSS) and is computed by subtracting the “Selected Boxed Beef Cut-Out Value” from the “Choice Boxed Beef Cut-Out Value” and multiplying that result by 0.0063.

The USDA By-Product Drop Value report for the day of tender shall serve as the source of information for calculating the condemned liver factor used in carcass-graded deliveries. The condemned liver factor shall equal the reported liver value (in \$/cwt.) multiplied by -0.01.

In addition, quality grade, yield grade and carcass weight adjustments will make use of factors calculated from values reported by USDA (in \$/cwt.) in the 5-Area Weekly Weighted Average Direct Slaughter Cattle – Premiums and Discounts report. The Prime, Standard, Yield Grade 1, Yield Grade 2, Yield Grade 4, Yield Grade 5, 400-500 lbs., 500-550 lbs, 550-600 lbs., 900-1000 lbs., 1000-1050 lbs. and over 1050 lbs. factors are calculated by multiplying the reported weighted average for the corresponding category by 0.0063. If a quality grade or yield grade is broken into subcategories on this report, then the factor for that quality or yield grade shall be the simple average of all reported averages for the subcategories in that category multiplied by 0.0063. The most recently issued report with respect to the day a Certificate is tendered shall be used to calculate the factors for that delivery unit. When a Certificate is tendered on the same day that a new report is issued that new report shall be used in factor calculation regardless of the time of day that the report is released.

The sub-Standard factor shall equal -25% of the tender day settlement price.

Should the USDA determine that an error exists in any of the reports used to calculate adjustment factors and subsequently issues a corrected report, that corrected report shall be used in place of the original.

##### **10103.B. Live Graded Deliveries**

#### 1. Delivery Days

Delivery may be made on any Business Day of the contract month, and the first eleven Business Days in the succeeding calendar month, provided a Certificate has been tendered as prescribed in Rule 10104.A., except that live graded deliveries may not be made prior to the ninth Business Day following the first Friday of the contract month and may not be made on Christmas Eve nor made on New Year's Eve.

## 2. Seller's Duties

On the day of delivery, the seller shall promptly furnish the buyer a USDA Livestock Acceptance Certificate which shall include pen number, number of head, net weight of cattle, quality grade, estimated average hot yield, and estimated yield grade.

Delivering sellers must comply with all federal and Exchange policies concerning any affidavit that may be required for delivery of cattle.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been given an approved estrus-suppressing progestin additive. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been administered an approved open heifer protocol. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

## 3. Payment

Upon the seller's fulfillment of the delivery in accordance with all conditions of the contract herein set forth, the Clearing House shall release the retained funds to the seller. Title to each delivered unit shall pass to the buyer when the delivered unit is placed in the buyer's holding pen.

## 4. Par Delivery and Substitutions

a. Par Delivery Unit. A par delivery unit is 40,000 pounds of USDA estimated Yield Grade 3, 60% Choice, 40% Select quality grade live steers or live heifers, with no individual animal weighing less than 1,050 pounds or more than 1,500 pounds and no individual heifer weighing less than 1,050 pounds or more than 1,350 pounds. A delivery unit must consist entirely of steers or entirely of heifers.

Par delivery units shall have an estimated average hot yield of 63.0%.

All cattle contained in a delivery unit shall be healthy. No cattle which are unmerchantable, such as crippled, sick, obviously damaged or bruised, or which for any reason do not appear to be in satisfactory condition to withstand shipment by truck shall be deliverable. No cattle showing a predominance of dairy breeding or showing a prominent hump on the forepart of the body shall be deliverable. Animals deemed to be heiferettes, cows or bred heifers shall not be deliverable. Such determinations shall be made by the grader and shall be binding on all parties.

b. Weight Deviations. Steers weighing less than 1,050 pounds or more than 1,550 pounds shall not be deliverable. Steers weighing more than 1,500 pounds but less than or equal to 1,550 pounds shall be deliverable at an adjustment equal to the 900-1000 lbs. factor described in Rule 10103.A., multiplied by the average live weight of the delivery unit. Heifers weighing less than 1,050 pounds or more than 1,350 pounds shall not be deliverable. The judgment of the grader as to the number of such overweight or underweight cattle in the delivery unit shall be final and shall be so certified on the grading certificate.

c. Yield Deviations. Delivery units with an estimated average hot yield over or under 63.0% shall be deliverable with an adjustment computed by dividing the estimated hot yield by 63.0% (the par hot yield), subtracting 1, multiplying the result by the settlement price, and then multiplying by the total live weight of the delivery unit. Units with an estimated average hot yield of less than 60% shall not be deliverable.

d. Yield Grade Deviations. Animals with an estimated yield grade of 3 are deliverable at par. Each animal with an estimated yield grade of 1, 2, 4 or 5 shall receive a per pound adjustment equal to the corresponding factors described in Rule 10103.A. Per animal yield grade adjustments shall be calculated by multiplying the per pound adjustment by the average live weight of the delivery unit.

e. Quality Grade Deviations. Delivery units composed of 60% USDA Choice grade steers or heifers and 40% USDA Select grade steers or heifers are deliverable at par.

All animals in a delivery unit shall receive a quality grade adjustment computed from the factors described in Rule 10103.A. The Live Equivalent Choice-Select Spread (LECSS) and other factors are defined in Rule 10103.A. Per pound quality grade adjustments shall be as follows:

USDA Prime:  $+0.40 \times \text{LECSS} + \text{Prime factor}$ ; USDA Choice:  $+0.40 \times \text{LECSS}$ ; USDA Select:  $-0.60 \times \text{LECSS}$ ; USDA Standard:  $+0.40 \times \text{LECSS} + \text{Standard factor}$ ; Below USDA Standard:  $+0.40 \times \text{LECSS} + \text{Standard factor} + \text{sub-Standard factor}$

The per animal quality grade adjustment shall be calculated by multiplying the per pound quality grade adjustment by the average live weight of the delivery unit.

f. Quantity Deviations. Variations in quantity of a delivery unit not in excess of 5% of 40,000 pounds shall be permitted at the time of delivery, with appropriate adjustment to reflect delivered weight but with no further penalty.

g. Delivery Points and Allowances. A delivery of live beef cattle shall be made at approved livestock yards in the following territories:

- A. Colorado – par delivery shall be made at any approved livestock\_yard in the state of Colorado.
- B. Iowa / Minnesota / South Dakota – Deliveries of live beef cattle shall be made at a discount of \$1.50/cwt during October contract months and at par in all other contract months at any approved livestock\_yard in the states of Iowa, Minnesota, or South Dakota.
- C. Kansas – par delivery shall be made at any approved livestock\_yard in the state of Kansas.
- D. Nebraska – par delivery shall be made at any approved livestock\_yard in the state of Nebraska.
- E. Texas / Oklahoma / New Mexico – par delivery shall be made at any approved livestock\_yard in the states of Texas, Oklahoma, or New Mexico.

h. Payment for Deviations. For the purpose of computing adjustments resulting from deviations from the par delivery unit the settlement price at the time the Certificate is tendered by the clearing member representing the seller will be used.

#### 5. Procedures and Standards for Grading, Estimating Yield and Weighing

a. Time for Grading. To be eligible for delivery, cattle must be confined in a secured pen at an approved livestock yard prior to 9:00 a.m. local time on the day of delivery. Grading and weighing shall be done on the day of delivery unless more deliveries are indicated than can be conveniently graded and weighed on the intended delivery day. In such case the President may allow grading and weighing after 2:00 p.m. local time on the day preceding delivery. The buyer must be notified within an hour after the cattle are in his holding pen that the delivery intended for him for the following day has been graded, weighed and sealed in his holding pen.

b. Grading and Estimating Yield. Seller shall deliver his cattle to a livestock yard approved by the Exchange and surrender the cattle for Exchange delivery by consigning the lot to a duly licensed, registered and bonded livestock commission firm. The cattle shall be identified in a manner satisfactory to the USDA grader and placed in holding pens.

If, on preliminary examination, the lot of cattle appears to be healthy, merchantable and in good condition, the USDA grader shall grade the cattle, estimate the average hot yield (dressing percentage) and estimate the yield grade, and shall record same on the USDA Livestock Acceptance Certificate along with the weights taken by the approved livestock yards company. Graders shall also record on the grading certificate the number of head and the pen number of the holding pen which has been sealed pending delivery to the buyer.

c. Weighing. Weighing shall be done within one hour following the completion of grading. The cattle must stand without feed but shall receive water during the interval between 9:00 a.m. and grading. However, in no event shall the cattle receive feed or water during the interval between grading and weighing.

Weighing shall be done by the approved livestock yards' company on officially approved scales and recorded on the official scale ticket or official weight sheets which shall show total net weight and number of head of cattle, lot number and/or pen number and the date weighed. After grading and weighing, the cattle shall be sealed in a holding pen.

#### 6. Delivery Invoice

After grading and weighing, the USDA shall notify the Exchange of the results, from which the Exchange shall promptly prepare its Delivery Invoice incorporating the pen number, number of head, net weight, quality grade, estimated average hot yield, estimated yield grade, date of receipt of cattle and date of USDA grading. The Delivery Invoice shall be promptly delivered to the buyer and seller. Upon receipt, the USDA Livestock Acceptance Certificate shall be forwarded to the clearing member representing the buyer.

#### 7. Cost of Grading and Weighing

All yardage costs, including driving of livestock, feeding, bedding, weighing, insurance and any other required services up to and including weighing shall be borne by the seller in accordance with the published rates as set forth in the tariff of the livestock yard. The seller shall also bear the costs of grading and documentation, which will be established annually by the Exchange.

Any charges accruing after delivery by seller to the buyer's holding pen shall be borne by the buyer.

#### 8. Penalties

If, in the opinion of the USDA grader, the seller fails to present a load of steers, or fails to present steers which have been properly sorted prior to arrival at the delivery point livestock\_yards and are suitable for



delivery on the date at the place specified in the Certificate of Delivery, the seller shall be penalized \$.015 per pound each Business Day, payable to the Exchange, until proper delivery is made.

If, in the opinion of the USDA grader, the seller fails to present a load of heifers, or fails to present heifers which have been properly sorted prior to arrival at the delivery point livestock\_yards and are suitable for delivery on the date at the place specified in the Certificate of Delivery, the seller shall be penalized \$.025 per pound each Business Day, payable to the Exchange, until proper delivery is made.

If, in the opinion of the USDA grader, the buyer or his agent delay, disrupt, or otherwise interfere with the delivery process in any manner, the buyer shall be penalized \$.015 per pound on each delivery unit delivered to the buyer, payable to the Exchange.

In these and all other delivery matters, the determination of the USDA grader shall be final and binding on all parties.

#### ~~9. Exchange Certificate~~

~~The rules of the Exchange in regard to the Exchange Inspection Certificate are not applicable to delivery under this Chapter.~~

### **10103.C. Carcass Graded Deliveries**

#### 1. Conditions

A buyer assigned a Certificate of Delivery may call for delivery of the cattle to an approved slaughter plant corresponding to the livestock\_yards designated in the Certificate, or to any other approved slaughter plant within 200-225 road miles of the feedlot from which the cattle originate. For the purposes of Chapter 101, a feedlot shall be defined as any location where cattle are confined to a pen and provided access to feed and water including, but not limited to, commercial feeding operations, farmer feeding operations and livestock\_yards.

Final grading will reflect actual carcass results. If the buyer elects carcass grading, slaughter shall not occur prior to the third Business Day following the buyer's notification of the CME Clearing House. The Clearing House must be notified by 10:00 a.m. on the third Business Day prior to the day of slaughter of the buyer's election of carcass grading, the approved slaughter plant and slaughter day, and whether the buyer consents to a Large Lot Delivery Unit if elected by the seller under Rule 10103.C.5.f.

Upon arrival at the slaughter plant, cattle must be allowed access to water.

#### 2. Delivery Days

Delivery may be made on any Business Day of the contract month on which the approved slaughter plant selected by the buyer is in operation, and on the first eleven Business Days in the succeeding calendar month, provided a Certificate has been tendered as prescribed in Rule 10104.A., and provided proper notification has been given to the Clearing House as prescribed in Rule 10103.C.1., except that carcass graded deliveries may not be made prior to the fifth Business Day following the first Friday of the contract month.

#### 3. Seller's Duties

On the third Business Day prior to the day of slaughter, the Clearing House will notify the seller of the buyer's election of carcass grading, the approved slaughter plant selected by the buyer, the day of slaughter selected by the buyer and representatives of the approved slaughter plant, and whether the buyer consents to a Large Lot Delivery Unit if elected by the seller under Rule 10103.C.5.f. The seller shall be responsible for contacting representatives of the slaughter plant to coordinate arrival time and time of slaughter. The cattle shall be scheduled to arrive between 6:00 a.m. and 6:00 p.m. local time on the day of slaughter. The seller shall be responsible for transportation to the slaughter plant. The seller shall notify the Clearing House of the agreed upon arrival time by 3:00 p.m. on the second Business Day prior to slaughter.

Delivering sellers must comply with all federal or Exchange policies concerning any affidavit that may be required for delivery of cattle.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been given an approved estrus-suppressing progestin additive. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been administered an approved open heifer protocol. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

#### 4. Payment

Upon the seller's fulfillment of delivery to the slaughter plant selected by the buyer and Clearing House receipt of visual grading results, the Clearing House shall release 90% of the funds to the seller. Remaining funds will be released to the seller upon the completion of final carcass grade and yield

results. Title to each delivered unit shall pass to the buyer when the delivered unit is weighed and placed in a holding pen for slaughter at the approved slaughter plant selected by the buyer.

#### 5. Par Delivery and Substitutions.

a. Par Delivery Unit. A par delivery unit, shipped to an approved slaughter plant designated by the buyer, shall be 40,000 pounds of live steers or live heifers which produce Yield Grade 3, 60% Choice, 40% Select grade carcass beef, with no individual carcass weighing less than 600 pounds or more than 900 pounds. A delivery unit must consist entirely of steers or entirely of heifers.

Par delivery units shall have an actual average hot yield of 63.0%.

All cattle contained in a delivery unit shall be healthy. Cattle which are unmerchantable, such as crippled, sick, obviously damaged or bruised, or which for any reason do not appear to be in satisfactory condition to enter normal fresh meat marketing channels shall be excluded. No cattle showing a predominance of dairy breeding or showing a prominent hump on the forepart of the body shall be deliverable.

For carcass graded deliveries only, a "prominent hump on the forepart of the body" shall be defined as a hump on a live animal which, when measured on the resulting carcass, is expected to exceed 2 inches in height when measured from a line formed by the extension of the top line (including the fat) and measuring the lean muscle (excluding the fat) perpendicular to that line in the center of the hump. Any animal(s) with a hump estimated to exceed 2 inches when measured in this manner shall be excluded from the delivery unit. If the delivered live weight falls below the 5% tolerance as specified in Rule 10103.C.5.f, the seller is responsible for replacing the removed animal(s) until the minimum live weight is achieved.

Such determinations shall be made by USDA personnel and shall be binding on all parties. All resulting carcasses must be merchantable. Carcasses which are not suitable to enter normal fresh meat marketing channels will be excluded from the delivery unit.

b. Weight Deviations. Resulting carcasses weighing less than 500 pounds shall be deliverable at a per pound adjustment equal to the 400-500 lbs factor described in Section 10103.A. Resulting carcasses weighing 500 pounds but less than 550 pounds shall be deliverable at a per pound adjustment equal to the 500-550 lbs factor described in Section 10103.A. Resulting carcasses weighing more than or equal to 550 pounds but less than 600 pounds shall be deliverable at a per pound adjustment equal to the 550-600 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 600 pounds but less than or equal to 1000 pounds shall be deliverable at a per pound adjustment equal to the 900-1000 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 1000 pounds but less than or equal to 1050 pounds shall be deliverable at a per pound adjustment equal to the 1000-1050 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 1050 pounds shall be deliverable at a per pound adjustment equal to the over 1050 lbs factor described in Section 10103.A. The per animal carcass weight adjustment shall equal the per pound adjustment multiplied by the average live weight of the delivery unit.

c. Yield Deviations. Delivery units with an actual average hot yield over or under 63.0% shall be deliverable with an adjustment computed by dividing the actual hot yield by 63.0% (the par hot yield), subtracting 1, multiplying the result by the settlement price, and then multiplying by the total live weight of the delivery unit.

d. Yield Grade Deviations. Yield grade 3 carcasses are deliverable at par. Each carcass with a yield grade of 1, 2, 4 or 5 shall receive a per pound adjustment equal to the corresponding factor described in Rule 10103.A. Per animal yield grade adjustments shall be calculated by multiplying the per pound adjustment by the average live weight of the delivery unit.

e. Quality Grade Deviations. Delivery units resulting in 60% USDA Choice grade carcasses and 40% USDA Select grade carcasses are deliverable at par. All gradeable carcasses in a delivery unit shall receive a quality grade adjustment computed from the factors described in Rule 10103.A. The Live Equivalent Choice-Select Spread (LECSS) and other factors are defined in Rule 10103.A. Per pound quality grade adjustments shall be as follows:

USDA Prime:  $+0.40 \times \text{LECSS} + \text{Prime factor}$ ; USDA Choice:  $+0.40 \times \text{LECSS}$  USDA Select:  $-0.60 \times \text{LECSS}$  USDA Standard:  $+0.40 \times \text{LECSS} + \text{Standard factor}$  Below USDA Standard:  $+0.40 \times \text{LECSS} + \text{Standard factor} + \text{sub-Standard factor}$ .

Carcasses with hardbone or dark cutter characteristics shall be deliverable at per pound adjustments in accordance with USDA grading procedures and equal to the quality grade factors described in Section 10103.A.

Carcasses deemed ungradeable with respect to quality grade by the USDA shall receive a per pound quality grade discount equal to 25% of the settlement price. The per animal quality grade adjustment shall be calculated by multiplying the per pound quality grade adjustment by the average live weight of the delivery unit.

f. Quantity Deviations. Variations in quantity of a delivery unit not in excess of 5% of 40,000 pounds of live weight at the approved slaughter plant shall be permitted at the time of delivery, with appropriate adjustment to reflect delivered weight but with no further penalty.

The seller shall be responsible for sorting the cattle into deliverable units prior to arrival at the slaughter plant, with each unit weighing between 38,000 pounds and 42,000 pounds and meeting the other specifications of the contract, except for Large Lot Delivery Units as described in the following paragraph. Any cattle delivered to a slaughter plant in excess of 42,000 pounds, or which do not otherwise meet the specifications of the contract, shall not be considered part of the delivery unit, and the seller shall be responsible for merchandising those additional and/or undeliverable cattle.

Delivery cattle from Certificates of Intent that were tendered to the same delivery point on the same date by one seller and are subsequently assigned to a single buyer may be grouped together for processing at the slaughter plant if both the buyer and seller consent. These Large Lot Delivery Units may not exceed a size of ten contracts. The par delivered live weight of Large Lot Delivery Units shall be 40,000 pounds times the number of contracts included in the Large Lot Delivery Unit. A 5% variance in this par delivered weight shall be allowed without penalty. For Large Lot Delivery Units only, the seller shall be relieved of the requirement that cattle be sorted into units weighing between 38,000 and 42,000 pounds prior to arrival at the slaughter plant.

g. Other Deviations. If one or more of the carcasses is condemned or is unacceptable for entry into normal fresh marketing channels (for reasons such as measles), then each such carcass shall not be considered as part of the delivery unit. If a carcass is removed from the delivery unit for reasons stated above, the total carcass weight will reflect only those carcasses acceptable for delivery, and the total delivered live-weight shall be reduced by the average live weight times the number of carcasses removed. In the event that the total live weight falls below the 5% tolerance as specified in Rule 10103.C.5.f. as a result of the condemnation, for each removed carcass an amount equal to either 1) the par value of an animal at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining carcasses in the delivery unit, whichever is greater, shall be credited to the buyer.

Excess trimming required due to injection site abscesses or other carcass defects will reduce the total delivered carcass weight, and the resulting hot yield.

Liver condemnations in excess of 20% are the liability of the seller. To determine the maximum number of allowable liver condemnations in a par delivery unit, the number of head in the delivery unit shall be multiplied by 0.20 and the result rounded to the nearest integer. For each liver in excess of the maximum allowable, a discount equal to the condemned liver factor (described in Rule 10103.A.) multiplied by the average live weight of the delivery unit shall be applied.

If, after title to the delivery unit has passed from the seller to the buyer, an animal is condemned or otherwise becomes unacceptable for slaughter due to reasons clearly beyond the control of the seller (e.g., a broken leg caused by a fall after the pen has been sealed), that animal shall be removed from the delivery unit. An amount equal to either 1) the par value of an animal at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining animals in the delivery unit, whichever is greater, shall be credited to the seller.

If, after title to the delivery unit has passed from the seller to the buyer, a carcass is condemned, heavily trimmed, or altered in any manner such that the value of the carcass is adversely affected due to reasons clearly beyond the control of the seller (e.g., a carcass that falls off the chain or rail and onto the floor), that carcass shall be removed from the delivery unit. An amount equal to either 1) the par value of an animal at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining carcasses in the delivery unit, whichever is greater, shall be credited to the seller.

If, after title to the delivery unit has passed from the seller to the buyer, any carcass data required to perform the delivery calculations cannot be obtained for one or more carcasses due to reasons clearly beyond the control of the seller (e.g., the approved slaughter facility fails to hold carcasses for regrade), each such carcass shall be deemed Choice when the final quality grading results cannot be obtained; Yield Grade 3 when the actual yield grade results cannot be obtained; 63.0% or the average hot yield of the remaining carcasses in the delivery unit, whichever is greater, when the actual hot yield cannot be obtained.

h. Delivery Points and Allowances. Buyers electing carcass grading must specify an approved slaughter plant enumerated by the Exchange. Eligible slaughter plants include those enumerated for the [livestock yards](#) to which the cattle were tendered, and any other approved slaughter plant that is within [200-225 road miles](#) of the originating feedlot. A delivery of carcass graded beef cattle shall have originally been tendered to an approved [livestock yard](#) in the following territories:

- A. Colorado – par delivery of carcass graded beef cattle may have originally been tendered to any approved [livestock yard](#) in the state of Colorado.

- B. Iowa / Minnesota / South Dakota – delivery of carcass graded beef cattle at a discount of \$1.50/cwt during October contract months and at par in all other contract months may have originally been tendered to any approved livestock\_yard in the states of Iowa, Minnesota, or South Dakota.
  - C. Kansas – par delivery of carcass graded beef cattle may have originally been tendered to any approved livestock\_yard in the state of Kansas.
  - D. Nebraska – par delivery of carcass graded beef cattle may have originally been tendered to any approved livestock\_yard in the state of Nebraska.
  - E. Texas / Oklahoma / New Mexico – par delivery of carcass graded beef cattle may have originally been tendered to any approved livestock\_yard in the states of Texas, Oklahoma, or New Mexico.
- i. Payment for Deviations. For the purpose of computing adjustments resulting from deviations from the par delivery unit the settlement price at the time the Certificate is tendered by the clearing member representing the seller will be used.

#### 6. Procedures and Standards for Grading, Determining Yield and Weighing

a. Time for Arrival and Visual Inspection. Cattle shall arrive at the time agreed upon by the seller and the approved slaughter plant. Weighing and visual inspection of the cattle by USDA Meat Grading Service Personnel to ensure general conformance with the contract shall be done at the time of delivery. After completion of weighing and visual inspection, cattle will be placed in a holding pen as a unit prior to slaughter. Identity of the delivery unit shall be maintained in a manner satisfactory to the USDA Meat Grader, and shall include sealing the holding pen with a numbered seal, and recording the seal number and the plant-assigned sequential lot number of the delivery unit.

b. Grading and Determining Yield. Approved slaughter plants normally grading after one Business Day must hold carcasses falling in the top third of any quality grade except Prime for re-grading two Business Days after slaughter. Approved slaughter plants normally grading after two Business Days may hold carcasses falling in the top third of any quality grade except Prime for re-grading three Business Days after slaughter. Final grade and yield results must be completed within three Business Days of slaughter.

c. Weighing. The weight at the slaughter plant will be used as the live delivery weight and for purposes of calculating the resulting hot yield. If, in the judgment of the USDA Meat Grader, one or more of the animal(s) in the load do not generally conform with the contract specifications, the objectionable animal(s) will be removed from the delivery unit. If the delivered live weight falls below the 5% tolerance as specified in Rule 10103.C.5.f, the seller is responsible for replacing removed animal(s) until the minimum live weight is achieved.

Weighing shall be done promptly upon arrival at the slaughter plant. USDA Meat Grading Service Personnel will supervise weighing by slaughter plant employees, and shall record total net weight and number of head of cattle, lot number and/or pen number and the date weighed. After weighing, the cattle shall be sealed in a holding pen prior to slaughter.

#### 7. Delivery Notice

Final grading results must be completed within three Business Days after the day of slaughter. The USDA Meat Grader shall notify the Exchange of the results, from which the Exchange shall promptly prepare its Delivery Invoice incorporating the lot number, number of head, net live weight, quality grade, actual average hot yield, yield grade, date of delivery to the slaughter plant, and date of final USDA grading. The Delivery Invoice shall be promptly delivered to the buyer and seller. Upon receipt, the USDA Carcass Grading Results Certificate shall be forwarded to the clearing member representing the buyer.

#### 8. Cost of Grading, Weighing, and Transportation

Death loss, feed and yardage, and all other costs are the responsibility of the seller until the cattle are delivered to the slaughter plant selected by the buyer. The buyer will be assessed a standard freight rate per mile for each additional mile the cattle are hauled over and above the distance between the feedlot and the livestock\_yards to which the seller originally tendered the cattle, and this freight assessment will be paid to the seller. The standard freight rate per mile will be established annually by the Exchange. The seller shall be responsible for the cost of visual inspection and weighing upon arrival at the slaughter plant. Any additional costs of carcass grading shall be borne by the buyer.

#### 9. Penalties

If, in the opinion of the USDA Meat Grader, the seller fails to present the required quantity of deliverable cattle to the slaughter plant on the date and time specified by the buyer, the seller shall be penalized \$0.015 per pound each Business Day, payable to the Exchange, until proper delivery is made.

In these and all other delivery matters, the determination of the USDA Meat Grader shall be final and binding on all parties.

~~10. Exchange Certificate~~

~~The rules of the Exchange in regard to the Exchange Inspection Certificate are not applicable to delivery under this Chapter.~~

**10104. PROCEDURES FOR TENDER, DEMAND, RETENDER, RECLAIM, AND ASSIGNMENT OF CERTIFICATES OF DELIVERY**

**10104.A. Tendering a Certificate**

A clearing member representing a short may present a Certificate of Delivery (on a form prescribed by the Clearing House) to the Clearing House no later than 4:30 p.m. on any Business Day except that Certificates may not be tendered:

1. On or before the first Friday of the contract month; and
2. After the third Business Day after expiration.

A Certificate of Delivery is a commitment to deliver cattle conforming with contract specifications at the delivery point designated in the Certificate, or at a corresponding approved slaughter plant selected by the buyer, if the Certificate is not reclaimed. A Certificate requires delivery on the eighth Business Day that is also a delivery day following the tender of that Certificate, if the buyer elects live grading. If live graded delivery would occur on either Christmas Eve or New Year's Eve, then live graded delivery shall occur on the following Business Day. If the buyer elects carcass grading, the Certificate requires delivery at the option of the buyer on any Business Day the slaughter plant is in operation between the fourth Business Day and the eighth Business Day, inclusive, following tender of that Certificate.

A Certificate must include the name, location, business address, and telephone number of the feedlot from which the cattle originate. A Certificate must also include: (1) the distance between the feedlot and the livestock yards to which the cattle are tendered for delivery; (2) the distance between the feedlot and the approved slaughter plants corresponding to the livestock yards to which the cattle are tendered for delivery; (3) any other approved slaughter plants within ~~200-225 road~~ miles of the feedlot and the distances to such approved slaughter plants and (4) whether steers or heifers will be delivered.

The seller is responsible for determining, in advance of tendering a Certificate, if the delivery point livestock yards will be able to accommodate a live-graded delivery on the eighth Business Day following the day of tender should the buyer request one. If the buyer requests a live-graded delivery which the livestock yards is unable to accommodate, then this will be deemed a failure by the seller to present a load of cattle for USDA grading under Rule 10103.B.8. In addition, the Exchange may prohibit deliveries on certain days for certain locations at which it deems deliveries would not be feasible due to auctions or other activities.

**10104.B. Posting**

By 4:35 p.m. the Clearing House shall post a list of the tendered and retendered Certificates specifying delivery points and accrued retender charges. Demand Notices and Reclaim Notices may be presented only for Certificates which are included on the list.

**10104.C. Demand Notice**

A clearing member representing a long may present a Demand Notice for the purpose of securing priority in the assignment of a Certificate of Delivery. The following rules govern Demand Notices:

1. The Demand Notice shall be presented to the Clearing House (on a form prescribed by the Clearing House) by 5:00 p.m. on any Business Day on which Certificates are tendered or retendered.
2. The Demand Notice shall specify: the date the long position was established, the buyer's choice (if any) for delivery points, the buyer's choice (if any) for the gender of the cattle and the minimum amount of accrued retender charges acceptable to the buyer.
3. A Certificate assigned to a Demand Notice may not be retendered.
4. A Demand Notice which is not assigned a Certificate on the day of presentment is void.

**10104.D. Retender**

A clearing member representing a long that is assigned a Certificate may retender that Certificate. The following rules govern retender:

1. A Certificate may only be retendered twice. A long that has been assigned a Certificate which has been retendered twice must take delivery.
2. A Certificate that has been assigned to a Demand Notice may not be retendered.
3. A Certificate may not be retendered after the last Trading Days of the contract month.
4. A long assigned a Certificate must establish a short position in the delivery month and notify the Clearing House of retender by 4:30 p.m. on the Business Day following assignment.

5. The retendering long will be assessed a retender charge of \$.01 per pound (\$400 per contract). The retender charges accrue to the Certificate and are payable to the long exercising the Certificate or to the reclaiming short.

**10104.E. Reclaim**

A clearing member representing a short that has tendered a Certificate may reclaim that Certificate upon the first or second retender if there is no Demand Notice issued for that Certificate.

The reclaiming short must have established a long position in the contract month and must issue a Reclaim Notice (on a form prescribed by the Clearing House) to the Clearing House by 5:00 p.m. on the day the Certificate is retendered.

**10104.F. Assignment of Certificates**

The Clearing House shall assign Certificates and notify the clearing member representing the long on the day of tender or retender. Assignments shall be made in the following order:

1. Newly-tendered Certificates and retendered Certificates shall be assigned to Demand Notices which specify delivery points, gender and retender charges which match those of the Certificate. In the case of duplication, the Certificate shall be assigned to the Demand Notice submitted by the long with the oldest long position. In the case of Demand Notices with long positions established on the same date, the time the Demand Notice was submitted to the Clearing House will determine priority.
2. Retendered Certificates which have not been assigned to Demand Notices will be assigned to Reclaim Notices, if any.
3. Retendered Certificates and newly-tendered Certificates which have not been demanded or reclaimed will be assigned to long positions by matching the Certificates having the largest retender charges with the oldest long positions.

**10104.G. Payments for Tender and Retender**

1. All payment shall be by wire transfer of funds or by certified or cashier's check presented to the Clearing House.
2. Payment for an assigned Certificate must be submitted to the Clearing House by 12:00 noon on the Business Day after a tendered or retendered Certificate is assigned. The assignee shall submit payment equal to the settlement price on the day of assignment less accrued retender charges times the par weight, 40,000 pounds.
3. Payment received for a newly-tendered Certificate shall be retained by the Clearing House until the Certificate is reclaimed or until cattle conforming with contract specifications are delivered.
4. The Clearing House shall remit payment received for a retendered Certificate to the retenderer by the close of business on the Business Day following the day of retender.

**10105. [RESERVED]**  
(End Chapter 101)

**INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 101**

In response to the regulations issued on January 12, 2004 by the United States Department of Agriculture, Food Safety and Inspection Service ("USDA-FSIS"), in Docket No. 03-0251F, and supplemented in USDA FSIS Notice 05-04, issued on January 12, 2004, any and all cattle aged 30 months or more are not deliverable for either live or carcass delivery pursuant to Rules 10103.B. and 10103.C.