

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 19-168 (2 of 2)

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 4/22/2018

Filing Description: Amendments to the Trading Hours and Daily Settlement Procedure Document and Daily Price Limits Rule in Connection with the Random Length Lumber Futures and Options on Random Length Lumber Futures Contracts

**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 checked="" 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 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:** See filing.

**Rule Numbers:** See filing.

April 22, 2019

**VIA ELECTRONIC PORTAL**

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

**Re: CFTC Regulation 40.6(a) Certification. Notification of Amendments to: For Random Length Lumber Futures Contracts and Options Thereon (1) Exchange Rules Pertaining to the Trading Hours (Futures and Options) and Daily Settlement Procedure Document (Futures); and (2) Product Terms and Conditions Pertaining to Daily Price Limits Rule (Futures).  
CME Submission No. 19-168 (2 of 2)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) hereby notifies the Commission that it is self-certifying amendments to the Daily Settlement Procedure Document and Rule 20112.D. (“Daily Price Limits”) in connection with the Random Length Lumber Futures contract and the trading hours of the Random Length Lumber Futures and Options on Random Length Lumber Futures contracts (the “Contracts”) (collectively, the “Rule Amendments”) effective Sunday, May 19, 2019 for trade date Monday, May 20, 2019.

**Daily Settlements:**

In an effort to improve price discovery, liquidity, and overall performance of the futures contract, the Exchange is implementing the Rule Amendments to reduce the time period between settlement and closing. Additionally, the Rule Amendments will further align price limits with a greater trading range. The clearing hours of the Contracts shall remain unchanged. Amendments to the trading hours are more specifically described in the table below:

**Trading Hours:**

Contract Title	CME Rulebook Chapter	Commodity Codes	Current Trading Hours (Central Time)	Amended Trading Hours (Central Time)
<b>Random Length Lumber Futures</b>	201	CME Globex: LBS	<b>CME Globex:</b> 9:00 a.m. – 4:00 p.m. Monday – Thursday 9:00 a.m. – 1:55 p.m. Friday	<b>CME Globex:</b> 9:00 a.m. – 3:05 p.m. Monday – Friday
<b>Options on Random Length Lumber Futures</b>	201A	CME Globex: LBS  Open Outcry: Put: JL Call: KL	<b>CME Globex:</b> 9:00 a.m. – 4:00 p.m. Monday – Thursday 9:00 a.m. – 1:55 p.m. Friday <b>Open Outcry:</b> 9:00 a.m. – 1:07 p.m. Monday - Friday	<b>CME Globex and Open Outcry:</b> 9:00 a.m. – 3:05 p.m. Monday – Friday

### **Trading Limits:**

Also at this time, CME is amending Rule 20102.D. such that the Exchange will automatically update daily price limits two times per year. The new price limit mechanism will allow higher limits when prices are high and lower limits when prices are low. Going forward, the first reset date will be the first trading day in May based on the following: Daily settlement prices will be collected for the July contract over 45 consecutive trading days before and on the business day prior to April 16th. Average prices for each contract will be calculated based on the collected settlement prices and then multiplied by five (5) percent. The resulting number would be rounded to the nearest \$1 per thousand board feet to determine the new initial price limits for futures. The second reset date will be the first trading day in November, following the same methodology using daily settlement values from the November expiration over 45 consecutive trading days before and on the business day prior to October 16th. The daily price limits are prohibited from being set below \$10 per thousand board feet. If the lead month of the futures contract settles at the daily price limit, the limit for the following trading day will be expanded by 50% and will remain in place until a daily settlement occurs within the expanded limit.

Using this calculation, daily price limits will be \$19 per thousand board feet, expandable to \$29 per thousand board feet. Going forward, the futures contract will be on the schedule set forth in the paragraph above, with new daily price limits effective the first trading day of each May and November.

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 Principle may be impacted by this initiative as follows:

- **Compliance with Rules:** The Exchange shall continue its normal practice to establish, monitor, and enforce compliance with the rules for the Contract, including the amendments for the Contract.
- **Daily Publication of Trading Information:** The Exchange shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded and cleared contracts on the contract market.
- **Prevention of Market Disruption:** The Rule Amendments reflect the Exchange efforts to more effectively protect the market from large price fluctuations of the Contract. The Exchange believes that the amendments are consistent with this Core Principle requiring the Exchange to maintain and promote an orderly market.
- **Availability of General Information:** The Exchange will amend the CME rulebook accordingly which is publicly available on the CME Group website. In addition, the Exchange published industry notifications to advise the marketplace of the Rule Amendments. The industry notifications are posted on the CME Group website.
- **Execution of Transactions:** The Rule Amendments will further enable the Exchange to continue its current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the 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 – Amendments to the Daily Settlement Procedure Document (blackline format)  
Appendix B – Amendments to CME Rule 20112.D. (“Daily Price Limits”) (blackline format)

## Appendix A

### Daily Settlement Procedures Document

#### Random Length Lumber Futures

(additions are underscored; deletions are ~~overstruck~~)

##### Normal Daily Settlement Procedure

CME Group staff determines the daily settlements for Random Length Lumber (LBS) futures based on trading activity on CME Globex between ~~13:04:30~~ 14:59:30 and ~~13:05:00~~ 15:00:00 Central Time (CT), the settlement period.

**Tier 1:** Each contract month settles to its volume-weighted average price (VWAP) of all trades that occur between ~~13:04:30~~ 14:59:30 and ~~13:05:00~~ 15:00:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.

**Tier 2:** If no trades occur on CME Globex between ~~13:04:30~~ 14:59:30 and ~~13:05:00~~ 15:00:00 CT, the settlement period, then the last trade is used to determine the settlement price validated against the bid/ask.

**Tier 3:** In the absence of any trading activity or bid/ask in a given contract month during the current trading day, the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price validated against the bid/ask and adjusted to the bid or ask if necessary.

##### Final Settlement Calculation for Expiring Contract

CME Group staff determines the final settlement price for the expiring Random Length Lumber (LBS) future contract based on trading activity on CME Globex between 12:03:30 and 12:05:00 Central Time (CT) – the settlement period for the expiring contract and the last 90 seconds of the contract's life.

**Tier 1:** For the contract month, if a trade occurs between 12:03:30 and 12:05:00 CT, the settlement period, then the contract settles to the volume-weighted average price (VWAP) of the trade(s) between 12:03:30 and 12:05:00 CT, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.

**Tier 2:** If no trades occur on CME Globex between 12:03:30 and 12:05:00 CT, the settlement period, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask during the settlement period.

1. If the last trade price is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
2. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract settles to the last trade price.

**Tier 3:** In the absence of any trade activity or bid/ask in the expiring contract month during the current trading day, then the contract settles to the prior-day settlement price.

## Appendix B

### CME Rulebook Chapter 201 ("Random Length Lumber Futures")

(additions are underscored; deletions are ~~overstruck~~)

\*\*\*

#### 20102. TRADING SPECIFICATIONS

\*\*\*

##### 20102.D. Daily Price Limits

Daily price limits for Random Length Lumber futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by five percent. The resulting number, rounded to the nearest \$1 per thousand board feet, or \$10 per thousand board feet, whichever is higher, will be the new initial price limit for Random Length Lumber futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest November contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by five percent. The resulting number, rounded to the nearest \$1 per thousand board feet, or \$10 per thousand board feet, whichever is higher, will be the new initial price limit for Random Length Lumber futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Random Length Lumber futures at a price more than the initial price limit above or below the previous day's settlement price. Should the lead contract month settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest \$1 per thousand board feet. If the lead futures contract month does not settle at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day.

There shall be no price limit in the expiring month contract beginning on the first Business Day of the contract month.

~~There shall be a daily price limit of \$15.00 per thousand board feet above or below the previous day's settlement price.~~

~~If the contract nearest to expiration that is subject to a daily limit is quoted at the limit bid or limit offer as the last price in the designated settlement period, without regard to CME trading venue, for two successive days, then the price limit shall be raised to \$25.00 per thousand board feet for all contracts subject to a daily limit.~~

~~Unless the contract nearest to expiration that is subject to a daily price limit of \$25.00 is quoted at the limit bid or limit offer as the last price in the designated settlement period, without regard to CME trading venue and without regard to market direction, the price limits shall revert to \$15.00 per thousand board feet on the next Business Day.~~

\*\*\*