

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 18-202

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

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

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

**Filing Date (mm/dd/yy):** 05/23/2018 **Filing Description:** Amendments to the Feeder Cattle Futures and Options Contracts - Inclusion of Commented Cattle in the CME Feeder Cattle Index and Temporary Listing Delay of the May 2019 Feeder Cattle Futures and Options Contract.

**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     |

**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:** Feeder Cattle Futures

**Rule Numbers:** 102

May 23, 2018

**VIA ELECTRONIC PORTAL**

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

**Re: CFTC Regulations 40.6(a) Certification. Amendments to the Feeder Cattle Futures and Options Contracts - Inclusion of Commented Cattle in the CME Feeder Cattle Index and Temporary Listing Delay of the May 2019 Feeder Cattle Futures and Options Contract.  
CME Submission No. 18-202**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it will amend the Rule 10203.A.1. (“The Sample”) of the Feeder Cattle Futures contract (CME Rulebook Chapter 102; CME Globex Code GF; Clearing Code: 62) to include commented cattle in the calculation of the Feeder Cattle Index (“Index”) price. Rule 10203.A.1. shall no longer exclude cattle identified on USDA-AMS reports as being fancy, thin, fleshy, gaunt or full. Amendments to Rule 10203.A.1. shall be effective on Sunday, June 10, 2018 for trade date Monday, June 11, 2018 commencing with the May 2019 contract and all subsequent contract months.

In addition, effective immediately, the Exchange will delay the listing of the May 2019 Feeder Cattle futures and options contracts (the “Contracts”) noted in the table below. The May 2019 contract month of the Contracts, originally scheduled to be listed on May 28, 2018, will be listed on June 10, 2018 for trade date June 11, 2018 (collectively the “Rule Amendments”).

<b>Contract Title</b>	<b>Rulebook Chapter</b>	<b>Clearing Code</b>	<b>CME Globex Code</b>	<b>Floor Code</b>	<b>CME ClearPort Code</b>
Feeder Cattle Futures	102	62	GF	N/A	62
Feeder Cattle Options	102A	LC	LE	JP	62

The number of feeder cattle placements in the monthly Cattle on Feed (“COF”) report compiled by the USDA have been rising since 2013 (see Appendix A), while the total number of head included in the Index price has been declining (see Appendix B).

The Exchange recalculated the Index totals for each Feeder Cattle futures expiry from January 2016 through November 2017 to include cattle identified in the report as being fancy, thin, fleshy, gaunt or full, while keeping all other provisions in the sample unchanged. The results show that, on average, the inclusion of these commented cattle, which were previously excluded, added 887 head to the Index sample size and had no effect on price (see Appendix C).

The Exchange solicited customer feedback via a survey (see [SER-8122](#) dated March 23, 2018). The majority of the feedback was supportive of the inclusion of commented cattle in The Sample. The most common sentiment expressed by survey respondents was that the inclusion of these transactions would help to make the Index more robust and would not have an adverse effect upon price. Responses also

pointed out that, at certain times of the year, including commented cattle will help to more accurately represent the market. Other responses pointed to the subjectivity involved in market reporting and how it could lead to the same type of animal being assigned a comment in one region of the country while not being commented as out of the ordinary in others. Opposing views focused on the notion that commented cattle are outliers that should not be included into the Index calculation.

Upon review of the physical feeder cattle market, the Exchange determined that there is ample supply of steers transacted in the underlying cash market during the seven calendar days that comprise the spot month period. These cash market transactions are reported by the USDA market reporters. As such, the Exchange believes that the data in the USDA reports is accurate. (See Appendix D).

CFTC Regulation 150.5(b)(1) states, in part, that:

*“...and for cash settled contracts, the spot month limit level must be no greater than necessary to minimize the potential for manipulation or distortion of the contract’s or the underlying commodity’s price...”*

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:

- **Contracts Not Readily Subject to Manipulation:** The Contracts are not readily subject to manipulation as illustrated in the Cash Market Overview and Analysis attached herein.
- **Availability of General Information:** The Exchange will amend the CME rulebook Chapter 102 accordingly and make publicly available the details of the amendment as well as the delay in the listing of the May 2019 contract month by publishing a Special Executive Report (“SER”) to the market. The SER will be available on CME Group’s website.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act.

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>.

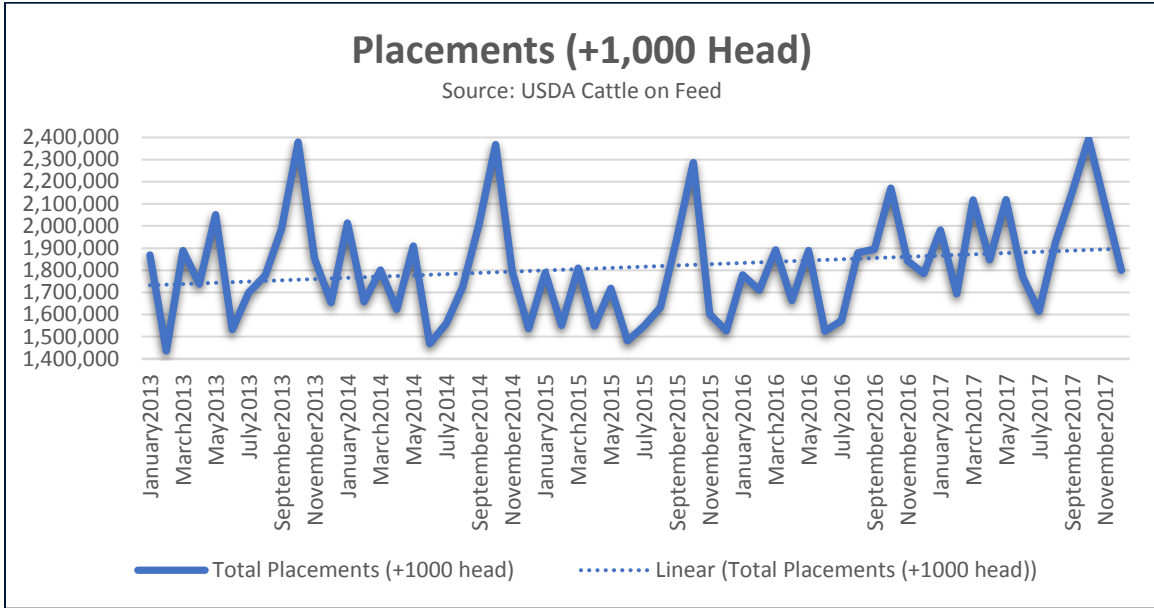
Should you have any questions concerning the above, please contact the undersigned at 212-299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

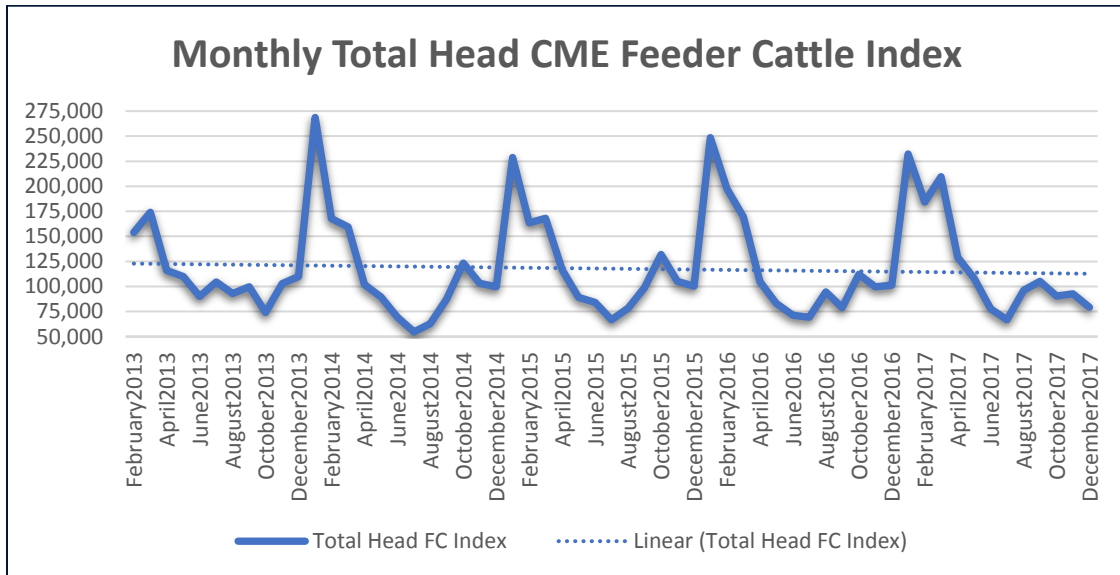
/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A – Total Placements  
Appendix B – CME Feeder Cattle Index Total Head  
Appendix C – Comparison Data  
Appendix D – CME Rule 10203.A.1. (“The Sample”) (blackline format) (effective June 11, 2018 and effective April 18, 2019)

## Appendix A Total Placements



## Appendix B CME Feeder Cattle Index Total Head



### Appendix C Comparison Data

SEVEN-DAY TOTALS	CME Feeder Cattle Index				CME Feeder Cattle Index - <u>Commented</u> Included		
	Total Head	Wtd Avg Weight	Wtd Avg Price		Total Head	Wtd Avg Weight	Wtd Avg Price
JAN16	53,387	745.27	\$161.24	JAN16	55,532	745.46	\$161.19
MAR16	35,984	765.49	\$160.67	MAR16	37,606	765.04	\$160.74
APR16	16,839	769.76	\$144.30	APR16	17,483	768.33	\$144.42
MAY16	20,486	756.41	\$146.09	MAY16	21,080	755.76	\$146.11
AUG16	18,755	751.64	\$146.11	AUG16	19,004	751.90	\$146.10
SEP16	24,228	755.80	\$133.95	SEP16	24,384	755.69	\$133.92
OCT16	36,615	730.71	\$121.84	OCT16	37,250	731.19	\$121.93
NOV16	23,992	784.35	\$127.00	NOV16	25,002	784.19	\$126.96
JAN17	56,561	783.82	\$131.71	JAN17	58,688	784.00	\$131.76
MAR17	36,849	803.15	\$132.77	MAR17	37,628	802.82	\$132.76
APR17	32,988	804.70	\$141.38	APR17	33,913	804.36	\$141.46
MAY17	19,625	814.17	\$143.89	MAY17	19,832	814.19	\$143.91
AUG17	19,328	795.48	\$143.08	AUG17	20,011	795.77	\$143.02
SEP17	20,898	796.48	\$152.96	SEP17	21,557	796.95	\$152.94
OCT17	22,457	776.64	\$155.12	OCT17	23,155	776.21	\$155.27
NOV17	26,409	773.01	\$157.54	NOV17	27,465	773.73	\$157.18
<b>AVERAGES</b>	<b>29,088</b>	<b>775.43</b>	<b>\$143.73</b>		<b>29,974</b>	<b>775.35</b>	<b>\$143.73</b>

	DIFFERENCE		
	Total Head	Wtd Avg Weight	Wtd Avg Price
JAN16	2145	0.18	(\$0.05)
MAR16	1622	(0.45)	\$0.07
APR16	644	(1.42)	\$0.12
MAY16	594	(0.65)	\$0.02
AUG16	249	0.25	(\$0.00)
SEP16	156	(0.10)	(\$0.02)
OCT16	635	0.48	\$0.09
NOV16	1010	(0.16)	(\$0.04)
JAN17	2127	0.19	\$0.05
MAR17	779	(0.33)	(\$0.01)
APR17	925	(0.35)	\$0.09
MAY17	207	0.02	\$0.02
AUG17	683	0.29	(\$0.07)
SEP17	659	0.47	(\$0.02)
OCT17	698	(0.43)	\$0.14
NOV17	1056	0.72	(\$0.36)
<b>AVERAGE</b>	<b>887</b>	<b>(0.08)</b>	<b>\$0.00</b>

## Appendix D CME Rulebook Chapter 102

(**bold/underline** indicates addition; ~~strikethrough~~ indicates deletion)

(Effective June 11, 2018)

### Chapter 102 Feeder Cattle Futures

10203. SETTLEMENT PROCEDURES

**(FOR ALL CONTRACT MONTHS PRIOR TO MAY 2019)**

10203.A. Final Settlement

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

1. The Sample

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

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

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

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

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

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

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

**10203. SETTLEMENT PROCEDURES**

**(FOR ALL CONTRACT MONTHS COMMENCING WITH MAY 2019 AND BEYOND)**

**10203.A. Final Settlement**

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

**1. The Sample**

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

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

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

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

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## 2. The Calculation

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

a. For each of the relevant weight/frame score categories in each report:

i. the number of head is multiplied by the corresponding weighted average weight to obtain the total pounds sold in that weight/frame score category for that report; and

ii. the number of head is multiplied by the corresponding weighted average weight, and the resulting product is then multiplied by the corresponding weighted average price, to obtain the total dollars sold in that weight/frame score category for that report.

b. For each report:

i. the total pounds sold in the relevant weight/frame score categories (i.e., the results from 1.a., above) are aggregated to obtain the total pounds sold for that report; and

ii. the total dollars sold in the relevant weight/frame score categories (i.e., the results from 1.b., above) are aggregated to obtain the total dollars sold for that report.

c. For all reports covering relevant transactions that occurred within the same seven calendar day period:

i. the total pounds (i.e., the results from 2.a., above) are aggregated to obtain the total pounds sold within the 12-state region during that seven calendar day period; and

ii. the total dollars (i.e., the results from 2.b., above) are aggregated to obtain the total dollars sold within the 12-state region during that seven calendar day period.

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

## CME Rulebook Chapter 102

(bold/underline indicates addition; strikethrough indicates deletion)

(Effective April 18, 2019)

### Chapter 102 Feeder Cattle Futures

10203. ~~SETTLEMENT PROCEDURES~~

~~(FOR ALL CONTRACT MONTHS PRIOR TO MAY 2019)~~

~~10203.A. Final Settlement~~

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

~~1. The Sample~~

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

feeder steers.

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

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

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

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

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

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

10203.

## SETTLEMENT PROCEDURES

(FOR ALL CONTRACT MONTHS COMMENCING WITH MAY 2019 AND BEYOND)

10203.A. Final Settlement

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

### 1. The Sample

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

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

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

### 2. The Calculation

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

- a. For each of the relevant weight/frame score categories in each report:
  - i. the number of head is multiplied by the corresponding weighted average weight to obtain the total pounds sold in that weight/frame score category for that report; and
  - ii. the number of head is multiplied by the corresponding weighted average weight, and the resulting product is then multiplied by the corresponding weighted average price, to obtain the total dollars sold in that weight/frame score category for that report.
- b. For each report:
  - i. the total pounds sold in the relevant weight/frame score categories (i.e., the results from 1.a., above) are aggregated to obtain the total pounds sold for that report; and
  - ii. the total dollars sold in the relevant weight/frame score categories (i.e., the results from 1.b., above)



are aggregated to obtain the total dollars sold for that report.

- c. For all reports covering relevant transactions that occurred within the same seven calendar day period:
  - i. the total pounds (i.e., the results from 2.a., above) are aggregated to obtain the total pounds sold within the 12-state region during that seven calendar day period; and
  - ii. the total dollars (i.e., the results from 2.b., above) are aggregated to obtain the total dollars sold within the 12-state region during that seven calendar day period.
- d. The total dollars sold within the 12-state region during that seven calendar day period (i.e., the result from 3.b., above) is divided by the total pounds sold within the 12-state region during that same seven calendar day period (i.e., the result from 3.a., above) to obtain the CME Feeder Cattle Index™.