

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-352

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): August 20, 2020 Filing Description: Amendments to the Daily Price Limits Rule of the Live Cattle Futures and Feeder Cattle Futures Contracts

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

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

Rule Numbers:

New Product

Please note only ONE product per Submission.

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

Official Product Name:

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

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

Official Name(s) of Product(s) Affected: Live Cattle & Feeder Cattle Futures.

Rule Numbers: CME Rulebook Chapters 101 & 102.

August 20, 2020

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 40.4(a)/40.5(a). Request for Approval: Amendments to the Daily Price Limits Rule of the Live Cattle Futures and Feeder Cattle Futures Contracts. CME Submission No. 20-352

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”), pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulations 40.4(a)/40.5(a) requests the Commission’s approval to amend the Daily Price Limit Rules of the Live Cattle and Feeder Cattle Futures contracts (the “Contracts”) effective on Sunday, October 4, 2020 for trade date Monday, October 5, 2020.¹

Contract Title	Rulebook Chapter	Clearing Code	CME Globex Code	CME ClearPort Code
Live Cattle Futures	101	48	LE	48
Feeder Cattle Futures	102	62	GF	62

Specifically, the Exchange is requesting approval to:

1. Amend Rules 10102.D. and 10202.D. (“Daily Price Limits”) to adjust the current, initial daily price limit for Live Cattle futures from \$0.03 to \$0.04 per pound and for Feeder Cattle futures from \$0.045 to \$0.05 per pound. Maintain the existing practice of establishing expanded price limit levels at 150 percent of initial price limit levels, which will result in an increase in the expanded price limit for Live Cattle from \$0.045 to \$0.06 per pound and an increase in the expanded price limit for Feeder Cattle from \$0.0675 to \$0.075 per pound;
2. Amend Rules 10102.D. and 10202.D. to replace the current fixed daily price limit regimes (consisting of a fixed price limit and expansion mechanism) with a variable price limit regime that will be price-based and reset annually. It will set the price limit levels for the Feeder Cattle futures contract at a ratio of 1.25 times the Live Cattle futures contract price limit levels. Lastly, it will establish a minimum initial price limit level of \$0.04 per pound for Live Cattle futures and \$0.05 per pound for Feeder Cattle futures. The mechanism herein is similar to the variable price limit mechanism that has been previously approved by the Commission and implemented by CME in April of 2020 for Lean Hog futures (see CME Submission No. 20-112);
3. Amend Rules 10102.D. and 10202.D. to clarify the reversion back to initial daily price limits once they are expanded. Currently, the rulebook language states that expanded limits revert back to initial limit levels on the following business day when none of the front four (4) contracts in Live and Feeder Cattle settle at the **expanded** limit. Pursuant to the amendments to the Rule, daily price limits will remain at expanded levels until all the front four contracts in Live and Feeder Cattle settle below their respective **initial** levels;

¹ In accordance with its standard internal policies and procedures and pursuant to Exchange Rule 230.j, the Exchange determined to adopt the Rule Amendments.

300 Vesey Street New York, NY 10282 t 212 299 2200 f 212 301 4645 christopher.bowen@cmegroup.com cmegroup.com

4. Make permanent the daily price limit expansion triggering mechanisms on the last trade of an expiring contract which were previously implemented on a temporary basis in June of 2020 (see CME Submission No. 20-212SSS); and
5. Correction of a typographical error to the existing rulebook language in Rules 10102.D. and 10202.D. regarding the existing reversion to initial limits once they are expanded (replacing the word “or” with the word “and”) (collectively, the “Rule Amendments”).

Background

Livestock markets experienced unprecedented volatility due to COVID-19 in the spring of this year as it caused massive disruptions throughout the entire livestock and meat supply chain. The three-month period from March through May saw more days with limit settlements as would have been expected over the course of a year in the Contracts. Additionally, limit settlements occurred on multiple consecutive days such as the period from March 31 through April 8 when Live Cattle settled at limit on seven straight days. Beyond COVID-19, the Contracts have experienced periods with large numbers of limit move days over the past six years (see Appendix A: Exhibit 1).

Intermittent plant shutdowns wreaked havoc on slaughter and meat production during COVID-19 and monthly historic volatility spiked to new all-time highs. However, even during periods of moderate volatility, the number of price limit settlement days can still spike, suggesting the need for a new price limit structure (see Appendix A: Exhibit 2).

Limit settlements can inhibit price discovery and can hinder market participants when entering, exiting, and/or rolling positions. To avoid frequency in limit settlements, The Chicago Board of Trade (“CBOT”) implemented a variable price limit mechanism in its grain and oilseeds markets in 2014. Since its implementation, there has been a significant reduction in the number of days those markets have settled at the daily price limit.

The Commission’s regulations provide guidance on specific product terms and conditions, including discretionary Exchange price limits as follows:

...Designated contract markets may adopt price limits to ... provide a “cooling-off” period for futures market participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and futures price changes. If price limit provisions are adopted, the limits should be set at levels that are not overly restrictive in relation to price movements in the cash market for the commodity underlying the futures contract...

...Within the specific array of controls that are selected, the designated contract market also must set the parameters for those controls, so long as the types of controls and their specific parameters are reasonably likely to serve the purpose of preventing market disruptions and price distortions...

Market Participant Outreach and Opposing Views

The Exchange implemented minor changes to the price limit policies in Live and Feeder Cattle in order to address immediate concerns in May of 2020. These included the linking of Live & Feeder Cattle limits, the triggering of expanded limits based on the first 4 contract months, and on a temporary basis, establishing a trigger mechanism for even greater expanded limits for the last trading day of an expiring contract. Both the industry as well as the CFTC were advised that additional changes would be vetted and considered by the end of the Summer.

Commencing in June 2020, the Exchange conducted outreach regarding the Rule Amendments. While some market participants would support the elimination of price limits altogether, a significant portion of the market supports daily price limits. Many commercial participants hold the view that it is necessary to have daily price limits in order to provide the “cooling off” period referenced above. Consistent with Commission

guidance, the Exchange has proposed these amendments to establish a self-adjusting price limit regime with levels that are “not overly restrictive,” while also providing a “cooling-off” period.

The proposed rules incorporate a considerable amount of industry feedback. Several market participants recommended specifying a price limit floor to prevent occurrences of extremely low initial limits. Accordingly, the Exchange proposes a price limit floor of \$0.04 per pound in Live Cattle futures. Thus, the price limit implemented each June will be the higher of the 4.25 percent calculated values in the variable price limit mechanism and the specified minimum limit of \$0.04. Previously, and in response to its amendments to price limit levels for dairy and livestock contracts,² CME also received feedback that the ratio of the Feeder Cattle price limit level to the Live Cattle price limit level was too low. While the proposed Rule Amendments set the new daily price limits for Feeder Cattle at a smaller ratio to Live Cattle than before (1.25 versus the previous 1.5), the end result will always be a larger daily price limit in Feeder Cattle since it will be based off of the Live Cattle limit that will be a \$0.04 per pound minimum.

Certain market participants opined that larger daily price limits may lead to higher margin requirements. In response, CME would like to clarify that actual price *movements* determine margin levels, as opposed to price *limits*, i.e., expanding price limits will not conclusively lead to higher margin requirements, nor will maintaining the current price limit levels mean that margins will not increase. Futures margin is the amount of money required to have on deposit when opening a futures position. Futures margin generally represents a smaller percentage of the notional value of a contract. When markets are changing rapidly, and daily price moves become more volatile, market conditions and prudent risk management may necessitate higher margin requirements to account for increased risk. In certain instances, the margin requirements can be larger than the initial and expanded daily price limit (see Appendix A: Exhibit 3). When market conditions and prudent risk management warrant, margin requirements may be reduced.

The Exchange has also received feedback that the daily trading range permitted by the Rule Amendments is large in relation to movements in the cash market. While the Exchange greatly appreciates the constructive dialogue with market participants on these topics, it believes that while the narrowness of the existing price limits did provide a “cooling off period,” the previous price limit regime was no longer “reasonably likely to prevent market disruptions and price distortions” and that the Rule Amendments are therefore necessary in order to maintain compliance with Core Principle 4.

Proposed Mechanism

The new variable price limit mechanism resets price limits of the Contracts annually. The reset date will be the first trading day in June based on the following: Daily settlement prices are collected for the nearest June Live Cattle futures contract over 45 consecutive trading days before and including the last trading day in April (the Last Trade Date of the nearest April contract). The average price is calculated based on the collected settlement prices and then multiplied by 4.25 percent. The resulting number rounded down to the nearest \$0.0025 per pound, or \$0.04, whichever is higher, will be the new initial price limits for Live Cattle futures.

The new Daily price limits in Feeder Cattle futures will be 1.25 times the initial daily price limit of Live Cattle futures, rounded down to the nearest \$0.0025 per pound. These daily price limits will also be reset annually on the first trading day in June.

Additionally, the new methodology will keep expanded limits in place until the front four contract months in Live Cattle futures and the front four contract months in Feeder Cattle futures settle below their respective *initial*, as opposed to *expanded*, levels.

For example, if any of the first four listed Live Cattle futures contracts subject to daily price limits settle at the initial limit of \$0.04 or if any of the first four listed Feeder Cattle contracts subject to daily price limits settle at \$0.05, the limit will expand on the following business day to \$0.06 and \$0.075, respectively. The limits will remain at expanded levels until the first four listed Live Cattle and Feeder Cattle futures contracts settle at a price change less than \$0.04 and \$0.05, respectively.

² <https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=62643&SearchText=>

Newly determined futures price limits will be communicated annually to the market via a Special Executive Report (“SER”) and become effective on the first trading day in June and will remain in effect through the last trading day in May of the following year.

Rationale

Research conducted by the Exchange indicates that a price limit set at 4.25 percent of the underlying Live Cattle futures price will likely capture daily price moves with approximately 99 percent confidence. The nearby June contract month was chosen as Live Cattle futures prices typically experience heightened volatility prior to and including the normal price strength observed in the anticipation of the spring highs. These spring highs normally occur each year from February through April. Since 2015, the nearby June contract has averaged the largest volume and open interest of all listed Live Cattle contract months. Additionally, the research indicated that the ratio of the price of the front month Feeder Cattle futures contract to the third listed month Live Cattle contract was approximately 1.25. Thus, under normal market conditions, two or three limit-move or limit settlement days are expected per year pursuant to the amended mechanism.

Similar to the implementation of an equivalent mechanism in Lean Hog futures, once the Exchange receives approval for the proposed mechanism, annual updates to price limit levels will likely improve overall operational efficiency.

The Exchange also conducted a lookback analysis with data from 2015 to the present in order to assess the performance of the mechanism (see Appendix A: Exhibit 4). The results showed that price limit levels set according to the adjustment mechanism were responsive to the wide range of prices seen in cattle futures prices over that time period.

Lastly, as Live Cattle and Feeder Cattle futures are some of the only Exchange contracts to stipulate hard price limits for the last day of trading in an expiring contract month, an additional mechanism for the triggering of expanded limits on the last trade date was implemented previously on a temporary basis. That mechanism was set to expire once the August Live Cattle and September Feeder Cattle contracts expire. CME proposes to make both mechanisms permanent.

Regarding the Rule Amendments in Appendix B, please note that the Exchange is utilizing Chapter 101 effective as of September 1, 2020, and Chapter 102 effective as of September 25, 2020 (pursuant to CME Submission No. 20-212SSS dated May 26, 2020). Appendix B (blackline format) provides the Rule Amendments effective on October 5, 2020. For convenience, Appendix C and Appendix D are provided under separate cover. Appendix C (clean version) provides Chapter 101 effective on October 5, 2020, January 1, 2021, and June 1, 2021. Appendix D (clean version) provides Chapter 102 effective on October 5, 2020 and January 1, 2021.

Core Principles

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (the “Act”) and identified that the Rule Amendments may impact the following Core Principles:

- **Compliance with Rules** – The Rule Amendments will not affect the Exchange’s ability to assure compliance with rules and conduct market surveillance obligation under the Act. The Exchange believes that it has appropriate systems, policies and procedures in place to address the new price limits mechanism.
- **Contracts not Readily Subject to Manipulation** – The Contracts are not readily susceptible to manipulation as the cash market transactions of slaughter cattle are subject to USDA mandatory

price reporting regulations. Additionally, cash market transactions of feeder cattle are reported and published by the USDA and are used to calculate the CME Feeder Cattle Index.

- **Prevention of Market Disruption** – Appropriate price limits establish boundaries that allow the market to reflect and adjust to shocks and major price moves without becoming too intrusive and regularly disrupting trade.
- **Availability of General Information** – The Exchange will issue a Special Executive Report (“SER”) regarding the Rule Amendments. The SER will also be posted on the CME Group website.
- **Execution of Transactions** – Appropriate price limits allow the futures price discovery process to function satisfactorily while still providing time for reflection during periods of high volatility.
- **Trade Information** – The Rule Amendments will not affect the Exchange’s ability to record and store identifying trade information in order to assist in the prevention of customer and market abuses.
- **Protection of Market Participants** – The Exchange will continue to monitor all market participants to prevent any abusive practices and to assure equitable trading for all users.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.4(a) and 40.5(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.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: Exhibit 1: Limit Settlement Days in CME Live and Feeder Cattle Futures
Exhibit 2: Average Volatility – Live & Feeder Cattle Futures
Exhibit 3: Live Cattle Futures – Average Margin vs. Daily Price Limits
Exhibit 4: Lookback Analysis of Variable Price Limit Mechanism
Appendix B: Amendments to CME Chapter 101 (“Live Cattle Futures”) (blackline version)
Amendments to CME Chapter 102 (“Feeder Cattle Futures”) (blackline version)
Appendix C: CME Chapter 101 (“Live Cattle Futures”) (effective October 5, 2020, January 1, 2021, and June 1, 2021) (clean version, attached under separate cover)
Appendix D: CME Chapter 102 (“Feeder Cattle Futures”) (effective October 5, 2020 and January 1, 2021) (clean version, attached under separate cover)

APPENDIX A

Exhibit 1: Limit Settlement Days in CME Live Cattle and Feeder Cattle Futures

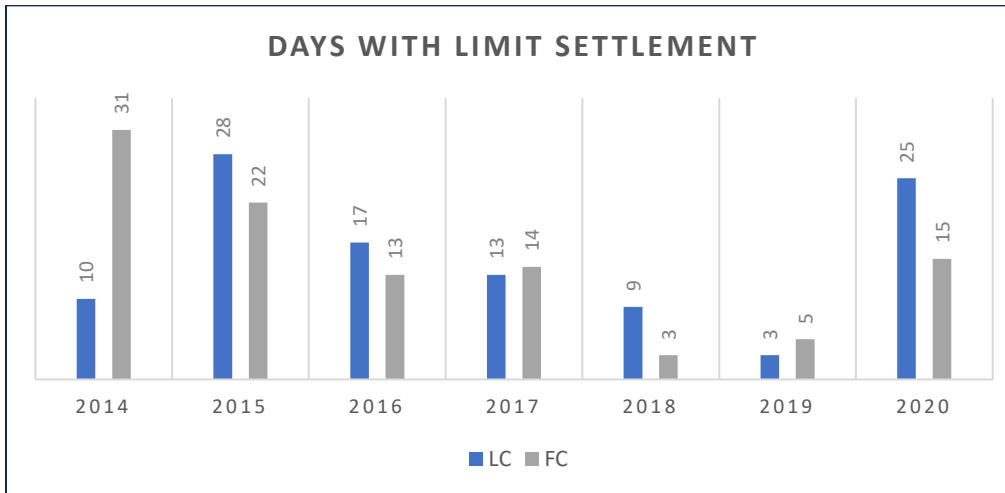
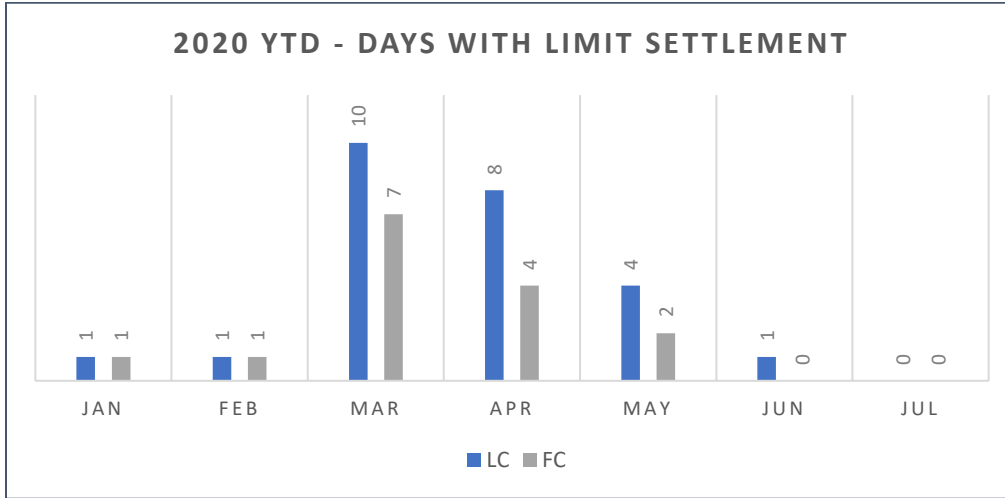


Exhibit 2: Average Volatility – Live & Feeder Cattle Futures

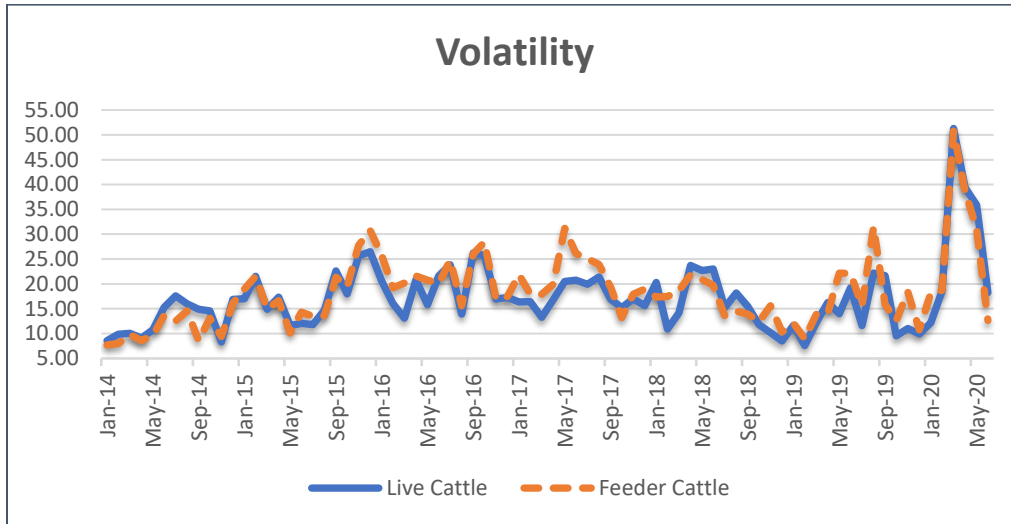


Exhibit 3: Live Cattle Futures – Average Margin vs. Daily Price Limits

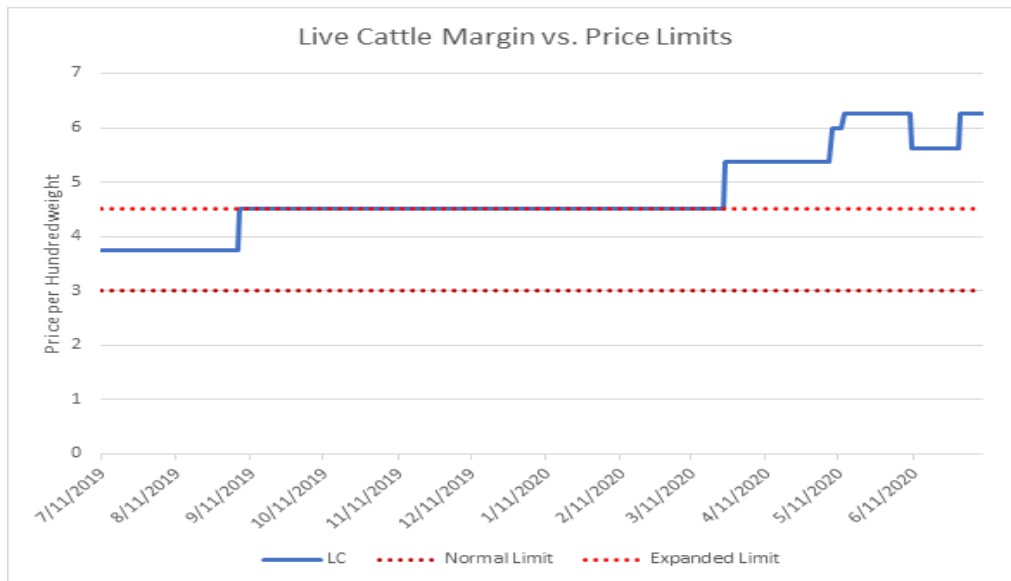


Exhibit 4: Lookback Analysis of Variable Price Limit Mechanism

Year	Avg. JUNE Settle Price	4.25%	Results	
			Initial Limit*	Expanded Limit*
2015	\$149.34	\$6.35	\$6.25	\$9.25
2016	\$123.59	\$5.25	\$5.25	\$7.75
2017	\$111.39	\$4.73	\$4.50	\$6.75
2018	\$107.82	\$4.58	\$4.50	\$6.75
2019	\$120.23	\$5.11	\$5.00	\$7.50
2020	\$90.11	\$3.83	\$4.00	\$6.00
*4.25 percent of the JUNE contract with a floor of \$4.00				
ALL	\$117.08	\$4.98		

APPENDIX B

CME Rulebook

(additions underlined; deletions ~~overstruck~~)

(Effective on October 5, 2020)

Chapter 101 Live Cattle Futures

10102. TRADING SPECIFICATIONS (FOR ALL CONTRACT MONTHS THROUGH DECEMBER 2020)

10102.A. Trading Schedule

Futures contracts shall be scheduled for trading during such hours and delivery in such months as may be determined by the Exchange.

10102.B. Trading Unit

The unit of trading shall be 40,000 pounds producing 65% Choice, 35% Select grade live steers or live heifers.

10102.C. Price Increments

Minimum price fluctuations shall be by multiples of \$.00025 per pound.

10102.D. Daily Price Limits

There shall be no trading in Live Cattle futures at a price more than the price limit above or below the previous day's settlement price. With the exception of the last two trading days in the expiring contract month, there shall be an initial daily price limit of ~~\$0.030~~ \$0.040 per pound above or below the previous day's settlement price.

Should any Live Cattle futures contract month within the first four listed contracts subject to price limits settle at the initial limit, or should any Feeder Cattle futures contract month within the first four listed contracts subject to price limits settle at its initial limit, the daily price limits for all contract months shall expand to ~~\$0.0450~~ \$0.060 per pound on the next business day.

If none of the first four listed contract months for Live Cattle and Feeder Cattle futures contracts subject to price limits settle at a price change equal to or greater than their respective initial price limits ~~\$0.045~~ on the next business day, ~~or if none of the first four listed Feeder Cattle contracts subject to price limits settles~~ at daily price limits for all contract months shall revert back to ~~\$0.030 per pound~~ the initial daily price limit level on the following business day. During the last two days of trading, the expiring contract month shall be excluded from triggering expanded limits.

During the last two trading days in the expiring contract month, there shall be a daily price limit of \$0.050 per pound above or below the previous day's settlement price. All other contract months remain subject to a ~~\$0.030~~ \$0.040 per pound daily price limit or ~~\$0.045~~ \$0.060 per pound price limit in the event the daily price limits have been expanded pursuant to the provisions set forth above.

If an expiring Live Cattle futures contract settles at its price limit on the day prior to the last trading day, the price limit for an expiring Live Cattle futures contract on the last trading day shall be two times the expanded price limit.

10102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

10102.F. [Reserved]

10102.G. [Reserved]

10102.H. Termination of Trading

Trading shall terminate on the last Business Day of the contract month.

10102.I. [Reserved]

10102. TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS COMMENCING WITH FEBRUARY 2021 AND BEYOND THROUGH May 31, 2021)

10102.A. Trading Schedule

Futures contracts shall be scheduled for trading during such hours and delivery in such months as may be determined by the Exchange.

10102.B. Trading Unit

The unit of trading shall be 40,000 pounds producing 70% Choice, 30% Select grade live steers or live heifers.

10102.C. Price Increments

Minimum price fluctuations shall be by multiples of \$.00025 per pound.

10102.D. Daily Price Limits

There shall be no trading in Live Cattle futures at a price more than the price limit above or below the previous day's settlement price. With the exception of the last two trading days in the expiring contract month, there shall be an initial daily price limit of ~~\$0.030~~ \$0.040 per pound above or below the previous day's settlement price.

Should any Live Cattle futures contract month within the first four listed contracts subject to price limits settle at the initial limit, or should any Feeder Cattle futures contract month within the first four listed contracts subject to price limits settle at its initial limit, the daily price limits for all contract months shall expand to ~~\$0.0450~~ \$0.060 per pound on the next business day.

If none of the first four listed contract months for Live Cattle and Feeder Cattle futures contracts subject to price limits settle at a price change equal to or greater than their respective initial price limits ~~\$0.045~~ on the next business day, ~~or if none of the first four listed Feeder Cattle contracts subject to price limits settles~~ at daily price limits for all contract months shall revert back to ~~\$0.030 per pound~~ the initial daily price limit level on the following business day. During the last two days of trading, the expiring contract month shall be excluded from triggering expanded limits.

During the last two trading days in the expiring contract month, there shall be a daily price limit of \$0.050 per pound above or below the previous day's settlement price. All other contract months remain subject to a ~~\$0.030~~ \$0.040 per pound daily price limit or ~~\$0.045~~ \$0.060 per pound price limit in the event the daily price limits have been expanded pursuant to the provisions set forth above.

If an expiring Live Cattle futures contract settles at its price limit on the day prior to the last trading day, the price limit for an expiring Live Cattle futures contract on the last trading day shall be two times the expanded price limit.

10102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

10102.F. [Reserved]

10102.G. [Reserved]

10102.H. Termination of Trading

Trading shall terminate on the last Business Day of the contract month.

10102.I. [Reserved]

10102. TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS COMMENCING WITH THE JUNE 2021 CONTRACT AND BEYOND BEGINNING ON JUNE 1, 2021)

10102.A. Trading Schedule

Futures contracts shall be scheduled for trading during such hours and delivery in such months as may be determined by the Exchange.

10102.B. Trading Unit

The unit of trading shall be 40,000 pounds producing 70% Choice, 30% Select grade live steers or live heifers.

10102.C. Price Increments

Minimum price fluctuations shall be by multiples of \$.00025 per pound.

10102.D. Daily Price Limits

Daily price limits for Live Cattle futures are reset annually on the first trading day in June based on the following: Daily settlement prices are collected for the nearest June contract over 45 consecutive trading days before and including the last trading day in April (Last Trade Date of the nearest April contract). The average price is calculated based on the collected settlement prices and then multiplied by 4.25 percent. The resulting number rounded down to the nearest \$0.0025 per pound, or \$0.040 per pound, whichever is higher, will be the new initial price limits for Live Cattle futures and will become effective on the first trading day in June and will remain in effect through the last trading day in May of the following year.

There shall be no trading in Live Cattle futures at a price more than the price limit above or below the previous day's settlement price. Should any Live Cattle futures contract month within the first four listed contract months subject to price limits settle at limit, or should any Feeder Cattle futures contract month within the first four listed contract months subject to price limits settle at its limit, the daily price limits for all contract months shall increase on the next business day by 50 percent, rounded down to the nearest \$0.0025 per pound.

If none of the first four listed contract months for Live Cattle and Feeder Cattle futures contracts subject to price limits settle at a price change equal to or greater than their respective initial price limits on the next business day, daily price limits for all contract months shall revert back to the initial price limit on the following business day. During the last two days of trading, the expiring contract month shall be excluded from triggering expanded limits.

During the last two trading days in the expiring contract month, the daily price limit shall be equal to the expanded price limit above or below the previous day's settlement price. All other contract months remain subject to an initial or expanded price limit pursuant to the provisions set forth above.

If an expiring Live Cattle futures contract settles at its price limit on the day prior to the last trading day, the price limit for an expiring Live Cattle futures contract on the last trading day shall be two times the expanded price limit.

10102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

10102.F. [Reserved]

10102.G. [Reserved]

10102.H. Termination of Trading

Trading shall terminate on the last Business Day of the contract month.

10102.I. [Reserved]

Chapter 102 Feeder Cattle Futures

10202. TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS THROUGH MAY 31, 2021)

10202.A. Trading Schedule

Futures contracts shall be scheduled for trading during such hours and for final settlement in such months as may be determined by the Exchange.

10202.B. Trading Unit

The unit of trading shall be 50,000 pounds of feeder steers.

10202.C. Price Increments

Minimum price fluctuations shall be in multiples of \$.00025 per pound.

10202.D. Daily Price Limits

There shall be no trading in Feeder Cattle futures at a price more than the price limit above or below the previous day's settlement price. There shall be an initial daily price limit of ~~\$0.045~~ **\$0.050** per pound above or below the previous day's settlement price.

Should any Feeder Cattle or Live Cattle futures contract month within the first four listed contracts subject to price limits settle at ~~limit its initial price limit level,~~ or should any Live Cattle futures contract month within the first four listed contracts subject to price limits settle at limit the daily price limits for all contract months shall expand to ~~\$0.0675~~ **\$0.075** per pound on the next business day.

If none of the first four listed Feeder Cattle and Live Cattle futures contract months subject to price limits settles at a price change equal to or greater than their respective initial price limits ~~\$0.0675~~ on the next business day, or if none of the first four listed Live Cattle contracts subject to price limits settles at a price change equal to or greater than \$0.045 on the next business day, daily price limits for all contract months shall revert back to the initial daily price limit ~~\$0.045~~ per pound on the following business day.

If at the end of trade on the day prior to last trade day for an expiring Feeder Cattle futures contract, the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the initial price limit (if under initial price limits), or if the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the expanded price limit (if under expanded price limits), the price limits on the last trading day for the expiring Feeder Cattle futures contract shall be two times the expanded price limit.

10202.E. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

10202.F. [Reserved]

10202.G. [Reserved]

10202.H. Termination of Trading

Trading shall terminate on the last Thursday of the contract month, except:

1. The November contract shall terminate on the Thursday prior to Thanksgiving Day, unless a holiday falls on that Thursday or on any of the four weekdays prior to that Thursday, in which case trading shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday. Weekdays shall be defined as Monday, Tuesday, Wednesday, Thursday and Friday.
2. Any contract month in which a holiday falls on the last Thursday of the month or on any of the four weekdays prior to that Thursday shall terminate on the first prior Thursday that is not a holiday and

is not so preceded by a holiday.

10202.I. [Reserved]

10202. TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS BEGINNING ON JUNE 1, 2021)

10202.A. Trading Schedule

Futures contracts shall be scheduled for trading during such hours and for final settlement in such months as may be determined by the Exchange.

10202.B. Trading Unit

The unit of trading shall be 50,000 pounds of feeder steers.

10202.C. Price Increments

Minimum price fluctuations shall be in multiples of \$.00025 per pound.

10202.D. Daily Price Limits

Daily price limits for Feeder Cattle futures are reset annually on the first trading day in June based on the price limit levels for Live Cattle futures (see CME Rulebook Chapter 10102.D. Daily Price Limits). Initial daily price limits for Feeder Cattle futures are set at 1.25 times the initial daily price limit level for Live Cattle futures, rounded down to the nearest \$0.0025 per pound.

There shall be no trading in Feeder Cattle futures at a price more than the price limit above or below the previous day's settlement price. Should any Feeder Cattle or Live Cattle futures contract month within the first four listed contracts subject to price limits settle at its initial limit, the daily price limits for all contract months shall increase by 50 percent on the next business day, rounded down to the nearest \$0.0025 per pound.

If none of the first four listed Feeder Cattle and Live Cattle contract months subject to price limits settle at a price change equal to or greater than the initial price limit on the next business day, daily price limits for all contract months shall revert back to the initial price limit on the following business day.

If at the end of trade on the day prior to last trade day for an expiring Feeder Cattle futures contract, the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the initial price limit (if under initial price limits), or if the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the expanded price limit (if under expanded price limits), the price limits on the last trading day for the expiring Feeder Cattle futures contract shall be two times the expanded price limit.

10202.E. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

10202.F. [Reserved]

10202.G. [Reserved]

10202.H. Termination of Trading

Trading shall terminate on the last Thursday of the contract month, except:

1. The November contract shall terminate on the Thursday prior to Thanksgiving Day, unless a holiday falls on that Thursday or on any of the four weekdays prior to that Thursday, in which case trading shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday. Weekdays shall be defined as Monday, Tuesday, Wednesday, Thursday and Friday.

2. Any contract month in which a holiday falls on the last Thursday of the month or on any of the four weekdays prior to that Thursday shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday.

10202.I. [Reserved]

Appendix C

**CME Chapter 101 (“Live Cattle Futures”)
(effective October 5, 2020, January 1, 2021, and June 1, 2021)**

(clean version, attached under separate cover)

Appendix D

**CME Chapter 102 (“Feeder Cattle Futures”)
(effective October 5, 2020 and January 1, 2021)**

(clean version, attached under separate cover)