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OFFICE OF THE SECRETARIAT  
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March 23, 2010

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**Re: CME Chapters 59 and 59A – International Skimmed  
Milk Powder Futures and Options Contracts.  
CME Submission No. 10-075**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission of CME International Skimmed Milk Powder futures and options launch date, trading hours, and new CME Rules with respect to the International Skimmed Milk Powder futures and options contracts. The text of the rules is attached.

CME International Skimmed Milk Powder Futures and Options will begin trading on Sunday, May 9, 2010.

- Months listed for trading –July 2010, August 2010, September 2010, October 2010, November 2010, December 2010, January 2011, February 2011, March 2011, April 2011, May 2011, June 2011, July 2011, August 2011, September 2011, October 2011, November 2011, December 2011, January 2012, February 2012, March 2012, April 2012, May 2012 and June 2012

Electronic Trading Hours: Sunday – Thursday 5:00 p.m. to 4:00 p.m., reopen at 5:00 p.m. Thursday, close at 1:55 p.m. Friday. On Last Trading Day only, close at 12:10 p.m.

CME certifies that this action complies with the Commodity Exchange Act and regulations thereunder.

If you require any additional information regarding this action, please do not hesitate to contact Mr. Charles Piszczor at 312-930-4536 or via e-mail at [charles.piszczor@cmegroup.com](mailto:charles.piszczor@cmegroup.com), or me at 312-648-5422. We would be appreciative if you could reference our CME Submission No. 10-075 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack  
Regulatory Counsel

Attachments: Contract Terms and Conditions, and  
Position Limit, Position Accountability  
and Reportable Level Table

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**Chapter 59**  
**CME International Skimmed Milk Powder Futures**  
**(All New)**

**5900. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading in international skimmed milk powder. The procedures for trading, clearing, inspection, delivery, settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**5901. COMMODITY SPECIFICATIONS**

The commodity traded pursuant to this chapter shall consist of Skimmed Milk Powder (SMP) manufactured from bovine milk and meet the "Codex Standard for Milk Powders and Cream Powder" (Codex Standard 207-1999) as contained in *Codex Alimentarius*, as amended, or in such other document or announcement in force on the date of manufacture as may supersede this publication. On the Day of Intent, the SMP shall be less than 180 days old.

**5902. FUTURES CALL**

**5902.A. Trading Schedule**

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

**5902.B. Trading Unit**

The unit of trading shall be twenty (20) metric tonnes.

**5902.C. Price Increments**

Minimum price fluctuations shall be in multiples of \$.50 per metric tonne.

**5902.D. Daily Price Limits**

There shall be no trading at a price more than \$50.00 per metric tonne above or below the previous day's settlement price, except that there shall be no daily price limits in the expiring contract during the last 5 trading days.

If the contract that is subject to a daily limit settles on the limit bid or the limit offer, then the daily price limit shall be raised to \$100.00 per metric tonne for all contracts subject to a daily limit. If none of the contracts that are subject to a daily price limit of \$100.00 settles at a limit bid or limit offer, limits for all contracts subject to a

daily limit shall revert to \$50.00 per metric tonne on the next business day.

#### **5902.E. Position Limits**

No person shall own or control more than:

1. 1000 contracts long or short in any contract month;
2. 500 contracts long or short in the expiring contract month as of the close of business on the business day immediately preceding the last 5 trading days in the expiring contract.

For positions involving options on SMP futures, this rule is superseded by the option speculative position limit rule.

#### **5902.F. Accumulation of Positions**

For purposes of this rule the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

#### **5902.G. Exemptions**

The foregoing position limits shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the Commodity Futures Trading Commission and the rules of the Exchange and shall not apply to other positions exempted pursuant to Rule 559.

#### **5902.H. Termination of Trading**

Futures trading shall terminate on the business day immediately preceding the last seven business days of the contract month.

#### **5902.I. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract, except that all deliveries must conform to government regulations in force at the time of delivery. If any federal governmental agency issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules and all open and new contracts shall be subject to such government orders.

### **5903. SETTLEMENT PROCEDURES**

In addition to the applicable procedures and requirements of Chapter 7, the

following shall apply to the delivery of SMP:

**5903.A. Delivery Days**

Delivery may be made on any business day of the contract month, except that delivery may not be made prior to the fourth business day following the first Friday of the contract month.

The Day of Delivery shall be defined as three business days after the Day of Intent. The Day of Intent shall be not sooner than the first business day following the first Friday of the month and not later than the third business day prior to the last business day of the month

**5903.B. Seller's Duties**

To make delivery, the seller is responsible for determining, in advance of submitting a Delivery Notice, if the receiving freight forwarder will be able to accommodate the delivery and furnish the Clearing House with a confirmation via e-mail.

On the Day of Intent, the seller must furnish to the Clearing House no later than 4:30 p.m. a Notice of Intent to Deliver on a form prescribed by the Exchange. The buyer shall be notified by the Exchange no later than 5:30 p.m. of said day unless such notification deadline is extended by the President.

In addition, the seller shall present the following information to the Clearing House via e-mail no later than 4:30 p.m. on the Day of Intent:

1. Name of freight forwarder and contact information
2. Location of warehouse to which product will be delivered including address
3. Packing List
4. Commercial Invoice
5. Certificate of Analysis
6. Kosher Letter of Certification
7. Certificate of Halal
8. Any other documentation required by the Clearing House to complete the delivery

The seller shall provide the freight forwarder with at least twenty-four hours notice that a shipment will be delivered to the named warehouse.

The seller shall be responsible for moving the SMP into the named warehouse no later than 3 business days following the Day of Intent.

**5903.C. Buyer's Duties**

The buyer receiving a delivery notice may not liquidate the long position to which a delivery is assigned.

The buyer shall notify the Clearing House by 3:00 p.m. on the business day following the Day of Intent:

1. If the SMP is for immediate export
2. If the SMP is to be shipped on pallets or slip sheets
3. If the SMP is to be stored at the warehouse to which product will be delivered by the seller
4. If a different freight forwarder will be handling the SMP following the completion of delivery
5. If a third party analysis will be conducted

If the buyer selects a different freight forwarder to handle the SMP following the completion of delivery, the SMP may be moved only after it has been weighed by the seller's freight forwarder and final payment has been made to the seller, at which point ownership transfers from the seller to the buyer. Upon transfer of ownership the buyer is solely responsible for all associated costs.

The Buyer must deposit with the Clearing House, not later than 12:00 noon on the business day following the Day of Intent, a wire transfer for an amount equal to 20 metric tonnes times the daily settlement price.

#### **5903.D. Payment**

Payment to the seller will be made on the business day following the Day of Delivery. Payment will be calculated on the net weight of the load as determined by the seller's freight forwarder and reported to the Clearing House, and the corresponding payment will be made to the seller as described in Rule 5903.E. If the par payment is greater than the actual payment based on the calculated net weight, the Clearing House will remit the excess funds to the buyer.

The net weight will be calculated by the seller's freight forwarder using the number of bags times 25kg.

#### **5903.E. Completion of Delivery**

Upon receipt of the buyer's payment and the seller's fulfillment of the delivery in accordance with all the conditions of the contract herein set forth, the Clearing House shall make payment to the seller and notify the freight forwarder to release all original documentation as described in Rule 5903.B. to the buyer.

#### **5903.F. Approved Facilities**

SMP must be produced in Australia, European Union, New Zealand or United States of America. The facilities must be approved as of the date of manufacture by the certifying government agency responsible for dairy foods production in the country of origin.

## **5904. PAR DELIVERY AND SUBSTITUTIONS**

### **5904.A. Par Delivery Unit**

A par delivery unit is 20 metric tonnes of skimmed milk powder meeting all requirements of this Chapter.

#### **1. Quality Specifications -**

SMP must be heat treated at a minimum 72°C (161°F) for a minimum 15 seconds for purposes of pasteurization and must additionally receive heat treatment to provide Medium Heat characteristics to the finished product (Undenatured Whey Protein Nitrogen Index  $\geq 1.51$  mg and  $\leq 5.99$  mg per gram skimmed milk powder) per *Standard Methods for the Examination of Dairy Products, 17<sup>th</sup> ed.*, American Public Health Association, as amended or in such other document or announcement as may supersede this publication.

Permissible radioactivity level shall be not more than 50 Becquerels per kilogram measured as Caesium 134 and Caesium 137.

SMP shall be certified Kosher-dairy and Halal by oversight organizations acceptable in the country of origin.

SMP and the raw milk from which it was produced shall comply with applicable laws and regulations of the country of origin.

#### **2. Packaging -**

All SMP shall meet the General Principles of Food Hygiene in Codex Alimentarius CAC/RCP 1 -1969, Rev. 4 – 2003, as amended or in such other document or announcement as may supersede this publication as to hygienic practices, food safety, and packaging of Milk and Milk Products.

Product shall be packed in a stitched or glued 25kg (55 lb) multi-layer bag with a separate polyethylene inner liner, with no staples or metal fasteners.

### **5904.B. Delivery Points**

Delivery may be made only from the following locations: Auckland (New Zealand), Los Angeles (United States), Melbourne (Australia), Newark (United States), Rotterdam (Netherlands) and Seattle (United States).

### **5904.C. Deviations and Allowances**

The delivery unit may vary between 18 and 20 metric tonnes in gross weight but payment shall be made on the basis of the net weight delivered, as described in Rule 5903.D.

## **5905. INSPECTION**

SMP shall meet the standards set forth in these Rules.

The Buyer (at buyer's expense) has the right to call for an independent analysis. Buyer shall notify the Clearing House by 3:00 p.m. on the business day following the Day of Intent that an analysis has been requested. An independent analysis shall be completed within 16 calendar days of the Day of Intent. Upon receipt of the official report, the buyer shall provide a copy of the report to the Clearing House within one business day. Results shall be binding on all parties.

If the buyer requests an analysis, then the buyer shall pay 90% of the settlement price time's 20 metric tonnes within 3 business days after the Day of Intent, and the balance when the analysis is complete.

A seller must have replacement SMP at the same warehouse within 10 business days after notification by the Clearing House that a failed analysis has been issued.

Failure of delivered SMP to meet all specifications of this Chapter shall result in replacement of the failed product by the seller and compensation to the buyer for expenses and losses. Compensation for expenses and losses shall be established at \$3,000 per contract, payable to the buyer.

## **5906. [RESERVED]**

## **5907. ASSOCIATED COSTS**

### **5907.A. General**

The costs for all examinations and related services performed by the independent analysis and the costs of Exchange documentation and related services, such as repackaging after examination and warehouse charges, shall be borne by the buyer.

### **5907.B. Pallet Charges**

SMP must be loaded on heat treated pallets meeting ISPM15 certification for shipping. No pallet charges shall apply.

### **5907.C. Import and Export Fees**

Seller shall be responsible for all documentation requirements at the time of sale. Buyer is responsible for all expenses following the transfer of ownership.



**5907.D. Freight Forwarder Charges**

A fee will apply for all services performed by the freight forwarder(s) including but not limited to documentation, handling and storage. Fees for freight forwarder services prior to the transfer of ownership shall be the responsibility of the seller, and fees for freight forwarder services following the transfer of ownership shall be the responsibility of the buyer. All such fees shall be billed by the freight forwarder(s) directly to the buyer and/or seller, as appropriate.

**5907.E. Warehouse Charges**

The seller shall assume storage charges up to 5:00 p.m. on the second calendar day after the Day of Delivery. The buyer shall be responsible for the remainder of the storage month. The buyer's share shall be computed by dividing the prevailing monthly storage rate by 30, raising the quotient to the nearest five cents and multiplying by the number of days remaining in the calendar month (all months figured as 30 days). Storage charges shall be paid in advance by the seller and the pro rata share due from the buyer shall be added to and shown on the Notice of Intent to Deliver.

**5908 ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. - ACTS OF GOVERNMENT, ACTS OF GOD, AND OTHER EMERGENCIES)

(End Chapter 59)

**Chapter 59A**  
**Options on CME International Skimmed Milk Powder Futures**  
**(All New)**

**59A00.SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on the International Skimmed Milk Powder futures contract. The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**59A01.OPTION CHARACTERISTICS**

**59A01.A. Contract Months and Trading Hours**

Options contracts shall be listed for such contract months and scheduled for trading

during such hours as may be determined by the Exchange.

#### **59A01.B. Trading Unit**

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one International Skimmed Milk Powder futures contract as specified in Chapter 59.

#### **59A01.C. Minimum Fluctuations**

The price of an option shall be quoted in dollars and cents per metric tonne. Minimum price fluctuations shall be in multiples of \$.50 per metric tonne. A trade may also occur at a price of \$.25 per metric tonne, whether or not it results in the liquidation of positions for both parties to the trade.

#### **59A01.D. Underlying Futures Contract**

The underlying futures contract is the futures contract for the month in which the option expires. For example, the underlying futures contract for an option that expires in January is the January futures contract.

#### **59A01.E. Exercise Prices**

The exercise prices shall be stated in terms of dollars per metric tonne at intervals of \$5; e.g., \$1100, \$1105, etc.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range of \$100 above and below the previous day's settlement price of the underlying futures contract.

When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next trading day put and call option contracts at the next higher (or next lower) exercise price within a \$100 range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.

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

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

**59A01.F. Position Limits**

No person shall own or control a combination of options and underlying futures that exceeds:

No person shall own or control a combination of options and underlying futures that exceeds 1000 futures equivalent contracts net on the same side of the market in any contract month.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

**59A01.G. Accumulation of Positions**

The positions of all accounts owned or controlled by a person or persons acting in concert or in which such person or persons have a proprietary or beneficial interest, shall be cumulated. The Exchange may impose position limits for any such accounts as it deems appropriate.

**59A01.H. Exemptions**

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 559.A and shall not apply to other option positions exempted pursuant to Rule 559.

**59A01.I. Termination of Trading**

Options trading shall terminate on the first Friday of the delivery month of the underlying futures contract. If that Friday is not a business day, then trading shall terminate on the immediately preceding business day.

**59A01.J. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order, ruling, directive, or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such government orders.

**59A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7 the following shall apply to the exercise of International Skimmed Milk Powder

options.

#### **59A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer on any business day the option is traded. Exercise of an option is accomplished by the clearing member representing the buyer presenting an Exercise Notice to the Clearing House by 7:00 p.m. on the day of exercise.

An option that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instruction delivered to the Clearing House by 7:00 p.m. by the clearing member representing the option buyer, be exercised automatically.

#### **59A02.B. Assignment**

Exercise Notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an Exercise Notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes prior to the opening of trading in the underlying futures contract on the following business day.

The clearing member assigned an Exercise Notice shall be assigned a short position in the underlying futures contract if a call was exercised or a long position if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call was exercised and a short position if a put was exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the Exercise Notice.

#### **59A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701 – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 59A)

CONTRACT NAME	Options	SCALE-DOWN SPOT MONTH (1)	SCALE-DOWN SPOT MONTH (2)	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNT-ABILITY	REPORTABLE FUT LEVEL	REPORTABLE OPT LEVEL
<b>CME Commodities</b>									
Butter	Y	50		150	*900	*1,000		25	25
Cash-Settled Butter	Y			100	*500			25	25
Class III Milk	Y				*1,500			25	25
Class IV Milk	Y			250	*1,000			25	25
Deliverable Nonfat Dry Milk	Y			500	*1,000			25	25
Dry Whey	Y			200	*1,000			25	25
Feeder Cattle	Y			300	*1,500			25	25
Frozen Pork Bellies	Y	*(A) 75 or 50 or 25	*(B) 25 or 10	100	*800	*1,000		5	5
Goldman Sachs Commodity Index	Y					*10,000		25	25
Goldman Sachs ER Index						*10,000		25	
Lean Hogs	Y			950	*4,100			25	25
Live Cattle	Y	300		450	*5,400			25	25
Random Length Lumber	Y			435	*1,000			25	25
Nonfat Dry Milk	Y			100	*1,000			25	25
Northern Bleached Softwood KP	Y				*1,000			25	25
Bleached Hardwood Kraft Pulp	Y				*1,000			25	25
International Skimmed Milk Powder	Y			*500	*1,000			25	25
<p>*(A) The scale-Down levels in the spot month depends on "Deliverable Supply" shall mean the number of registered deliverable pork bellies reported to the CME Clearing House Department's weekly report immediately <i>preceding</i> the first Friday of each expiring contract.</p> <p>*(B) The scale-Down levels in the spot month depends on "Deliverable Supply" shall mean the number of registered deliverable pork bellies reported to the CME Clearing House Department's weekly report immediately <i>following</i> the first Friday of each expiring contract.</p> <p>*Net futures equivalents (NFE) long or short.</p>									