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OFFICE OF THE SECRETARIAT  
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October 28, 2009

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

**Re: Rules and Certification for Options on Live Cattle Futures  
Calendar Spreads Pursuant to Regulation 40.2.  
CME Submission No. 09-258.**

Dear Mr. Stawick,

Chicago Mercantile Exchange Inc. ("CME" or "Exchange"), pursuant to Regulation 40.2, makes this submission to the Commodity Futures Trading Commission ("Commission") with regard to the listing of Options on Live Cattle Futures Calendar Spreads. The contracts will be listed both electronically and via open outcry. The launch date has been set for the trade date of December 7, 2009.

Enclosed please find new Chapter 101B for the CME Rulebook setting forth the terms and conditions for the Options on Live Cattle Futures Calendar Spreads. Other terms and conditions for this product are:

Trading Hours: Open Outcry: Monday-Friday 9:05 a.m. to 1:02 p.m. Central  
Electronic Trading: Mon 9:05 - Fri 1:55 with daily Halts 4:00-5:00 p.m.  
Expiring contract closes at 1:00 p.m. on Last Trading Day

Contract Months: All consecutive and non-consecutive combinations for the first 4 listed futures contract months: Feb10-Apr10, Feb10-Jun10, Feb10-Aug10, Apr10-Jun10, Apr10-Aug10 and Jun10-Aug10

Error Trade ('no-bust') Range: 20% of premium up to \$0.005 with a minimum of 1 tick

CME certifies that the rules, terms and conditions of this product comply with the Commodity Exchange Act and the regulations thereunder.

If you require any additional information regarding this action, contact Jack Cook at 312-930-3295 or via e-mail at [Jack.Cook@cmegroup.com](mailto:Jack.Cook@cmegroup.com), or me at 312-648-5422. Please reference CME Submission No. 09-258 in any related correspondence.

Sincerely

/s/ Stephen M. Szarmack  
Director and Associate General Counsel

## OPTIONS ON LIVE CATTLE FUTURES CALENDAR SPREADS

### 101B00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on Live Cattle futures calendar spreads. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

### 101B01. OPTION CHARACTERISTICS

#### 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.

#### 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 Live Cattle futures calendar spread. A Live Cattle futures calendar spread consists of a combination of a purchase in one futures contract month and a sale in another futures contract month. A call calendar spread option is the equivalent of a long position in a nearer futures contract and a short position in a deferred futures contract. A put calendar spread option is the equivalent of a short position in a nearer futures contract and a long position in a deferred futures contract.

#### C. Minimum Fluctuations

The price of an option shall be quoted in cents per pound. Minimum price fluctuations shall be in multiples of \$.00025 per pound (also known as one tick). A trade may also occur at a price of \$.000125 per pound (\$.50, also known as one-half tick), whether or not it results in the liquidation of positions for both parties to the trade.

#### D. Underlying Futures Contracts

The underlying futures contracts are the futures contract for the month in which the option expires and the corresponding futures contract month in that combination. For example, the underlying futures contracts for a February-April calendar spread option are the February futures contract and the April futures contract.

#### E. Exercise Prices

The exercise prices shall be based on the price difference obtained by subtracting the deferred futures contract price from the nearer futures contract price. The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of .50 cent; e.g. .50, 1.00, 1.50. In addition, for options involving the first two underlying futures contract months, some exercise prices shall be at intervals of .25 cent, as described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options at .50 cent intervals in a range 6¢ above and below the difference between the previous day's settlement prices of the underlying futures contracts. When a sale or settlement price in the underlying futures contracts price differential 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 6¢

range above (or below) the exercise price at which or through which the sale or settlement price in the underlying futures contracts price differential occurred.

When an underlying futures contract month becomes the second nearest contract month, the Exchange shall add exercise prices at .25 cent intervals in range 6¢ above and below the difference between the previous day's settlement prices of the underlying futures contracts. When a sale or settlement price in the underlying futures contracts price differential 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 6¢ range above (or below) the exercise price at which or through which the sale or settlement price in the underlying futures contracts price differential 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.

#### F. Position Limits

No person shall own or control a combination of options and underlying futures that exceeds 5,400 futures equivalent contracts net on the same side of the market in any contract month.

For purposes 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.

#### G. 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.

#### 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 and shall not apply to option positions exempted pursuant to Rule 559.

#### I. Termination of Trading

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

#### 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 governmental orders.

#### 101B02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Live Cattle options on calendar spreads.

#### A. Exercise of Option by Buyer

An option may be exercised by the buyer only on the day that the option expires. To exercise an option, the clearing member representing the buyer shall present 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 instructions delivered to the Clearing House by 7:00 p.m., on the day of termination of trading by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bonafide clerical error, (2) an unreconciled Exchange option transaction (s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

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

All such futures positions shall be assigned at prices as follows: the nearby futures contract shall be assigned at the settlement price and the distant futures contract shall be assigned at a price equal to the settlement price of the nearby futures contract minus the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day following acceptance by the Clearing House of the Exercise Notice.

#### 101B03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If exercise or assignment or any precondition or requirement of either is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(End Chapter 101B)