

February 28, 2014

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**Re: CFTC Regulation 40.5(a): Request for Approval of Rule Amendments to CBOT Rulebook to Implement Variable Price Limits to Grain and Oilseeds Futures and to Eliminate Price Limits on Grain and Oilseeds Options.
CBOT Submission No. 14-062**

Dear Ms. Jurgens:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange"), pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.5(a), hereby seeks the Commission's approval for rule amendments to the CBOT Rulebook to implement variable price limits for grain and oilseeds futures and to eliminate price limits on grain and oilseeds options. Products affected include Corn, Soybeans, Chicago Soft Red Winter (SRW) Wheat, KC Hard Red Winter (HRW) Wheat, Mini-sized Corn, Mini-sized Soybeans, Mini-sized Wheat, Soybean Oil, Soybean Meal, Oats, and Rough Rice. The proposed mechanism will become effective on May 5, 2014, or earlier as may be permissible.

Background:

Commission acceptable practices with respect to price limits in Core Principle 3 are in Appendix B to Part 38, which references Appendix C:

(J) Maximum Price Fluctuation Limits.

Designated contract markets may adopt price limits to: (1) Reduce or constrain price movements in a trading day that may not be reflective of true market conditions but might be caused by traders overreacting to news; (2) Allow additional time for the collection of margins in times of large price movements; and (3) 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.

While a large number of grain and oilseed futures market participants would support the elimination of price limits, a significant portion of the market still supports daily price limits. Some commercial participants believe daily price limits provide the "cooling-off" period referenced in Appendix C above while some Futures Commission Merchants (FCMs) appreciate the additional time offered by Price Limits to collect margins in times of large price movements, also referenced above.

Currently, CME Group applies fixed daily price limits on all CBOT grain and oilseeds futures and options, including Corn, Soybeans, Chicago SRW Wheat, KC HRW Wheat, Mini-sized Corn, Mini-sized Soybeans, Mini-sized Wheat, Soybean Meal, Soybean Oil, Oats, and Rough Rice. The Exchange concurs with the acceptable practices for daily price limits in Appendix C, and continuously attempts to set price limits at

levels that are not overly restrictive, yet provide “cooling-off” periods and extra time to collect margins that so many grain and oilseed customers support and appreciate. CME Group has adjusted price limits for grain and oilseeds products many times through the years when market conditions justified such changes. The most recent change occurred in 2011 when the Corn futures market experienced high volatility and high prices combined with a relatively low price limit, which caused multiple limit move days that adversely affected the price discovery function of the market. At that time, research suggested that price limits at or below 5 percent of the underlying price resulted in regular limit move days. However, price limits in the 6-8 percent range of underlying prices resulted in more episodic limit move days. The Exchange believed then and believes now that the price discovery function is adversely affected when futures are locked limit, but also understands the reasons why many customers support limits, and seeks to establish limits that provide cooling-off periods when warranted without being overly restrictive.

During the approval period in 2011 for Corn futures price limits, the Exchange conducted extensive customer outreach and held an industry meeting. At that time the Exchange had received negative feedback from market participants about its plan to increase Corn price limits. A major concern raised at that industry meeting was that the Exchange does not reduce daily price limits when price levels decline. The idea of basing price limits on underlying prices was received positively by participants at the industry meeting because: a) it solved the problem of overly restrictive price limits; limits would increase when prices rise, and b) such a mechanism provides for price limits to fall when underlying prices fall, which pleases customers that strongly support price appropriate limits. The Exchange decided against implementing a percentage based price limit mechanism in 2011, but vied to work with the industry to further investigate a variable price limit in the future, which is documented in CBOT Submission No. 11-161SS received by the Commission on July 25, 2011.

Proposed Mechanism:

The new variable price limit mechanism resets price limits in each of the CBOT grain and oilseed futures contract every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the July contracts for each of the CBOT grain and oilseed futures products over 45 consecutive trading days before and on the business day prior to April 16th. Average prices for each contract will be calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number would be rounded to the nearest 5 cents/bushel for Corn, Soybeans, CBOT SRW Wheat, KC HRW Wheat, and Oat futures; \$5/ton for Soybean Meal futures; 0.5 cents/pound for Soybean Oil futures; and \$0.05/cwt for Rough Rice futures to determine the new initial price limits for futures.

The second reset date would be the first trading day in November. The November price limit reset will be determined in a manner similar to the first reset in May. The only difference would be that December contracts (November contracts for Soybeans and Rough Rice futures) will be observed over 45 consecutive trading days before and on the business day prior to October 16th.

Several market participants also recommended specifying price limit floors to prevent occurrences of extremely low price limits. These market participants were concerned about low prices and volatility in the spring followed by a drought during the growing season that could result in insufficient price limits. The Exchange proposes the following price limit floors: 20 cents/bushel for Corn and Mini-sized Corn futures; 30 cents/bushel for Chicago SRW Wheat, Mini-sized Chicago SRW Wheat, and KC HRW Wheat futures; 50 cents/bushel for Soybean and Mini-sized Soybean futures; \$20/ton for Soybean Meal futures; 2 cents/pound for Soybean Oil futures; 20 cents/bushel for Oat futures; and \$0.50/cwt for Rough Rice futures. Thus, the price limits implemented each May and November will be the higher of the seven percent calculated values and these specified minimum limits.

Newly determined futures price limits will be communicated to the market and become effective on the first trading day in May and will remain in effect until the last trading day in October. At the end of the six-month period, the price limits will be reset to new levels and will be communicated to the market again and will remain in effect from the first trading day in November until the last trading day next April.

This mechanism continues to allow for expanding daily price limits. If a settlement occurs at the established price limit, the limit will be expanded by 50 percent the next trading day (rounded up to the nearest 5 cents/bushel for Corn, Mini-sized Corn, Soybeans, Mini-sized Soybean, Chicago SRW Wheat, Mini-sized Chicago SRW Wheat, KC HRW Wheat, and Oat futures; \$5/ton for Soybean Meal futures; 0.5 cents/pound for Soybean Oil futures; and \$0.05/cwt for Rough Rice futures), and remain at the expanded limit until no listed contracts settle at the expanded limit. For example, if the Corn futures price limit is set at 25 cents/bushel and at least two Corn futures expiration months or the last contract month in a crop year settle at the 25 cents/bushel limit, the Corn futures price limit would expand to 40 cents/bushel on the next trading day and remain at that level until no Corn futures contract expirations settle at the expanded 40 cents limit, at which time the limit will return to the initial 25 cents/bushel price limit.

One special case is the soybean crush complex. If one of the three components of the soybean crush (Soybean, Soybean Meal, and Soybean Oil futures) triggers a limit, the Exchange would expand the limits by 50 percent (rounded up to the nearest 5 cents/bushel for Soybean and Mini-Sized Soybean futures; \$5/ton for Soybean Meal futures; 0.5 cents/pound for Soybean Oil futures) for the entire soybean crush complex to ensure the normal trading of the Soybean crush.

Daily Price Limits in Options:

Currently, grain and oilseeds options have the same price limits as their underlying futures. The Exchange proposes removing price limits for all grain and oilseeds options starting on trade date May 5, 2014. This change will apply to all grain and oilseeds options, including standard, serial, weekly, short-dated new crop, calendar spread, and inter-commodity spread options. Grain and oilseed options represent the only options traded at CME Group that have daily price limits. Many option customers were not even aware that grain and oilseed options had price limits as only deep-in-the-money options were typically affected.

Rationale:

Research conducted by CME Group across the entire grain and oilseed complex indicates that a price limit set at seven percent of the underlying futures price will likely capture daily price moves with at least 99 percent confidence. Thus, under normal market conditions, one should expect less than three limit-move days per year under this mechanism. Historically, option price limits are rarely hit and typically just by deep-in-the-money options. Therefore, the elimination of option price limits is not expected to have any major impact.

The CME Group Research department also conducted analysis to assure that the historical price limits that would have been imposed through this mechanism are not overly restrictive relative to cash and futures market movements. The results from that analysis are included in Appendix B.

Opposing Views:

The Exchange reached out to a broad cross-section of market participants to gauge support for percentage based price limits. Compared to the feedback received when Corn futures price limits were increased in 2011, the response rate to this proposal was quite modest. Most feedback was supportive with many participants seeing a percentage based approach as the best solution of retaining relevant limits without them becoming too restrictive. However, some participants do not support the implementation of the variable limit mechanism. As a general rule, proprietary traders would prefer the contracts have no daily price limits, and were opposed to any mechanism that could result in limits lower than current limits. FCMs predominately do not like the idea likely due to back-office costs of updating limits twice per year. However, most FCMs do support the continuation of existing daily price limits. Some market participants were concerned about the frequency of update and were concerned that the Exchange could end up with limits that are too small for a six-month period. Some of these participants requested more regular updates to the limits. The Exchange decided against more frequent updates due to FCM back-office cost

concerns. Also, the Exchange proposes implementation of a price limit floor for all contracts and the retention of price limit expansions following a limit move day to address these concerns.

Core Principles:

CBOT business staff and the legal department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA”). During the review, CBOT staff identified that the proposed changes may impact the following Core Principles:

- Compliance with Rules – Changing daily price limits mechanism should 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.
- 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 publish the price limits mechanism information in grain and oilseeds futures terms and conditions, trading rules and specifications on its 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 new price limits mechanism 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.

The Exchange certifies that these contract terms and conditions comply with the CEA and regulations thereunder. The Exchange is not aware of any substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this action, please contact me at 212-299-2200, or contact John McKinlay at 312-930-3028 or via e-mail at John.McKinlay@cmegroup.com, and reference CBOT Submission 14-062 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A – Amendments to CBOT Rulebook
Appendix B – Cash and Futures Market Analysis

APPENDIX A

CBOT Rulebook Amendments

(The proposed rule changes are attached with additions underlined and deletions ~~overstruck~~)

Chapter 10 Corn Futures

10102. TRADING SPECIFICATIONS

10102.D. Daily Price Limits

~~There shall be no trading in corn futures at a price more than \$0.40 per bushel (\$2,000 per contract) above or below the previous day's settlement price. Should two or more corn futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.60 per bushel the next business day. If price limits are \$0.60 per bushel and no corn futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.40 per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for Corn futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 20 cents per bushel, whichever is higher, will be the new initial price limit for Corn futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest December contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 20 cents per bushel, whichever is higher, will be the new initial price limit for Corn futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Corn futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more corn futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year, which is the September contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per bushel. If no Corn futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

Chapter 10A Options on Corn Futures

10A05. OPTION PREMIUM LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Corn futures option at a premium of more than the trading limit for the Corn futures contract above and below the previous day's settlement premium for that option.~~

There are no option premium limits during any day for options on Corn futures.

Chapter 10B
Mini-Sized Corn Futures

10B02. TRADING SPECIFICATIONS

10B02.D. Daily Price Limits

~~There shall be no trading in mini-sized corn futures at a price more than \$0.40 per bushel (\$400 per contract) above or below the previous day's settlement price. Should two or more corn futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.60 per bushel the next business day. If price limits are \$0.60 per bushel and no corn futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.40 per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for mini-sized Corn futures are the same as those for standard-sized Corn futures on the same day.

Chapter 10J
Corn Calendar Spread Options

10J05. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Corn Calendar Spread option at a premium of more than the sum of the trading limits for the underlying Corn futures contracts above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for Corn Calendar Spread options.

Chapter 10N
Wheat-Corn Intercommodity Spread Options

10N05. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Wheat-Corn Intercommodity Spread option at a premium of more than the sum of the trading limits for the Corn futures contract and the Wheat futures contract, above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for Wheat-Corn Intercommodity Spread options.

Chapter 11
Soybean Futures

11102. TRADING SPECIFICATIONS

11102.D. Daily Price Limits

~~There shall be no trading in soybean futures at a price more than \$0.70 per bushel (\$3,500 per contract) above or below the previous day's settlement price. Should two or more soybean futures contract months within the first seven listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$1.05 per bushel the next business day. Should two or more soybean futures contract months within the first seven listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$1.05 per bushel, daily price limits for all contract months shall increase to \$1.60 per bushel the next business day. If price limits are \$1.60 per bushel and no soybean futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$1.05 per bushel the next business day. If price limits are \$1.05 per bushel and no soybean futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.70 per bushel the next~~

~~business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for Soybean futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 50 cents per bushel, whichever is higher, will be the new initial price limits for Soybean futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest November contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 50 cents per bushel, whichever is higher, will be the new initial price limits for Soybean futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Soybean futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more Soybean futures contract months within the first seven listed non-spot contracts (or the remaining contract month in a crop year, which is the September contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per bushel. If no Soybean futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

Should any futures component of the Soybean Complex (Soybean, Soybean Meal, and Soybean Oil) trigger a 50 percent expansion of the price limit, the daily price limits for other futures components shall also increase by 50 percent on the same day (rounded up to the nearest 5 cents per bushel for Soybean futures; 5 dollars per ton for Soybean Meal futures; and 0.5 cents per pound for Soybean Oil futures). If no futures component contract month settles at the expanded limits, daily price limits for all futures components of the Soybean Complex shall revert back to their respective initial price limits the following business day.

Chapter 11A Options on Soybean Futures

11A05. OPTIONS PREMIUM LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Soybean futures option at a premium of more than the trading limit for the Soybean futures contract above and below the previous day's settlement premium for that option.~~

There are no option premium limits during any day for options on Soybean futures.

Chapter 11B Mini-Sized Soybean Futures

11B02. TRADING SPECIFICATIONS

11B02.D. Daily Price Limits

~~There shall be no trading in mini-sized soybean futures at a price more than \$0.70 per bushel (\$700 per contract) above or below the previous day's settlement price. Should two or more soybean futures contract months within the first seven listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$1.05 per bushel the next business day. Should two or more soybean futures contract months within the first seven~~

~~listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$1.05 per bushel, daily price limits for all contract months shall increase to \$1.60 per bushel the next business day. If price limits are \$1.60 per bushel and no soybean futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$1.05 per bushel the next business day. If price limits are \$1.05 per bushel and no soybean futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.70 per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for mini-sized Soybean futures are the same as those for standard-sized Soybean futures on the same day.

Chapter 11C Soybean Board Crush Spread Options

11C05. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Soybean Board Crush Spread option at a premium of more than the trading limit for the Soybean futures contract above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for Soybean Board Crush Spread options.

Chapter 11E Soybean Calendar Spread Options

11E05. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Soybean Calendar Spread option at a premium of more than the sum of the trading limits for the underlying Soybean futures contracts above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for Soybean Calendar Spread options.

Chapter 12 Soybean Oil Futures

12102. TRADING SPECIFICATIONS

12102.D. Daily Price Limits

~~There shall be no trading in soybean oil futures at a price more than \$.025 per unit of trading (\$1,500 per contract) above or below the previous day's settlement price. Should two or more soybean oil futures contract months within the first eight listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$.035 per unit of trading the next business day. Should two or more soybean oil futures contract months within the first eight listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$.035 per unit of trading, daily price limits for all contract months shall increase to \$.055 per unit of trading the next business day. If price limits are \$.055 per unit of trading and no soybean oil futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$.035 per unit of trading the next business day. If price limits are \$.035 per unit of trading and no soybean oil futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$.025 per unit of trading the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for Soybean Oil futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The

average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 0.5 cents per pound, or 2 cents per pound, whichever is higher, will be the new initial price limits for Soybean Oil futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest December contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 0.5 cents per pound, or 2 cents per pound, whichever is higher, will be the new initial price limits for Soybean Oil futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Soybean Oil futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more Soybean Oil futures contract months within the first eight listed non-spot contracts (or the remaining contract month in a crop year, which is the October contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 0.5 cents per pound. If no Soybean Oil futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

Should any futures component of the Soybean Complex (Soybean, Soybean Meal, and Soybean Oil) trigger a 50 percent expansion of the price limit, the daily price limits for other futures components shall also increase by 50 percent on the same day (rounded up to the nearest 5 cents per bushel for Soybean futures; 5 dollars per ton for Soybean Meal futures; and 0.5 cents per pound for Soybean Oil futures). If no futures component contract month settles at the expanded limits, daily price limits for all futures components of the Soybean Complex shall revert back to their respective initial price limits the following business day.

Chapter 12A **Options on Soybean Oil Futures**

12A05. OPTION PREMIUM LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Soybean Oil futures option at a premium of more than the trading limit for the Soybean Oil futures contract above and below the previous day's settlement premium for that option.~~

There are no option premium limits during any day for options on Soybean Oil futures.

Chapter 12B **Soybean Oil Calendar Spread Options**

12B05. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Soybean Oil Calendar Spread option at a premium of more than the sum of the trading limits for the underlying Soybean Oil futures contracts above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for Soybean Oil Calendar Spread options.

Chapter 13 **Soybean Meal Futures**

13102. TRADING SPECIFICATIONS

13102.D. Daily Price Limits

~~There shall be no trading in Soybean Meal futures at a price more than \$20 per unit of trading (\$2,000 per contract) above or below the previous day's settlement price. Should two or more soybean meal futures contract months within the first eight listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$30 per unit of trading the next business day. Should two or more soybean meal futures contract months within the first eight listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$30 per unit of trading, daily price limits for all contract months shall increase to \$45 per unit of trading the next business day. If price limits are \$45 per unit of trading and no soybean meal futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$30 per unit of trading the next business day. If price limits are \$30 per unit of trading and no soybean meal futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$20 per unit of trading the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for Soybean Meal futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 dollars per ton, or 20 dollars per ton, whichever is higher, will be the new initial price limits for Soybean Meal futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest December contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 dollars per ton, or 20 dollars per ton, whichever is higher, will be the new initial price limits for Soybean Meal futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Soybean Meal futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more Soybean Meal futures contract months within the first eight listed non-spot contracts (or the remaining contract month in a crop year, which is the October contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 dollars per ton. If no Soybean Meal futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

Should any futures component of the Soybean Complex (Soybean, Soybean Meal, and Soybean Oil) trigger a 50 percent expansion of the price limit, the daily price limits for other futures components shall also increase by 50 percent on the same day (rounded up to the nearest 5 cents per bushel for Soybean futures; 5 dollars per ton for Soybean Meal futures; and 0.5 cents per pound for Soybean Oil futures). If no futures component contract month settles at the expanded limits, daily price limits for all futures components of the Soybean Complex shall revert back to their respective initial price limits the following business day.

Chapter 13A Options on Soybean Meal Futures

13A05. OPTIONS PREMIUM LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Soybean Meal futures option at a premium of more than the trading limit for the Soybean Meal futures contract above and below the previous day's settlement premium for that option.~~

There are no option premium limits during any day for options on Soybean Meal futures.

Chapter 13B Soybean Meal Calendar Spread Options

13B05. OPTIONS PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Soybean Meal Calendar Spread option at a premium of more than the sum of the trading limits for the underlying Soybean Meal futures contracts above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for Soybean Meal Calendar Spread options.

Chapter 14 Wheat Futures

14102. TRADING SPECIFICATIONS

14102.D. Daily Price Limits

~~There shall be no trading in wheat futures at a price more than \$0.60 per bushel (\$3,000 per contract) above or below the previous day's settlement price. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.90 per bushel the next business day. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.90 per bushel, daily price limits for all contract months shall increase to \$1.35 per bushel the next business day. If price limits are \$1.35 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.90 per bushel the next business day. If price limits are \$0.90 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.60 per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for Wheat futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 30 cents per bushel, whichever is higher, will be the new initial price limits for Wheat futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest December contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 30 cents per bushel, whichever is higher, will be the new initial price limits for Wheat futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Wheat futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more Wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year, which is the May contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per bushel. If no Wheat futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price

limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

Chapter 14A Options on Wheat Futures

14A05. OPTION PREMIUM LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Wheat futures option at a premium of more than the trading limit for the Wheat futures contract above and below the previous day's settlement premium for that option.~~

There are no option premium limits during any day for options on Wheat futures.

Chapter 14B Mini-Sized Wheat Futures

14B02. TRADING SPECIFICATIONS

14B02.D. Daily Price Limits

~~There shall be no trading in mini-sized wheat futures at a price more than \$0.60 per bushel (\$600 per contract) above or below the previous day's settlement price. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.90 per bushel the next business day. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.90 per bushel, daily price limits for all contract months shall increase to \$1.35 per bushel the next business day. If price limits are \$1.35 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.90 per bushel the next business day. If price limits are \$0.90 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.60 per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for mini-sized Wheat futures are the same as those for standard-sized Wheat futures on the same day.

Chapter 14D Wheat Calendar Spread Options

14D05. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Wheat Calendar Spread option at a premium of more than the sum of the trading limits for the underlying Wheat futures contracts above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for Wheat Calendar Spread options.

Chapter 14E MGEX-CBOT Wheat Intercommodity Spread Options (Terms and Conditions)

14E05. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a MGEX-CBOT Wheat Intercommodity spread option at a premium of more than the sum of the trading limits for the CBOT Wheat futures contract and the MGEX Wheat futures contract, above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for MGEX-CBOT Wheat Intercommodity Spread options.

Chapter 14F
KCBT-CBOT Wheat Intercommodity Spread Options

14F105. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a KCBT-CBOT Wheat Intercommodity spread option at a premium of more than the sum of the trading limits for the CBOT Wheat futures contract and the KCBT Wheat futures contract, above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for KCBT-CBOT Wheat Intercommodity Spread options.

Chapter 14H
KC HRW Wheat Futures

14H02. TRADING SPECIFICATIONS

14H02.D. Daily Price Limits

~~The Exchange may at any time, upon ten (10) hours' notice, provide that there shall be no trading in any specified contract for delivery in any specified month at prices more than a fixed limit above or below the official closing price of the preceding business day. Any Member or KC HRW Incentive Program Participant who enters into any contracts under the rules of the Exchange in violation of such resolution shall be subject to disciplinary action pursuant to Chapter 4.~~

~~Note: There shall be no trading in wheat futures at a price more than \$0.60 per bushel (\$3,000 per contract) above or below the previous day's settlement price. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.90 per bushel the next business day. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.90 per bushel, daily price limits for all contract months shall increase to \$1.35 per bushel the next business day. If price limits are \$1.35 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.90 per bushel the next business day. If price limits are \$0.90 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.60 per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for KC HRW Wheat futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 30 cents per bushel, whichever is higher, will be the new initial price limits for KC HRW Wheat futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest December contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 30 cents per bushel, whichever is higher, will be the new initial price limits for KC HRW Wheat futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in KC HRW Wheat futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more KC HRW Wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year, which is the

May contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per bushel. If no KC HRW Wheat futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

Chapter 14K

MGEX-KC HRW Wheat Intercommodity Spread Options

14K05. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a MGEX-KC HRW Wheat Intercommodity spread option at a premium of more than the sum of the trading limits for the KC HRW Wheat futures contract and the MGEX Wheat futures contract, above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for MGEX-KC HRW Wheat Intercommodity Spread options.

Chapter 14L

Options on Contracts of Sale on KC Hard Red Winter Wheat Futures Contracts

14L05. OPTION PREMIUM LIMITS

~~Trading is prohibited during any day except for the last day of trading in a KC HRW Wheat futures option at a premium of more than the trading limit for the KC HRW Wheat futures contract above and below the previous day's settlement premium for that option.~~

There are no option premium limits during any day for options on KC HRW Wheat futures.

Chapter 14M

KC HRW Wheat Calendar Spread Options

14M05. OPTION PREMIUM FLUCTUATION LIMITS

~~Trading is prohibited during any day except for the last day of trading in a KC HRW Wheat Calendar Spread option at a premium of more than the sum of the trading limits for the underlying KC HRW Wheat futures contracts above and below the previous day's settlement premium for that option as determined by the Clearing House.~~

There are no option premium limits during any day for KC HRW Wheat Calendar Spread options.

Chapter 15

Oat Futures

15102. TRADING SPECIFICATIONS

15102.D. Daily Price Limits

~~There shall be no trading in Oat futures at a price more than \$.20 per bushel (\$1,000 per contract) above or below the previous day's settlement price. Should two or more oat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.30 per bushel the next business day. Should two or more oat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.30 per bushel, daily price limits for all contract months shall increase to \$0.45 per bushel the next business day. If price limits are \$0.45 per bushel and no oat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.30 per bushel the next business day. If price limits are \$0.30 per bushel and no oat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.20 per bushel the next business day. There shall be~~

~~no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for Oat futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 20 cents per bushel, whichever is higher, will be the new initial price limits for Oat futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest December contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 20 cents per bushel, whichever is higher, will be the new initial price limits for Oat futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Oat futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more Oat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year, which is the September contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per bushel. If no Oat futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

Chapter 15A Options on Oat Futures

15A05. OPTION PREMIUM LIMITS

~~Trading is prohibited during any day except for the last day of trading in an Oats futures option at a premium of more than the trading limit for the Oat futures contract above and below the previous day's settlement premium for that option.~~

There are no option premium limits during any day for options on Oat futures.

Chapter 17 Rough Rice Futures

17102. TRADING SPECIFICATIONS

17102.D. Daily Price Limits

~~There shall be no trading in rough rice futures at a price more than \$.50 per hundredweight (\$1,000 per contract) above or below the previous day's settlement price. Should two or more rough rice futures contract months within the first six listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.75 per hundredweight the next business day. Should two or more rough rice futures contract months within the first six listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.75 per hundredweight, daily price limits for all contract months shall increase to \$1.15 per hundredweight the next business day. If price limits are \$1.15 per hundredweight and no rough rice futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.75 per hundredweight the next business day. If price limits are \$0.75 per hundredweight and no rough rice futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.50 per hundredweight the next business day. There shall be no~~

~~price limits on the current month contract on or after the second business day preceding the first day of the delivery month.~~

Daily price limits for Rough Rice futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per hundredweight, or 50 cents per hundredweight, whichever is higher, will be the new initial price limits for Rough Rice futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest November contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per hundredweight, or 50 cents per hundredweight, whichever is higher, will be the new initial price limits for Rough Rice futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Rough Rice futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more Oat futures contract months within the first six listed non-spot contracts (or the remaining contract month in a crop year, which is the September contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per hundredweight. If no Rough Rice futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

Chapter 17A

Options on Rough Rice Futures

17A05. OPTION PREMIUM LIMITS

~~Trading is prohibited during any day except for the last day of trading in a Rough Rice futures option at a premium of more than the trading limit for the Rough Rice futures contract above and below the previous day's settlement premium for that option.~~

There are no option premium limits during any day for options on Rough Rice futures.

APPENDIX B

Cash and Futures Market Analysis

CME Group research team ran a back test to see the impact of the proposed price limit mechanism on the price discovery in cash markets. Back test analysis attempts to see what would have happened if the price limits based on the proposed mechanism had been applied in the past.

Daily cash prices from USDA for Corn, Soybeans, and SRW Wheat in Chicago, Soybean Meal and Soybean Oil in Central Illinois, HRW Wheat in Kansas City, and Oats in Minneapolis from January 2010 to December 2013 were chosen. Daily cash prices for Rough Rice are not available.

The table below shows the number of limit-exceeding days in cash markets if the proposed price limits had been applied during the four year period. There was 1.1 percent chance that the price change in CBOT Wheat cash market exceeded the proposed futures price limit. For all other cash markets, the chances were either equal to or less than one percent, which is consistent with the goal that the proposed limits should capture daily price moves with at least 99 percent confidence. In other words, the proposed futures price limits generated by the mechanism should not overly restrict the normal price discovery process in cash markets.

CME Group research team also ran the same back test on futures markets and drew the same conclusion that the proposed futures price limits should not overly restrict the normal price discovery process in futures markets as also shown in the table below.

Commodity	Cash Market		Futures Market	
	# of Days Daily Cash Market Moves Exceeded Mechanism Determined Futures Price Limits	Percentage Exceeding Limits	# of Days Daily Futures Price Moves Exceeded Mechanism Determined Futures Price Limits	Percentage Exceeding Limits
Corn	10	1.0%	8	0.8%
Soybeans	2	0.2%	1	0.1%
CBOT Wheat	11	1.1%	10	1.0%
KC Wheat	9	0.9%	7	0.7%
Soybean Oil	2	0.2%	0	0.0%
Soybean Meal	3	0.3%	2	0.2%
Oats	8	0.8%	6	0.6%
Rough Rice	NA	NA	NA	NA