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June 25, 2007

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

Re: Section 5c(c)(2) and Regulations Section 40.4 and 40.5 Submission. Request for Commission Approval of Interpretation to CME Feeder Cattle Futures Rule 10203.A.1. CME Submission #07-48.

Dear Ms. Donovan:

1. **Request for Commission Rule Approval.** Chicago Mercantile Exchange ("CME" or "Exchange") hereby requests Commission approval of an interpretation to Feeder Cattle Futures Rule 10203.A.1. regarding eligible cattle. In addition, CME requests expedited approval of this amendment under Section 40.5(f).
2. **Text of Proposed Interpretation.** The text of the proposed interpretation is shown below, with additions underlined:

Feeder Cattle Futures

10203. SETTLEMENT PROCEDURES

A. Final Settlement

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

1. The Sample

The CME Feeder Cattle Index™ is based upon a sample of transactions from these weight/frame score categories: 650 to 849 pound Medium and Large Frame #1 feeder steers, and 650 to 849 pound Medium and Large Frame #1-2 feeder steers.

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

All direct trade reports shall be considered to be Friday transactions except for the mid-week Oklahoma Range Sales Report, which shall be considered to be Tuesday transactions.

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

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

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

Cattle identified in the report as being fancy, thin, fleshy, gaunt or full; or having predominantly dairy, exotic or Brahma breeding; shall be excluded from the sample. Direct trade, video sale, and Internet sale transactions must be quoted on an FOB basis, 3% standing shrink or equivalent, with pickup within 14 days to be included in the sample.

INTERPRETATION OF RULE 10203.A.1-FINAL SETTLEMENT, The Sample.

In keeping with the requirements of Rule 10203.A.1, transactions for cattle that are reported by USDA-AMS as having an origin outside of the United States are excluded from the sample.

3. **Effective Date and Rule Promulgating Authority.** This interpretation was approved by the Exchange on June 22, 2007. The Exchange intends to make this interpretation effective for all contract months following Commission approval.

4. **Operation, Purpose & Effect.** It is proposed that the rules for calculating the CME Feeder Cattle Index used in final settlement of Feeder Cattle futures be interpreted to explicitly exclude from the calculation any cattle that are noted as having an origin outside the United States.

In practice, transactions for cattle from Mexico and Canada have not been considered in the Index since the Index was started in 1993. Therefore, excluding these animals will not have any significant impact on head counts of the Index. In fact, since the beginning of 2005 when the current contract specifications were changed so that the weight range and grading categories were widened, no Canadian-origin cattle and less than 2000 total head of Mexican-origin cattle were reported by USDA-AMS that would have otherwise met the contract specifications during the final settlement periods. This is miniscule compared to over 400,000 total head of other cattle that the Index accounted for in the final settlement periods. Mexican cattle rarely meet the weight or grade requirements of the Index and are generally traded at a discount to similar US-origin animals. Once country of origin labeling requirements become effective, expected no later than October 2008, further discounting of cattle from Mexico and Canada is anticipated because of increased handling costs due to the new requirements. Excluding these cattle prevents the Index from reflecting a discounted price.

Codifying the past practice is advisable to preclude any misunderstanding about the Index calculation. A similar exclusion for non-US fattened cattle has been in effect for Live Cattle futures since October 2004. Aligning the specifications for these cattle contracts in this manner will lessen the likelihood of disruptions in the price spreads between the contracts.

5. **Opposing Views.** The Exchange is not aware of any substantive opposing views.

6. **Necessary Amendments or Interpretations to the Act or Regulations.** The Exchange is not aware that any such amendments or interpretations are needed to accommodate the proposed interpretation.

If you have any questions regarding this submission, please contact Jack Cook at 312-930-3295 and via e-mail at jcook@cme.com. Please refer to CME Submission #07-48 in all correspondence regarding this matter.

Sincerely,



John W. Labuszewski, Managing Director
Research & Product Development