

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 15-148 (1 of 2)

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 05/08/15 Filing Description: Adoption of New Rule 524 ("Trading at Settlement ("TAS") Transactions") and Issuance of CME/CBOT Market Regulation Advisory Notice RA1503-3

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:** 524

**New Product**

**Please note only ONE product per Submission.**

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

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

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

**Official Name(s) of Product(s) Affected:**

**Rule Numbers:**

May 8, 2015

**VIA ELECTRONIC PORTAL**

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

**RE: CFTC Regulation 40.6(a) Certification. Adoption of New Rule 524 (“Trading at Settlement (“TAS”) Transactions”) and Issuance of CME/CBOT Market Regulation Advisory Notice RA1503-3.  
CME Submission No. 15-148 (1 of 2)**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME”) and The Board of Trade of the City of Chicago, Inc. (“CBOT”) (collectively, the “Exchanges”) hereby notify the Commodity Futures Trading Commission (“CFTC” or “Commission”) that they are self-certifying the adoption of new Rule 524 (“Trading at Settlement (“TAS”) Transactions”), effective on Sunday, June 7, 2015 for trade date Monday, June 8, 2015. In connection with the adoption of the new Rule, effective on that date:

- CME will begin to permit orders for the first two listed contract months and the spread between those two contract months in Live Cattle, Feeder Cattle and Lean Hogs futures to be entered into CME Globex for pricing at the settlement price or any valid price increment four ticks higher or lower than the settlement price; and
- CBOT will begin to permit orders for the first three listed contract months and certain spreads in Corn, Soybean, Soybean Oil, Soybean Meal, Wheat and KC HRW Wheat futures to be entered into CME Globex for pricing at the settlement price or any valid price increment four ticks higher or lower than the settlement price.

In addition to the adoption of new Rule 524, the Exchanges are self-certifying the adoption of a link in the Interpretations & Special Notices Section of CME and CBOT Chapter 5 (“Trading Qualifications and Practices”) to a new TAS Table that will identify the products, contract months and spreads that will be eligible for execution on CME Globex and priced pursuant to the provisions of Rule 524. Lastly, the Exchanges are also self-certifying the issuance of CME & CBOT Market Regulation Advisory Notice RA1503-3 (“RA1503-3”) concerning Rule 524 on May 11, 2015. The text of new Rule 524 appears in Appendix A and RA1503-3 appears in Appendix B. The TAS Table appears under separate cover as Appendix C. While TAS pricing will be new to CME and CBOT, the Exchanges note that such pricing has been available in a variety of New York Mercantile, Inc. (“NYMEX”) energy products and Commodity Exchange, Inc. (“COMEX”) metals products for many years, subject to the provisions of NYMEX and COMEX Rule 524.

As previously announced, CME Group will close most open outcry futures trading by July 2015. At that time, market participants will no longer be able to place Market on Close (“MOC”) orders in CME Livestock and CBOT Grain and Oilseed futures as the MOC order type is not supported for electronic trading on the CME Globex platform. MOC orders have historically been, and continue to be, important to

commercial market participants for hedging overnight purchases in the physical products underlying the futures contracts and to Commodity Index customers for rebalancing purposes.

Subsequent to a review of the liquidity profiles of CME Livestock and CBOT Grain and Oilseed futures on CME Globex, trading at settlement was deemed suitable for the products, contract months and spreads described above.

The Exchanges have reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the adoption of new Rule 524, the TAS Table and the issuance of RA1503-3 may have some bearing on the following Core Principles:

Compliance with Rules: The Market Regulation Advisory Notice being issued provides information on the products, contract months and spreads eligible to be entered on CME Globex and priced at the settlement price or any valid price increment four ticks higher or lower than the settlement price pursuant to Rule 524. This guidance, and the TAS Table, are intended to ensure that market participants have accurate regulatory guidance attendant to TAS Transactions and are expressly intended to assist market participants in remaining in compliance with Rule 524.

Contracts Not Readily Subject to Manipulation: A review of the CME Livestock and CBOT Grain and Oilseed futures shows that there is sufficient liquidity on CME Globex to support pricing at TAS in the specified products, contract months and spreads without raising a regulatory concern about susceptibility to manipulation. Additionally, the MRAN contains a section solely devoted to the regulatory considerations attendant to the use of TAS by market participants.

Availability of General Information: The marketplace will be notified of the adoption of new Rule 524 via the issuance of RA1503-3 on May 11, 2015, sufficiently in advance of the June 8, 2015, effective date.

The Exchanges certify that the adoption of Rule 524 and the TAS Table and the issuance of RA1503-3 comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

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

If you have any questions regarding this submission, please me at 212-299-2200, or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A – CME and CBOT Rule 524  
Appendix B – RA1503-3  
Appendix C – Trading at Settlement Table (“TAS Table”) in Chapter 5 of CME and CBOT Rulebooks (attached under separate cover)

## **Appendix A**

(Additions are underscored)

### **CME and CBOT Chapter 5 Trading Qualifications and Practices**

#### **524. TRADING AT SETTLEMENT (“TAS”) TRANSACTIONS**

The Exchange shall determine the commodities, contract months and time periods during which TAS transactions shall be permitted.

The following shall govern TAS transactions:

1. TAS orders may be entered on Globex at any time the applicable contracts are available for TAS trading on Globex and during each TAS contract’s prescribed pre-open time period. The initiation of any TAS order on Globex outside these time periods is prohibited.
2. TAS transactions may be executed at the current day’s settlement price or at any valid price increment four ticks higher or lower than the settlement price.

## Appendix B

### MARKET REGULATION ADVISORY NOTICE

---

|                        |   |
|------------------------|---|
| <b>Exchange</b>        | <b>CME &amp; CBOT</b>                             |
| <b>Subject</b>         | <b>Trading at Settlement (“TAS”) Transactions</b> |
| <b>Rule References</b> | <b>Rule 524</b>                                   |
| <b>Advisory Date</b>   | <b>May 11, 2015</b>                               |
| <b>Advisory Number</b> | <b>CME &amp; CBOT RA1503-3</b>                    |
| <b>Effective Date</b>  | <b>June 8, 2015</b>                               |

Effective on Sunday, June 7, 2015, for trade date Monday, June 8, 2015, CME and CBOT will adopt new Rule 524 (“Trading at Settlement (“TAS”) Transactions”). In connection with the adoption of the new Rule:

- CME will begin to permit orders for the first two listed contract months and the spread between those two contract months in Live Cattle, Feeder Cattle and Lean Hogs futures to be entered into CME Globex for pricing at the settlement price or any valid price increment **four** ticks higher or lower than the settlement price; and
- CBOT will begin to permit orders for the first three listed contract months and certain spreads in Corn, Soybean, Soybean Oil, Soybean Meal, Wheat and KC HRW Wheat futures to be entered into CME Globex for pricing at the settlement price or any valid price increment **four** ticks higher or lower than the settlement price.

Information on the specific contract months and spreads eligible for TAS pricing is contained in the TAS Table set forth in the Interpretations & Special Notices Section at the end of Chapter 5 of the CME and CBOT Rulebooks. The table may also be accessed [here](#).

Important information on regulatory considerations for market participants engaging in TAS transactions appears in Section 2 of this Advisory Notice.

#### **1. General Information on TAS Transactions**

Orders may be entered into CME Globex for execution at the current day’s settlement price or any valid price increment four ticks higher or lower than the settlement price.

TAS Transactions in CME and CBOT products are subject to CME and CBOT Rule 524, which is set forth below:

#### **524. TRADING AT SETTLEMENT (“TAS”) TRANSACTIONS**

The Exchange shall determine the commodities, contract months and time periods during which TAS transactions shall be permitted.

The following shall govern TAS transactions:

1. TAS orders may be entered on Globex at any time the applicable contracts are available for TAS trading on Globex and during each TAS contract’s prescribed pre-open time period. The initiation of any TAS order on Globex outside these time periods is prohibited.
2. TAS transactions may be executed at the current day’s settlement price or at any valid price increment four ticks higher or lower than the settlement price.

## **2. Regulatory Considerations**

All market participants are reminded that any trading activity that is intended to disrupt orderly trading or to manipulate or attempt to manipulate a settlement price to benefit a TAS position will subject the member and/or the market participant to disciplinary action for any of a number of rule violations, including, but not limited to:

- price manipulation or attempted price manipulation
- wash trading
- conduct detrimental to the interest or welfare of the Exchange or conduct which tends to impair the dignity or good name of the Exchange
- engaging in conduct inconsistent with just and equitable principles of trade

Investigation of suspected manipulative or disruptive activity related to TAS, or activity in the related underlying markets will include the Market Regulation Department's ("Department") review of positions and trading activity in CME or CBOT markets and any related markets to determine if such activity was disruptive, collusive, and/or caused or attempted to cause aberrant price movement during these periods. Pursuant to Rule 432.L.3, market participants are reminded that it is an offense to fail to produce any books or records requested by authorized Exchange staff within 10 days after such request is made or such shorter period of time as determined by the Exchange in exigent circumstances. The Department always has the authority to request books and records as well as other relevant information regarding the nature of a participant's trading and positions in Exchange products and in any related markets as part of its regulatory program.

## **3. Entry of TAS Orders into CME Globex**

Rule 524 permits the entry of TAS orders into CME Globex only subsequent to the beginning of each group's pre-open state and during the time period the applicable contracts are available for TAS trading on CME Globex. The initiation of any TAS order on CME Globex outside of these time periods is strictly prohibited.

Any market participant who initiates the entry of a TAS order prior to receipt of the security status message indicating that market has transitioned to the pre-open will be subject to disciplinary action by a panel of the Business Conduct Committee, notwithstanding that the order may have been rejected by the CME Globex system. Sanctions for noncompliance may include a fine, disgorgement of any profits realized as a result of any orders accepted by CME Globex which were initiated prior to receipt of the security status message and/or a suspension of access to the market. Market participants must ensure that they have appropriate protocols in place to ensure that TAS orders are not initiated prior to receipt of the security status message.

## **4. TAS Calendar Spreads**

As set forth in the [TAS Table](#) in the Interpretations & Special Notices Section at the end of CME and CBOT Chapter 5, certain intra-commodity calendar spreads are permitted to be entered into CME Globex for TAS pricing.

The legs of TAS spread trades executed on CME Globex at **zero** or at a **negative differential** will be priced as follows:

- If the spread trades at zero, each leg will be priced at the settlement price for the respective contract months.
- If the spread trades at a negative differential, the **nearby** leg of the spread will be priced at the settlement price for that contract month. The **far** leg of the spread will be priced at the settlement price for that contract month **minus** the allowable TAS price increment traded.

The legs of TAS spread trades executed on CME Globex at a **positive differential** will be priced as follows:

- The **far** leg of the spread will be priced at the settlement price for that contract month. The **nearby** leg of the spread will be priced at the settlement price for that contract month **plus** the TAS price increment traded.

#### **5. TAS Pricing and Daily Price Limits**

Notwithstanding that CME Live Cattle, Feeder Cattle and Lean Hogs futures and CBOT Corn, Soybean, Soybean Oil, Soybean Meal, Wheat and KC HRW Wheat futures are subject to daily price limits, market participants executing a trade in one of those products which is priced at a tick increment above or below the settlement price (negative 4 through negative 1 or positive 1 through positive 4) may result in a final trade price above or below the daily price limit.

Questions regarding this Advisory Notice may be directed to the following individuals in Market Regulation:

Jennifer Dendrinis, Director, Investigations, 312.341.7812

Andrew Vrabel, Executive Director, Investigations, 312.435.3622

Erin Coffey, Senior Rules & Regulatory Outreach Specialist, 312.341.3286

Jonathan Farrimond, Lead Rules & Regulatory Outreach Specialist, +44 20 3379 3966

Shawn Tan, Senior Rules & Regulatory Outreach Specialist, +65 6593 5580

Robert Sniegowski, Executive Director, Rules & Regulatory Outreach, 312.341.5991

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).