

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 14-281

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

Filing as a: **DCM** **SEF** **DCO** **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): August 8, 2014 **Filing Description:** Revisions to Rules Governing the Day of Trading Termination for Live Cattle Options in the January Bi-Monthly Listing Cycle.

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: CME Rule 101A01.I

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Official Product Name:

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

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

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

Rule Numbers:

August 8, 2014

VIA ELECTRONIC PORTAL

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 40.6(a) Certification. Notification of Amendments to Termination of Trading for Live Cattle Options Contract.
CME Submission No. 14-281**

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying amendments to CME Rule 101A01 ("Termination of Trading") of CME Chapter 101A ("Live Cattle Options"; Clearing Code: 48; Open Outcry Code: CK/PK; CME Globex Code: LE; CME ClearPort Code: 48) effective on Sunday, August 24, 2014 for trade date Monday, August 25, 2014 and beginning with the September 2014 contract month and forward. These amendments will apply to all currently listed contract months and all future contract month listings. The amendments are non-material in nature and, therefore, will be applied to all contract months, including those contract months with open interest. Furthermore, the amendments will not have a practical implication until the July 2015 options contract, which will not be listed until May, 2015. The amendments are designed to harmonize rulebook language determining the last trade date of Live Cattle Options in the January and February Bi-Monthly listing cycles.

Currently, different rule language determines the date of trading termination for Live Cattle options in the January and February Bi-Monthly listing cycle. Live Cattle options in the February Bi-Monthly cycle terminate trading on the first Friday of the contract month, unless that first Friday is not a Business Day. In such cases, options terminate trading on the immediately preceding Business Day (e.g., the first Thursday of the contract month). However, Live Cattle options in the January Bi-Monthly cycle terminate trading on the first Friday of the contract month that is a Business Day. Therefore, if the first Friday of the contract month is not a business day, the options terminate trading on the *second Friday of the contract month (i.e., the first Friday that is a Business Day)*. The Exchange has determined that this discrepancy between settlement rules for January and February Bi-Monthly listed Live Cattle options may be confusing to traders and may change the time value of the contract if settled one week later.

There have been infrequent historic occurrences where the first Friday of the contract month has *not* been a Business Day. This occurs either in the January or July Live Cattle options depending on the date of the New Year's and Independence Day holidays. These holidays have caused the January and July Live Cattle options to settle on the second Friday of the contract month on three (3) occasions since 2004. Because these exceptions occur so rarely, they require significant effort to adjust options pricing models for traders and settlement methods for Exchange staff. Therefore, the Exchange is harmonizing the rule language of the January and February Bi-Monthly listing cycle options to bring added transparency and efficiency to the market.

These amendments will be effective with the September 2014 Live Cattle Options contract, the only options contract in the January Bi-Monthly listing cycle that will be listed for trading at that date. The

settlement of the September 2014 Live Cattle options contract will not be impacted as the first Friday of the contract month is a Business Day. It should be noted that the first contract month these amendments shall effect will be the July 2015 Live Cattle options contract, which will not be listed until May 2014.

Exchange business staff responsible for the amendments and the Exchange Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified the following Core Principles as potentially being impacted:

- Compliance with the Rules: Trading in these contracts is subject to CME Rulebook Chapter 4, which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices. Additionally, trading in these contracts is subject to the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in these contracts is subject to monitoring and surveillance by CME Group's Market Regulation Department, which has the authority to exercise its investigatory and enforcement power where potential rule violations are identified. The rule amendments certified herein do not change or hinder the ability of the Exchange to monitor and enforce compliance with the rules of the contract market
- Prevention of Market Disruption: By harmonizing the termination of trading date rules between the January and February Bi-Monthly listing cycle Live Cattle options, there will be fewer manual adjustments to trading and clearing systems which will improve the efficiency of the market. This change is expected to have a *positive* impact, reducing chances for market disruption by eliminating potential "surprises" in the trading termination date. The rule amendments certified herein enhance the Exchange's ability to prevent possible market disruptions.
- Availability of General Information: The Exchange shall publish on its website information regarding options contract specifications, terms and conditions, and any changes to the trading rules. In this case, a market notification in the form of a Special Executive Report (SER) will be published. Additionally, the termination of trading date for Live Cattle options in the January and February Bi-Monthly listing cycle is posted on the Exchange's website and any changes to the termination of trading date will be accordingly updated.

The Exchange contacted key brokers and traders in Live Cattle options to solicit feedback on this proposal. No substantive opposition was noted and all contacted parties were supportive of the amendments to clarify and harmonize the rulebook as proposed.

The Exchange certifies that these amendments comply with the Act, including regulations under the Act.

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>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at Christopher.Bowen@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Appendix A – CME Rulebook Chapter 101A, Rule 101A01.I

Appendix A
CME Rulebook
Chapter 101A

Text of Proposed Rule Changes

(additions are underlined and deletions are ~~struckthrough~~)

Chapter 101A

Options on Live Cattle Futures

101A01. OPTIONS CHARACTERISTICS

I. Termination of Trading

1. Options in the January or February Bi-Monthly Cycle

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

~~2. Options in the January Bi-Monthly Cycle~~

~~For monthly options that expire in months other than those in the February bi-monthly cycle, options trading shall terminate on the first Friday of the contract month, which is also a Business Day.~~

~~3.2. Weekly Options~~

For weekly options, trading shall terminate on Friday, except that no weekly option shall be designated to terminate on any Friday that is also the termination date for an option in either the January or February bi-monthly cycle. If that Friday is not a Business Day, then trading shall terminate on the immediately preceding Business Day.