

February 3, 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 40.4(a)/40.5(a) Request for Approval: Amendments to Rule 704 (Approved Stockyards and Slaughter Plants for Live Cattle) and Addition of Appendix to Chapter 7 (Delivery Facilities and Procedures).
CME Submission No. 14-045**

Dear Ms. Jurgens:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulations 40.4(a) and 40.5(a), Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) is requesting Commission approval to adopt amendments to Rule 704 (Approved Stockyards and Slaughter Plants for Live Cattle) and to adopt an Appendix to Chapter 7 of the CME Rulebook.

The amendments will allow the Exchange, in its sole discretion, to determine and publish maximum daily delivery limits at stockyards that have been approved by the Exchange for the delivery of live cattle resulting from delivery obligations resulting from transactions in CME Live Cattle futures contracts. The amendments note that the limits are subject to change based on changes to stockyard infrastructures and the availability of USDA grading personnel. The amendments also require approved stockyards that wish to increase or decrease their current delivery limit to file a written request with the Exchange. Lastly, as a result of the amendments to Rule 704, CME is also seeking approval to adopt an Appendix to Chapter 7 (Delivery Facilities and Procedures) of the CME Rulebook setting forth the current live cattle maximum daily grading capacities at approved stockyards.

Amended Rule 704 and the addition of the Appendix to Chapter 7 codify existing practices concerning the management of daily grading capabilities at the stockyards approved to receive and process deliveries of live cattle in connection with deliveries resulting from transactions in CME Live Cattle futures contracts. The approved stockyards are noted in CME Rule 10103.B.4.g. The daily delivery limits are necessary to prevent congestion or disruption at the stockyards due to an amount of animals being delivered to a stockyard that exceeds the ability of the structure or associated personnel to properly process. The daily limits for each stockyard were developed in consultation with staff from the United States Department of Agriculture - Agricultural Marketing Service-Market News (“AMS-MN”) agency that serve as live cattle graders for CME deliveries. The graders are familiar with the infrastructure and personnel at each of the approved stockyards. The limits have been in place using a manual monitoring system since 2010 and have been incorporated into an automated delivery tendering system used by CME Clearing such that once sufficient tenders are submitted to meet a daily limit for a particular stockyard, any subsequent tenders are denied entry into the system and the tenderer is notified to choose a subsequent day for submission of a delivery tender.

The amendments also establish a review/notification procedure for changes in the limits. Requests for increases to the daily grading limits will be reviewed by staff in the Exchange’s Market Regulation Department in consultation with staff of AMS-MN to determine whether and by how much a limit should

be increased when considering such factors as the number of certified weighing scales, the number and condition of holding pens and the general availability of sufficient stockyard personnel. Decreases will also be reviewed by staff and may be due to such occurrences as the removal or decertification of a weighing scale, removal or destruction of holding pens or chronic inability to provide sufficient stockyard personnel. The stockyard and marketplace will be notified of any approved increase or any decrease in a daily limit, as will the Commission per Regulation 40.4. This is similar to the procedure used for changes in the daily load-out capacities for CBOT regular facilities in grain and oilseed futures contracts.

The amendments to Rule 704 and the adoption of the new Appendix to Chapter 7 will go into effect no later than twenty (20) business days subsequent to receipt of Commission approval. The amendments to Rule 704 are set forth in Exhibit A and the new Appendix is set forth in Exhibit B, with additions underscored.

The Exchange's Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act"). During the review, we have identified that the amendments to Rule 704 and the adoption of the new Appendix to Chapter 7 may have some bearing on the following Core Principle:

Availability of General Information: In order to ensure that market participants are apprised of the amendments to Rule 704 and the adoption of the new Appendix in Chapter 7, CME will issue a CME Group Special Executive Report to the marketplace notifying them of the Exchange's ability to set maximum delivery capacities of approved live cattle stockyards in advance of the amendments and the new Appendix becoming effective. The issuance of the Special Executive Report notifies the marketplace of the pending amendments in compliance with this Core Principle.

CME certifies that the amendments to Rule 704 and the adoption of the new Appendix in Chapter 7 of the CME Rulebook complies with the Act and regulations thereunder. There were no opposing views to the rule amendments or the new Appendix.

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 have any questions regarding this submission, please contact Nadine Brown, Market Regulation, at 212-299-2223 or via e-mail at Nadine.Brown@cmegroup.com. Alternatively, you may contact me at 212-299-2200 or via e-mail at Christopher.Bowen@cmegroup.com. Please reference CME Submission No. 14-045 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Amendments to Rule 704
Exhibit B – New Appendix to CME Rulebook Chapter 7

EXHIBIT A

Revisions to CME Rule 704 (additions underlined)

CME Chapter 7 (Delivery Facilities and Procedures)

704. APPROVED STOCKYARDS AND SLAUGHTER PLANTS FOR LIVE CATTLE

Deliveries on Exchange contracts of live beef cattle can be made only at public livestock yards and slaughter plants designated and approved for delivery by the Exchange.

A public livestock yard shall not be eligible for deliveries as an approved stockyard unless it is a stockyard within the definition of the Packers and Stockyards Act, 1921 as amended, and has received notice to that effect from the Secretary of Agriculture. Approved stockyards shall be required to keep such records, make such reports and be subject to inspection and regulation by the Secretary of Agriculture, as provided in said Packers and Stockyards Act. The Exchange, in its sole discretion, may determine and publish maximum daily live delivery limits for futures contracts at approved stockyards (see Appendix to this Chapter for the current limits). These limits are subject to change based on changes in stockyard infrastructure (e.g., scales, holding pens, etc.) and availability of USDA grading personnel. Approved stockyards that desire to increase or decrease their limit shall file with the Exchange a written request. Increases shall be effective thirty days after approval and posting by the Exchange and decreases shall be effective once a notice has been posted by the Exchange.

An approved slaughter plant shall, at a minimum, be federally inspected, slaughter primarily fed cattle in the normal course of business, have a fed cattle slaughter capacity of at least 500 head per day, have proper facilities for weighing and grading, and be located within a 200 mile radius of one or more approved stockyards.

EXHIBIT B

New Appendix to CME Rule Chapter 7 (additions underlined)

Appendix to CME Chapter 7

Live Cattle Maximum Daily Grading Capacities at Approved Stockyards

The following live cattle grading capacity limits at approved stockyards are in effect beginning with the February 2014 live cattle delivery cycle:

<u>Approved Stockyard</u>	<u>Maximum Daily Grading Capacity (contracts)</u>
<u>Amarillo TX</u>	<u>60</u>
<u>Clovis NM</u>	<u>15</u>
<u>Columbus NE</u>	<u>15</u>
<u>Dodge City KS</u>	<u>40</u>
<u>Norfolk NE</u>	<u>30</u>
<u>North Platte NE</u>	<u>20</u>
<u>Ogallala NE</u>	<u>25</u>
<u>Pratt KS</u>	<u>10</u>
<u>Syracuse KS</u>	<u>25</u>
<u>Texhoma OK</u>	<u>30</u>
<u>Tulia TX</u>	<u>30</u>
<u>Worthing SD</u>	<u>60</u>
<u>Wray CO</u>	<u>10</u>