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# SPECIAL EXECUTIVE REPORT

S-3967

June 23, 2003

## **BOARD AND CFTC APPROVE REVISED POSITION LIMITS FOR CLASS III MILK FUTURES & OPTIONS**

At its Regular Meeting on June 3, 2003, the Board of Directors approved, and the CFTC subsequently approved, revised Position Limits for Class III Milk futures and options contracts. These amendments will become effective at the start of business on Monday, July 7, 2003 for the August 2003 and all subsequent contract months.

The necessary changes to the corresponding futures and options contracts are shown below, with additions underlined and deletions bracketed and overstruck.

### **CHAPTER 52 MILK FUTURES**

#### **5202. FUTURES CALL**

##### **E. Position Limits**

No person shall own or control more than[=]

- [1-] [~~1000~~] 1500 contracts long or short in any contract month[=].
- [2-] [~~500 contracts long or short in the expiring contract month as of the close of business on the business day immediately preceding the first business day of the contract month.~~]

For positions involving options on Milk futures, this rule is superseded by the option speculative position limit rule.

## **CHAPTER 52A OPTIONS ON MILK FUTURES**

### **52A01. OPTION CHARACTERISTICS**

#### **F. Position Limits**

No person shall own or control a combination of options and underlying futures that exceeds[;]

- [1-] [4000] 1500 futures equivalent contracts net on the same side of the market in any contract month[;].
- [2-] ~~[500 contracts long or short in the expiring contract month as of the close of business on the business day immediately preceding the first business day of the contract month.]~~

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

## **CHAPTER 52B MIDSIZE OPTIONS ON MILK FUTURES**

### **52B01. OPTION CHARACTERISTICS**

#### **F. Position Limits**

No person shall own or control a combination of options and underlying futures that exceeds[;]

- [1-] [4000] 1500 Milk futures-equivalent contracts net on the same side of the market in any contract month[;].
- [2-] ~~[500 contracts long or short in the expiring contract month as of the close of business on the business day immediately preceding the first business day of the contract month.]~~

For the purpose of this rule, the futures equivalent of a midsize option contract is 0.50 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

If you have any questions, please contact Mr. Charles Piszczor, Senior Market Analyst, Commodity Product Development, at (312) 930-4536, or Mr. Paul Peterson, Director, Commodity Product Development at (312) 930-4587.