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CME UPDATE 03-11

November 10, 2003

I. BOARD APPROVES RULE CHANGES FOR IEF[®]4

At its Regular Meeting on Wednesday, November 5, 2003, the Board of Directors approved the IEF[®]4 collateral program that will allow clearing firms to pledge collateral such as commercial paper, corporate notes, certificates of deposit and asset backed securities to CME to satisfy performance bond requirements. The new types of collateral that will be accepted under the IEF4 Program are generally described as "readily marketable securities" as defined in the Securities and Exchange Commission Rules.

Set forth below are changes to CME Rules 821 and 825. Additions to the rules are underlined and deletions are lined out.

821. **PERFORMANCE BOND AMOUNTS**

Performance bond requirements will be as determined by Exchange staff from time to time. Subject to the terms and conditions as approved by Exchange staff, the Clearing House will accept as performance bond, cash, equity securities, shares of mutual funds, United States Treasury and agency Securities (under the conditions specified in Rule 825), Letters of Credit pursuant to [Rule 822](#), units in CME's Interest Earning Facility Program, shares in CME's Interest Earning Facility 2 Program, ~~or~~ permitted investments allowable under CFTC Regulation 1.25, and "readily marketable securities" as defined by Securities and Exchange Commission Rules, as applicable, (as used in this Rule 821, such assets and any proceeds thereof are collectively referred to as "Assets"), all of which must be and remain unencumbered.

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825. **SECURITIES**

Subject to such terms and conditions as shall have been approved by Exchange staff, a clearing member may maintain all or a portion of its performance bond on deposit with the Clearing House in equity securities, units of Standard & Poor's Depository Receipts, shares of mutual funds and United States Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Bond Principal Strips, agency Securities and permitted investments allowable under CFTC Regulation 1.25 and "readily marketable securities" as defined by Securities and Exchange Commission Rules (collectively, "Securities"). Treasury and agency securities shall be maintained in multiples of \$5,000. The clearing member shall designate which of such Securities are to be maintained as performance bond for its customers' trades or its own (so-called "house") trades and the Securities will be held for that account. The Clearing House shall value Securities for performance bond purposes as it deems appropriate.

The clearing member shall transfer the acquired Securities to the Exchange or to an approved depository for safekeeping in an Exchange account for house trades or in an Exchange account for customers' trades, as the case may be, and the Exchange shall retain control over such Securities. Neither the Exchange nor the Clearing House shall have any obligation or responsibility to preserve, protect, collect or realize upon, and under no circumstances shall the Exchange or Clearing House be liable for, any loss or diminution in value or depreciation in or in connection with the Securities maintained pursuant to this rule. A clearing member who maintains Securities for its benefit pursuant to this rule shall hold the Exchange and Clearing House harmless from all liability, losses and damages which may result from or arise with respect to the care and sale of such Securities.

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Each clearing member shall reimburse the Clearing House for all fees, expenses, charges and costs assessed by a depository against the Exchange with respect to all Securities maintained in its account, and shall make deposits as may be required by the Clearing House by reason of any depreciation in the market value of such Securities. If a clearing member defaults to the Clearing House with respect to performance bonds, the Securities maintained in its account pursuant to this rule shall be taken over by the Clearing House and sold without notice and the proceeds of Securities deposited for customers' trades shall be applied against the performance bond requirements for the clearing members' customers' accounts, and the proceeds of Securities deposited for the house trades shall be applied against the requirements for the clearing member's own (so-called "house") account.

If you have any questions, please contact Mr. Timothy Doar, Director, Financial Management, at (312) 930-3162.

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II. BOARD APPROVES EXPANDED DAILY PRICE LIMITS FOR FEEDER CATTLE FUTURES

At its Regular Meeting on Wednesday, November 5, 2003, the Board of Directors approved a recommendation to adopt expanded daily price limits in Feeder Cattle futures. The expanded limits will operate in the same manner as those recently adopted for Live Cattle futures. The expanded limits for Feeder Cattle futures will become effective shortly after CFTC review.

The text of a rule amendment for expanded daily price limits in Feeder Cattle futures is noted below, with additions underlined and deletions bracketed and overstruck.

CHAPTER 102 **FEEDER CATTLE FUTURES**

10202. FUTURES CALL

D. Daily Price Limits

There shall be ~~[no trading at]~~ a daily price limit of ~~[more than]~~ \$.015 per pound above or below the previous day's settlement price.

If either of the two contracts nearest to expiration settles on the limit bid for two successive days or on the limit offer for two successive days, then the price limit shall be raised to \$.030 per pound for all contract months.

If the daily price limit is \$.030 and either of the two contracts nearest to expiration settles on the limit bid for two successive days or on the limit offer for two successive days, then the price limit shall be raised to \$.050 per pound for all contract months.

If the daily price limit is \$.050 and neither of the two contracts nearest to expiration settles on the limit bid or limit offer, without regard to market direction, then the daily price limit for all contract months shall revert to \$.030 on the next business day.

If the daily price limit is \$.030 and neither of the two contracts nearest to expiration settles on the limit bid or limit offer, without regard to market direction, then the daily price limit for all contract months shall revert to \$.015 on the next business day.

For the purposes of this rule, "two contracts nearest to expiration" may involve different contract months.

If you have any questions, please contact Mr. Jack Cook, Economist, Research and Product Development, at (312) 930-3295, or Mr. Paul Peterson, Director, Research and Product Development, at (312) 930-4587.

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III. CFTC APPROVES AMENDMENTS TO CME RULE 543.B.

The CFTC has approved amendments to CME Rule 543.B. and the Interpretation to Rule 543.B. to permit greater flexibility in granting position limit exemptions for Feeder Cattle versus Feeder Cattle spreads involving spot month positions in futures and/or options.

The amendments are shown below, with additions underlined and deletions bracketed and overstruck.

543. SPECULATIVE POSITION LIMITS AND EXEMPTIONS**543.B. Arbitrage and Spread Positions**

Rules establishing speculative position limits shall not apply to arbitrage or intercommodity spread positions enumerated by the Exchange. Rules establishing single, non-spot month speculative position limits with respect to livestock and meat contracts and dairy product contracts, and single, spot month speculative position limits with respect to feeder cattle, milk and butter, shall not apply to intracommodity spread positions enumerated by the Exchange.

(Remainder of Rule 543.B. unchanged)

**INTERPRETATIONS & SPECIAL NOTICES
RELATING TO CHAPTER 5****RULE 543.B. – SPREAD POSITIONS**

(Special Executive Report S-1015 dated May 18, 1982. Revised August 1989, September 1992, November 1993, November 1997; May 1999; July 1999; November 1999, January 2002)

Rule 543.B. applies to intercommodity spread positions and intracommodity (calendar) spread positions of roughly equivalent value or size involving:

1. Interest rate futures or options versus other interest rate futures or options;
2. Interest rate futures or options versus like precious metal calendar spreads or gold coin calendar spreads;
3. Interest rate futures or options versus like calendar spreads in stock index futures;
4. Stock index futures or options versus other stock index futures or options;
5. Gold futures versus gold coin futures or gold options;
6. Currency futures versus gold futures or gold options or gold coin futures;
7. Currency futures or options versus other options on like physical currencies, currency futures, or currency options;
8. Options or futures on cross currency interest rate differences versus like currency options or futures calendar spreads;
9. Commodity index futures or options versus index component futures or options;
10. Livestock and meat futures or options intracommodity (calendar) spreads involving non-spot contract months;

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11. Livestock and meat futures or options versus other livestock and meat futures or options involving non-spot contract months;

12. Feeder Cattle futures or options versus Feeder Cattle futures or options involving spot contract months, provided that the spot month positions during the last 5 trading days do not exceed 300 contracts;

[42-]13. Dairy product futures or options intracommodity (calendar) spreads involving non-spot contract months;

[43-]14. Dairy product futures or options versus other dairy product futures or options involving non-spot contract months;

[44-]15. Milk futures or options versus milk futures or options provided that the spot month positions do not exceed two times the spot month position limits;

[45-]16. Butter futures or options versus butter futures or options involving spot contract months, provided that the spot month positions during the last 5 trading days do not exceed 200 contracts in the March, May or July contract months, 150 contracts in the September contract month or 100 contracts in the October or December contract months; and

[46-]17. Forest product futures or options versus other forest product futures or options.

If you have any questions, please contact Mr. Paul Peterson, Director, Commodity Product Development, at (312) 930-4587.

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IV. BOARD APPROVES DELISTING OF CHEMICAL FUTURES

At its Regular Meeting on Wednesday, November 5, 2003, the Board of Directors approved the delisting of the March 2004 and subsequent contract months for CME-CheMatch Benzene Futures and CME-CheMatch Mixed Xylenes Futures, effective immediately. In addition, no new contracts will be listed for trading.

If you have any questions regarding this matter, please contact Mr. Paul Peterson, Director, Commodity Product Development at (312) 930-4587.

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V. WEATHER PRICE BANDS INCREASED ON WEDNESDAY, OCTOBER 22, 2003

The recent changes implemented for all GLOBEX[®] bands caused weather bands to narrow from 50 to 20 points, causing the frequency of orders being rejected by the system to increase. Therefore, weather price bands were increased to 80 points for outright and to 40 points for spreads on Wednesday, October 22, 2003.

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

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VI. APPROVED LIVE CATTLE SLAUGHTER PLANTS

The following slaughter plants for deliveries against the CME Live Cattle contract have been approved through October 31, 2004.

Colorado

Ft. Morgan	Excel	970-867-8223
Greeley	Swift & Co.	970-304-7336

Kansas

Dodge City	Excel	620-227-5800
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Nebraska

Grand Island	Swift & Co.	308-384-5330
Schuyler	Excel	402-352-5411

Texas

Cactus	Swift & Co.	806-966-5103
Friona	Excel	806-295-3201
Plainview	Excel	806-293-5181

If you have any questions, please contact Mr. Ken Lovett, Division of Market Regulation, (312) 930-3257.

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VII. APPROVED PLANTS FOR SPOT CALL BUTTER AND NON-FAT DRY MILK

The following creameries to deliver Spot Call Butter and Non-Fat Dry Milk from December 1, 2003 through November 30, 2004 have been approved.

CALIFORNIA

FRESNO	California Dairies, Inc.	559-233-5154
TIPTON	California Dairies, Inc.	559-752-5200
TULARE	Kraft Foods	559-685-0790
TURLOCK	California Dairies, Inc.	209-668-6150
VISALIA	Kraft Foods	559-625-7900

IDAHO

CALDWELL	West Farm Foods	208-459-3687
JEROME	West Farm Foods	208-324-5390

KENTUCKY

LOUISVILLE	Dairy Farmers of America	502-452-6739
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LOUISIANA

FRANKLINTON	Dairy Farmers of America	985-839-4481
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MINNESOTA

NEW ULM	Associated Milk Producers, Inc.	507-354-2191
WINTHROP	Dairy Farmers of America	507-647-5385

NEW MEXICO

PORTALES	Dairy Farmers of America	505-359-2841
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TENNESSEE

ANTIOCH	Level Valley Creamery	615-641-1027
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TEXAS

EL PASO	Dairy Farmers of America	915-584-7189
WINNSBORO	Keller's Creamery	903-347-4200

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SPOT CALL CREAMERIES (cont'd)**WASHINGTON**

CHEHALIS	West Farm Foods	360-748-8826
ISSAQUAH	West Farm Foods	425-557-4537
LYNDON	West Farm Foods	360-354-2151
SUNNYSIDE	West Farm Foods	509-837-8000

WISCONSIN

GREENWOOD	Grassland Dairy Products Inc.	715-267-6182
WEST BEND	Level Valley Dairy Co.	262-675-6533

If you have any questions, please contact Mr. Ken Lovett, Division of Market Regulation, (312) 930-3257.