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## Special Executive Report

S-4046

December 30, 2003

### **Chicago Mercantile Exchange Modifies Daily Price Limit Schedule in December 2003 Live Cattle Futures**

The Chicago Mercantile Exchange Inc. (CME) has taken an emergency action with respect to daily price limits for its December 2003 live cattle futures contract for trading on Tuesday, December 30 and Wednesday, December 31 – the last day of trading for the December 2003 live cattle futures contract.

On Tuesday, December 30 the initial price limit will be \$0.050 per pound, as previously announced in Special Executive Report S-4045, dated December 26, 2003. If the December 2003 contract becomes limit bid or limit offered, then after a one-hour period during which the market shall continue to be open for trading at the \$0.050 limit, the daily price limit for the December 2003 contract only shall be expanded by \$0.025 per pound to a total daily limit of \$0.075 per pound for the remainder of the trading day. For example, if the December 2003 contract is limit offered at \$0.7785 at any time before 12:00 noon on Tuesday, then one hour later the lower price limit shall expand by \$0.025 per pound to \$0.7535 for the remainder of the trading day. On Wednesday, December 31 the daily price limit for the December 2003 only shall be \$0.050 per pound.

For all other contract months in live cattle futures and for all contract months in feeder cattle futures, the emergency price limit schedule announced on December 24 will continue to be in place. The daily price limit on Tuesday, December 30 will be \$0.05 per pound. Separately for live cattle futures and feeder cattle futures, if either of the two nearby contract months is locked limit down at the close of trading on Tuesday, December 30, the limit on Wednesday December 31 will continue to be \$0.05 per pound. Otherwise it will revert to \$0.03 per pound.

Thereafter daily price limits will adhere to the schedule as revised on October 15, 2003. That schedule is as follows:

- If either of the two contracts in the even month cycle nearest to expiration settles on the limit bid for two successive days or on the limit offer for two successive days, the price limit shall be raised to \$0.030 per pound for all contract months.

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- If the daily price limit is \$0.030 and either of the two contracts in the even month cycle 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 \$0.050 per pound for all contract months.
- If the daily price limit is \$0.050 and neither of the two contracts in the even month cycle 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 \$0.030 on the next business day.
- If the daily price limit is \$0.030 and neither of the two contracts in the even month cycle 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 \$0.015 on the next business day.

Normal trading hours shall be in effect on December 30. The previously announced holiday hours of 9:05 a.m. to 12:00 noon shall be in effect on December 31.

If there are any questions regarding this matter, please contact Eric Wolff, Managing Director, Regulatory Affairs, at 312-930-3255 or Paul Peterson, Director, Research and Product Development at 312-930-4587.