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## Special Executive Report

**S-4235**

**March 21, 2005**

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### **1. CME ETHANOL FUTURES BEGIN TRADING TUESDAY, MARCH 29, 2005**

CME will launch CME Ethanol Futures on Tuesday, March 29, 2005, exclusively on the CME Globex electronic trading platform. Initially, the following contract months will be listed for trading:

**May 2005**  
**June 2005**  
**July 2005**

Subsequent contract months will be listed on the business day following the termination of trading in the nearby contract month. Following the June expiration, 12 consecutive months will be listed for trading at all times.

In addition, the following pre-programmed calendar spreads will be listed for trading. These spreads will be quoted as follows, with a buyer of the spread buying the first leg (nearest month) and selling the second leg (deferred month):

**May 2005 - June 2005**  
**May 2005 - July 2005**  
**June 2005 - July 2005**

Subsequent spreads will be listed on the business day following the termination of trading in the nearby contract month in a particular spread. Additional spreads will be added as the number of listed contract months is expanded.

## 2. SPECIFICATIONS AND RULES FOR CME ETHANOL FUTURES

Contract Size:	30,000 U.S. gallons; $\pm 5\%$ variation in delivery unit without penalty, with payment based on exact quantity delivered
Quotation:	Dollars per gallon
Quality Specification:	ASTM D4806, including Appendix X2 for California Ethanol Requirements
Quantity Specification:	Measured at 60°F using Table 6B of ASTM D1250
Tick Size:	\$.001 per gallon (\$30 per contract)
Daily Price Limit:	No price limit in the front month during the last 5 days of trading; \$.10 per gallon (\$3,000 per contract) above or below the previous day's settlement price; \$.20 per gallon (\$6,000 per contract) after three consecutive limit-up or three consecutive limit-down settlements in the contract month nearest to expiration that is subject to a price limit
Position Limits: <ul style="list-style-type: none"> <li>Any Month except Front Month</li> <li>Front Month</li> </ul>	1,000 contracts 500 contracts during last 15 trading days; 250 contracts during last 10 trading days; 100 contracts during last 5 trading days
Contract Months Traded:	All 12 calendar months with 12 consecutive contracts listed for trading at all times; 3 consecutive contracts listed until after first two expirations
Termination of Trading:	Last business day of the calendar month prior to the contract month
Final Settlement:	Physical delivery; on track via loaded tank car at shipping origin
Freight Basing Point:	Chicago
First Notice Day:	First business day of the contract month
Last Notice Day:	Last business day of the contract month
Trading Hours:	Monday-Friday, 9:05 AM to 1:30 PM Chicago time
Trading Venue:	CME Globex only
No-Bust Range:	\$.049 or less
Price Bands:	\$.10 for outrights, \$.05 for spreads
Block Trade Threshold:	20 contracts
Ticker Symbol:	ET

**CHAPTER 202  
ETHANOL FUTURES**

**20200. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading of ethanol. The procedures for trading, inspection, delivery, clearing and settlement, and any other matters not specifically covered herein shall be governed by the Rules of the Exchange.

**20201. COMMODITY SPECIFICATIONS**

Each futures contract shall be for 30,000 U.S. gallons of ethanol that meets the requirements of "Standard Specification for Denatured Fuel Ethanol for Blending with Gasolines for Use as Automotive Spark-Ignition Engine Fuel" of the American Society for Testing and Materials in effect at the time of delivery (henceforth ASTM D4806), including "California Ethanol Requirements" in Appendix X2 to ASTM D4806. The volume shall be measured at 60° Fahrenheit using Table 6B of "Petroleum Measurement Tables, Volume Correction Factors -- Volume II" of the American Society for Testing and Materials in effect at the time of delivery (henceforth ASTM D1250).

**20202. FUTURES CALL**

**A. Trading Schedule**

Futures contracts shall be scheduled for trading during such hours and for final settlement in such months as may be determined by the Board of Directors.

**B. Trading Unit**

The unit of trading shall be 30,000 gallons of ethanol.

**C. Price Increments**

Minimum price fluctuations shall be in multiples of \$.001 per gallon.

**D. Daily Price Limits**

There shall be no trading at a price more than \$.10 per gallon above or below the previous day's settlement price, except that there shall be no daily price limit in the contract nearest to expiration during the last five days of trading.

If the contract month nearest to expiration that is subject to a daily price limit settles on the limit bid for three successive days or on the limit offer for three successive days, then the daily price limit for all contract months subject to a daily price limit shall be raised to \$.20 per gallon on the next business day.

If the daily price limit is \$.20 per gallon and the contract month nearest to expiration that is subject to a daily price limit does not settle on the limit bid or limit offer, without regard to market direction, then the daily price limit for all contract months subject to a daily price limit shall revert to \$.10 on the next business day.

For the purposes of this rule, "contract month nearest to expiration that is subject to a daily price limit" may involve different contract months.

**E. Position Limits**

No person shall own or control more than:

1. 1,000 contracts long or short in any contract month;
2. 500 contracts long or short in the expiring contract month during the last 15 days of trading;
3. 250 contracts long or short in the expiring contract month during the last 10 days of trading;
4. 100 contracts long or short in the expiring contract month during the last 5 days of trading.

#### **F. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

#### **G. Exemptions**

The foregoing position limits shall not apply to bona fide hedging positions meeting the requirements of the Commodity Futures Trading Commission and the rules of the Exchange and shall not apply to other positions exempted pursuant to Rule 543.

#### **H. Termination of Trading**

Trading shall terminate on the last business day of the calendar month prior to the contract month.

#### **I. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract, except that if any federal governmental agency issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules and all open and new contracts shall be subject to such government orders.

### **20203. SETTLEMENT PROCEDURES**

In addition to the procedures and requirements of Chapter 7, the following shall specifically apply to the delivery of ethanol.

#### **A. [Reserved]**

#### **B. Notice of Intent to Deliver**

Seller shall give Notice of Intent to Deliver to the Clearing House prior to 12:00 noon (Chicago Time) on any business day in the contract month.

#### **C. [Reserved]**

#### **D. Seller's Duties**

The seller shall follow the buyer's shipping instructions within seven business days after receipt of such instructions. In addition, the seller shall prepay the actual freight charges and bill the buyer, through the Clearing House, the lowest published freight rate for tank cars from Chicago, Illinois to the buyer's destination. The term "lowest published freight rate" refers only to the lowest published "general through rate" and not to rates published in any other rate class. The freight rate used shall be the current tariff rate at the time of shipment, including any applicable surcharges noted in the tariff.

If the freight rate to the buyer's destination is not published, the freight charge shall be negotiated between the buyer and seller in accordance with industry practice.

If within two business days of the receipt of the Notice of Intent the buyer has not designated a destination, or if during that time the buyer and seller fail to agree on a negotiated freight charge, the seller shall treat the destination as Chicago, Illinois. If the buyer does not designate a carrier or routing, the seller shall select same according to normal trade practices.

To complete delivery, the seller must deposit with the Clearing House a Delivery Notice, a certificate of chemical analysis from an independent laboratory noting the properties specified in Rule 20201 and a uniform straight bill of

lading (or a copy thereof). The foregoing documents must be received by the Clearing House postmarked within fourteen business days of the date of receipt of shipping instructions.

In addition, within one business day after acceptance by the railroad, the Clearing House must receive information (via a telephone call, facsimile or electronic transmission) from the seller giving the car number, unit size and date of acceptance. The date of acceptance by the railroad is the date of the bill of lading, signed and/or stamped by the originating carrier, except when determined otherwise by the Clearing House.

If the seller fails to fulfill its duties within the prescribed time, penalties will be assessed by the Clearing House Manager in accordance with the current penalty schedule.

#### **E. Buyer's Duties**

The clearing member assigned the Notice of Intent shall deposit with the Clearing House no later than 10:00 a.m. (Chicago time) on the following business day a wire transfer in an amount equal to 30,000 times the settlement price, in U.S. dollars, on the last day of trading in the contract month.

The buyer shall, within two business days of receipt of the Notice of Intent, submit to the Clearing House shipping instructions, to include consignee, point of destination and routing acceptable to the originating carrier.

#### **F. Payment**

Upon seller's fulfillment of the delivery, the Clearing House shall transfer to the seller the amount due based on the actual amount delivered. Any government duties, fees and charges shall be the responsibility of the seller.

### **20204. PAR DELIVERY AND SUBSTITUTIONS**

#### **A. Par Delivery**

Delivery shall be made on track via loaded tank car at the shipping origin.

#### **B. Variations in Quantity**

Variations in quantity of the delivery unit between 28,500 gallons and 31,500 gallons shall be permitted without penalty, but payment shall be made on the basis of the exact quantity delivered.

#### **C. [Reserved]**

#### **D. [Reserved]**

### **20205. WEIGHING, SAMPLING AND CLAIMS**

#### **A. Weighing**

Weighing shall be made at the shipping origin on certified scales.

#### **B. Sampling and Claims**

A sample shall be taken at origin by the seller. A single sample, representative of all shipments that day, may be taken. Seller shall, on the business day after acceptance by the railroad, send the sample to a testing services company designated by the Clearing House via overnight delivery. The sample size, container and shipping package must conform to specifications designated by the Clearing House. The seller must indicate on the container the car number(s) that the sample represents.

If the buyer's analysis of the shipment indicates a quality deficiency, the buyer shall submit an analysis and claim in writing to the seller and the Clearing House within 45 calendar days after acceptance by the railroad. In the event that the buyer and seller do not reach agreement on analysis and/or settlement, the sample held for the Clearing House shall be analyzed with results binding on both parties. The expense of the analysis shall be borne by the party in error.

**20206. [RESERVED]**

**20207. ASSOCIATED COSTS**

The costs of all loading, documentation and related services up to the date of shipment shall be borne by the seller. The costs of any demurrage as a result of the procedures in Rule 20205.B shall be borne by the party in error.

Except as noted above, the seller shall assume demurrage charges up to the date of shipment and the buyer shall be responsible for any demurrage after shipment. Any additional freight charges resulting from diversion by the buyer in excess of the actual charges for shipment to the destination specified in the shipping instructions submitted to the Clearing House are the responsibility of the buyer. Any reduction in freight charges that may result from a diversion is not subject to billing adjustment through the Clearing House.

**20208. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT**

If the Exchange President determines that an emergency exists or that physical delivery is prevented by a strike, fire, accident, action of government, or act of God, he shall call a special meeting of the Board of Directors or the Business Conduct Committee and arrange for the presentation of evidence respecting the emergency condition. If the Board or Committee determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

**PENALTIES AND FINES**

<u>Cause</u>	<u>Penalty / Fine</u>
A. Failure by the seller to properly follow shipping instructions within seven business days after receipt of instructions.	\$200 per business day (assessed against the seller and payable to buyer).
B. Failure by the seller to properly transmit the required information within one business day of railroad acceptance. (Independent of A.)	\$100 per business day (assessed against the seller and payable to buyer).
C. Failure by the seller to send the prescribed documents to the Clearing House within fourteen business days of receipt of buyer's shipping instructions.	\$100 per business day (assessed against the seller and payable to the Clearing House).
D. Materially incomplete or erroneous delivery forms or material adjustment to delivery forms.	\$150 per car (assessed against the seller and payable to the Clearing House).
E. Failure by the seller to send the sample (in the size, container and package specified by the Clearing House) to the testing service on the business day after acceptance by the railroad	\$100 per business day per sample (assessed against the seller and payable to the Clearing House).

(End Chapter 202)

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

**3. CLEARING & CME GLOBEX FEES FOR CME ETHANOL FUTURES**

CME Ethanol Futures are eligible for a 6-month exchange fee waiver. The 6-month period begins on the trade day of Tuesday, March 29, 2005. After the conclusion of the 6-month fee waiver program, the CME fee schedule will be in effect.

If you have any questions regarding clearing fees, please contact Julie Balzarini, Accounting, at (312) 648-5470.

**4. MEMBERSHIP ACCESS**

CME Ethanol Futures have been assigned to the CME division, with trading privileges granted under the New Product Access Program.

**5. REPORTABLE POSITION LEVELS FOR CME ETHANOL FUTURES**

For purposes of Rule 817. - REPORTS OF LARGE POSITIONS, the minimum levels at which positions must be reported to the Exchange are as follows for CME Ethanol futures:

<u>PRODUCT</u>	<u>REPORTABLE LEVEL</u>
CME Ethanol Futures	25 contracts

If you have any questions about these levels, please contact Ray Menghi, Market Regulation, at (312) 648-3661.

**6. PERFORMANCE BONDS FOR CME ETHANOL FUTURES**

**SPAN® MINIMUM PERFORMANCE BOND REQUIREMENTS**

**CME Ethanol Futures Outright Rates**

Rate Type	Initial	Maintenance
Spec:	\$1,620	\$1,200
Hedge/Member :	\$1,200	\$1,200

**CME Ethanol Futures  
Intra-Commodity Spread Rates**

Rate Type	Initial	Maintenance
Spec:	\$135	\$100
Hedge/Member :	\$100	\$100

If you have any questions about these requirements, please contact the Risk Management Department at (312) 648-3888.

**7. CME GLOBEX PRICE BANDING AND ERROR TRADE POLICY**

The CME GLOBEX error trade policy for CME Ethanol Futures calls for a No-Bust Range of \$0.049 per gallon or less.

CME Ethanol Futures price bands will be \$0.10 per gallon for outrights (plus or minus) around the “CME Last Price,” and \$0.05 per gallon for spreads.

If you have any questions, please contact the GLOBEX Control Center (GCC) at (312) 456-2391.

**8. SELECTED QUOTE VENDORS FOR CME ETHANOL FUTURES**

Vendor Name	System Name	Code
Bloomberg	Bloomberg	<b>GHA</b>
CQG Inc.	CQG for Windows	<b>GXA</b>
Data Transmission Network		<b>ET</b>
E-Signal	eSignal	<b>ET my</b>
E-Signal/BMI	Market Center	<b>ET my</b>
Futuresource	Futures Source	<b>ETX</b>
Hyperfeed/PC Quote		<b>EW</b>
ILX Systems	ILX Workstation	<b>WP</b>
Moneyline Telerate		<b>us@ET.1</b>
Reuters	IDN (ETH)	<b>&lt;0#GX:&gt;</b>
Bridge	BIS	<b>us@ET.1</b>
Track Data	MX	<b>ET'</b>
TradeStation		<b>ET</b>