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Special Executive Report

S-4242

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INCREASE IN NON-SPOT POSITION LIMITS FOR LIVE CATTLE

By letter dated March 24, 2005, the CFTC has approved an increase in the non-spot position limits for CME Live Cattle futures and options. This increase was the result of the growth in open interest experienced during 2004, which entitled CME Live Cattle futures and options to an increase in the non-spot speculative position limits under a mathematical formula devised by the CFTC.

Effective at the start of business on Monday, April 18, 2005, the position limits will increase from 3,300 contracts to 3,600 contracts for existing and newly listed non-spot months.

Rule amendments are presented below, with additions underlined and deletions bracketed and overstruck:

LIVE CATTLE FUTURES

10102. FUTURES CALL

E. Position Limits

1. For futures contracts in the even month cycle

No person shall own or control more than:

- a. ~~[3,300]~~ 3,600 contracts long or short in any contract month;
- b. 450 contracts long or short in the expiring contract month as of the close of business on the first business day following the first Friday of the contract month;
- c. 300 contracts long or short in the expiring contract month as of the close of business on the business day immediately preceding the last five business days of the contract month.

2. For futures contracts in the odd month cycle

No person shall own or control more than:

- a. ~~[3,300]~~ 3,600 contracts long or short in any contract month;
- b. 300 contracts long or short in the expiring contract month as of the close of business on the first business day following the first Friday of the contract month.

For positions involving options on Live Cattle futures, this rule is superseded by the option speculative position limit rule.

OPTIONS ON LIVE CATTLE FUTURES

101A01. OPTION CHARACTERISTICS

F. Position Limits

No person shall own or control a combination of options and underlying futures that exceeds ~~[3,300]~~ 3,600 futures equivalent contracts net on the same side of the market in any 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.

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