

lean hog futures option contract that correspond to contract months for the underlying lean hogs futures contract expire simultaneously with such futures contract months. Currently, traders' combined positions in the futures and option contracts are subject to speculative position limits of 2000 contracts for positions held in individual non-spot contract months and 650 contracts for positions held in the expiring contract month from the close of business on the fifth business day of that month through the last trading day of the expiring contract month (the tenth business day of the month).

The proposed amendments would increase the speculative position limit applicable to individual non-spot contract months to 2,400 contracts from 2,000 contracts. The proposed amendments also would increase to 950 contracts from 650 contracts the speculative limit applicable from the close of business on the fifth business day of the expiring contract month through the last trading day for that month.

The CME intends to make the proposed amendments effective upon Commission approval for all existing and newly listed contract months.

The Commission is requesting comments on the proposed amendments.

Copies of the proposed amendments will be available for inspection at the Office of the Secretariat, Commodity Futures Trading Commission, Three Lafayette Centre, 21st Street NW., Washington, DC 20581. Copies of the proposed amendments can be obtained through the Office of the Secretariat by mail at the above address, by phone at (202) 418-5100, or via the Internet at [secretary@cftc.gov](mailto:secretary@cftc.gov).

Other materials submitted by the Exchange in support of the proposal may be available upon request pursuant to the Freedom of Information Act (5 U.S.C. 552) and the Commission's regulations thereunder (17 CFR Part 146 (1987)), except to the extent they are entitled to confidential treatment as set forth in 17 CFR 145.5 and 145.9. Requests for copies of such materials should be made to the FOI, Privacy and Sunshine Act Compliance Staff of the Office of Secretariat at the Commission's headquarters in accordance with 17 CFR 145.7 and 145.8.

Any person interested in submitting written data, views, or arguments on the proposed amendments, or with respect to other materials submitted by the Exchange, should send such comments to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three

Lafayette Centre, 21st Street NW., Washington, DC 20581 by the specified date.

Issued in Washington, DC, on January 14, 2000.

**Richard Shilts,**

*Acting Director.*

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## COMMODITY FUTURES TRADING COMMISSION

RIN 3038-ZA04

### Chicago Mercantile Exchange: Proposed Amendments to the Live Cattle Futures and Option Contracts Increasing the Contracts' Speculative Position Limits

**AGENCY:** Commodity Futures Trading Commission.

**ACTION:** Notice of availability of proposed amendments to contract terms and conditions.

**SUMMARY:** The Chicago Mercantile Exchange (CME or Exchange) has proposed amendments to the Exchange's live cattle futures and option contracts. The proposed amendments would increase to 3,200 contracts from 2,400 contracts the speculative position limit applicable to individual non-spot months. The proposed amendments also would increase to 900 contracts from 600 contracts the speculative position limit applicable to positions held in the expiring contract month from the close of business on the business day following the first Friday of the contract month to the business day preceding the last five trading days of the expiring month. The proposed amendments were submitted under the Commission's 45-day Fast Track procedures which provides that, absent any contrary action by the Commission, the proposed amendments may be deemed approved on February 24, 2000—45 days after the Commission's receipt of the proposals. The Acting Director of the Division of Economic Analysis (Division) of the Commission, acting pursuant to the authority delegated by Commission Regulations 140.96, has determined that publication of the proposed amendments is in the public interest, will assist the Commission in considering the views of interested persons, and is consistent with the purposes of the Commodity Exchange Act.

**DATES:** Comments must be received on or before February 8, 2000.

**ADDRESSES:** Interested persons should submit their views and comments to

Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 21st Street, NW, Washington, DC 20581. In addition, comments may be sent by facsimile transmission to facsimile number (202) 418-5521, or by electronic mail to [secretary@cftc.gov](mailto:secretary@cftc.gov). Reference should be made to the proposed amendments to the speculative position limits for the CME live cattle futures and option contracts.

### FOR FURTHER INFORMATION CONTACT:

Please contact John Bird of the Division of Economic Analysis, Commodity Futures Trading Commission, Three Lafayette Centre, 21st Street, NW, Washington, DC 20581, telephone (202) 418-5274. Facsimile number: (202) 418-5527. Electronic mail: [jbird@cftc.gov](mailto:jbird@cftc.gov).

**SUPPLEMENTARY INFORMATION:** The live cattle futures calls for delivery of 40,000 pounds of live steers at specified CME-approved livestock yards located in Iowa, Kansas, Oklahoma, Texas, New Mexico and Colorado or, at the delivery receiver's request, at CME-approved cattle slaughter plants located near the CME-approved livestock yards. The live cattle futures option contract is exercisable into the futures contract and option contract months expire prior to the last five trading days for the underlying futures contract month (the last trading day for expiring contract months is the last business day of the month). Non-delivery period option contract months expire on the last Friday of the month and delivery period options expire on the business day preceding the last nine business days of the underlying futures contract month. Currently, traders' combined positions in the futures and option contracts are subject to speculative position limits of 2,400 contracts in individual non-spot contract months and 600 contracts commencing at the close of business on the business day following the first Friday of the contract month. In addition, positions in the expiring futures contract month are subject to a speculative position limit of 300 contracts during the last five trading days of the expiring contract month.

The proposed amendments would increase to 3,200 contracts from 2,400 contracts the speculative position limit applicable to combined futures and option positions in individual non-spot months. The proposed amendments also would increase to 900 contracts from 600 contracts the speculative position limit applicable to combined futures and option positions held in the expiring contract month from the close of business on the business day following the first Friday of the contract

month to the business day preceding the last five trading days of the expiring month. The speculative position limit applicable to futures positions during the last five trading days of the futures contract would remain unchanged at 300 contracts.

The CME intends to make the proposed amendments effective upon Commission approval for all existing and newly listed contract months beginning with the April 2000 contract month.

The Commission is requesting comments on the proposed amendment.

Copies of the proposed amendments will be available for inspection at the Office of the Secretariat, Commodity Futures Trading Commission, Three Lafayette Centre, 21st Street, NW, Washington, DC 20581. Copies of the proposed amendments can be obtained through the Office of the Secretariat by mail at the above address, by phone at (202) 418-5100, or via the Internet at [secretary@cftc.gov](mailto:secretary@cftc.gov).

Other materials submitted by the Exchange in support of the proposal may be available upon request pursuant to the Freedom of Information Act (5 U.S.C. 552) and the Commission's regulations thereunder (17 CFR Part 145 (1987)), except to the extent they are entitled to confidential treatment as set forth in 17 CFR 145.5 and 145.9. Requests for copies of such materials should be made to the FOI, Privacy and Sunshine Act Compliance Staff at the Office of Secretariat at the Commission's headquarters in accordance with 17 CFR 145.7 and 145.8.

Any person interested in submitting written data, views, or arguments on the proposed amendments, or with respect to other materials submitted by the Exchange, should send such comments to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 21st Street, NW, Washington, DC 20581 by the specified date.

Issued in Washington, DC, on January 14, 2000.

**Richard Shilts,**

*Acting Director.*

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## COMMODITY FUTURES TRADING COMMISSION

RIN 3038-ZA06

### The Chicago Mercantile Exchange's Proposal To Establish a Cross-Margining Program With the London Clearing House

**AGENCY:** Commodity Futures Trading Commission.

**ACTION:** Notice of proposed rule amendments of the Chicago Mercantile Exchange to implement cross-margining with the London Clearing House.

**SUMMARY:** The Chicago Mercantile Exchange ("CME" or "Exchange") has submitted to the Commodity Futures Trading Commission ("Commission") proposed rule amendments that would establish a "two-pot" cross-margining program between the CME and the London Clearing House ("LCH"). The program would permit participants to cross-margin their positions at the CME Clearing House and LCH while holding those positions at each clearing house in separate accounts.

Acting pursuant to the authority delegated by Commission Regulation 140.96(b), the Division of Trading and Markets ("Division") has determined to publish the CME's proposal for public comment. The Division believes that publication of the proposal is in the public interest and will assist the Commission in considering the views of interested persons.

**DATES:** Comments must be received on or before February 8, 2000.

**ADDRESSES:** Comments should be submitted to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581. Comments also may be sent by facsimile to (202) 418-5221 or by electronic mail to [secretary@cftc.gov](mailto:secretary@cftc.gov). Reference should be made to "Chicago Mercantile Exchange's Proposal To Establish A Cross-Margining Program With the London Clearing House."

**FOR FURTHER INFORMATION CONTACT:** Joshua R. Marlow, Attorney-Advisor, Division of Trading and Markets, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581. Telephone (202) 418-5490.

#### SUPPLEMENTARY INFORMATION:

##### I. Background

On October 22, 1999, CME submitted to the Commission proposed rule amendments that would set forth a framework for the establishment of guaranteed cross-margining programs

with other clearing organizations. These proposed rule amendments were submitted by CME in anticipation of its plan to establish a cross-margining program with LCH,<sup>1</sup> based on an electronic trading link between CME and the London International Financial Futures Exchange ("LIFFE").<sup>2</sup> All transactions executed at LIFFE are cleared by LCH. Because the October 22, 1999 submission lacked certain details regarding specifics of the CME-LCH program, CME agreed to allow the Commission to stay its review of the proposal until providing the Commission with such details. On December 27, 1999, CME submitted additional materials to the Commission, including a letter summarizing the proposal; a "Cross-Margining Agreement" between the CME, LCH and LIFFE; a copy of the "Cross-Margining Participant Agreement" for clearing members participating in the Cross-Margining Program; an opinion of outside counsel regarding the cross-border bankruptcy implications of the program's payment guaranty provision;<sup>3</sup> and an overview of the proposal's loss-sharing arrangement.

##### II. Description of the Proposed Cross-Margining Program

Under the program, CME clearing members that either (1) are clearing

<sup>1</sup> The proposed amendments involve CME Rules 802 and 830. Amended CME Rule 830 would, as proposed, add definitions distinguishing between a "Joint Cross-Margining Program," also known as the "one-pot" approach, and a "Guaranteed Cross-Margining Program," also known as the "two-pot" approach. Both of these approaches are described *infra*. Amendments to CME Rule 830 would also, among other things, delineate which Exchange members are eligible to participate in a guaranteed cross-margining program. Amended CME Rule 802, as proposed, would mandate how the obligations of a cross-margining program participant would be discharged in the event of default.

<sup>2</sup> CME submitted the proposed CME-LIFFE link to the Commission by letters dated November 23, 1999 and December 14, 1999. The Division informed CME that the CME-LIFFE link could become effective without prior Commission approval, pursuant to Commission Regulation 1.41(c), by letter dated December 21, 1999. In brief, the program permits individuals and firms with access to CME Globex terminals to obtain cross-exchange access through Globex to the contracts listed by LIFFE on LIFFE's electronic trading system, CONNECT, provided they are approved by LIFFE as members (pursuant to a fast-track procedure), affiliate with a clearing member of LCH to clear trades made in LIFFE contracts, and agree to abide by LIFFE rules. Likewise, individuals and firms with access to LIFFE CONNECT could obtain cross-exchange access through CONNECT to the contracts listed by CME on Globex, provided they are LIFFE members identified to CME, affiliate with a clearing member of CME to clear trades made in CME contracts, and agree to abide by the Globex trading rules of CME.

<sup>3</sup> The Division verbally requested a document of this nature during an August 19, 1999 meeting with representatives from CME.