



A CME/Chicago Board of Trade/NYMEX Company

## Clearing House Currency Delivery Processing Procedures

### Summary

Currency deliveries generally follow a three day settlement process occurring on the third Wednesday of the contract month unless such date is a non-business day or bank holiday. In the event the settlement day is a non-business day or a bank holiday in either Chicago or New York, then delivery will be made on the next business day immediately succeeding the non-business day or holiday. Please review the CME Group Rulebook on [www.cmegroup.com](http://www.cmegroup.com) for specific rules on currencies.

The following procedural document is broken into the following sections:

- Timeline
- Additional Currency Delivery Information
- Continuous Linked Settlement
- Seller's Obligations
- Buyer's Obligations
- Payment Instructions
- Special Wiring Instructions
- Delivery Costs
- Fine Schedule
- Miscellaneous Items

### Timeline

**Note:** Firms are advised to update any currency delivery banking instructions at least one week prior to the last trading day of the currencies to ensure proper payment of currencies. In addition, please add the IBAN number to all necessary account numbers. Failure to add the IBAN number may result in a delay in payment and/or additional bank charges to clearing member firms. All times listed are in CST unless otherwise noted.

#### 1. Day One (Monday) - Last Trading Day (Except Canadian Dollar, Turkish Lira and Euro/Turkish Lira contracts)

This is the last trading day for all currencies except Canadian Dollar, Turkish Lira and Euro/Turkish Lira and is normally the second business day prior to the delivery day (i.e., Monday). Day One is also the day clearing member firms should enter their delivery commitments in the Deliveries System and send CLS Instructions to their settlement banks.

10:00 a.m. **Final settlement prices** are made available in the Deliveries System, on [www.cmegroup.com](http://www.cmegroup.com) and as a Clearing House Advisory Notice.

To access the settlement page click on the link below and select "**Quarterly Currency Settlement Prices.**"

<http://www.cmegroup.com/clearing/deliveries/index.html>

If a clearing member firm needs to be added to the Clearing House Advisory distribution, complete the online request through the following link:

<http://www.cmegroup.com/newsletter/web2lead/web2sf-old.html>



A CME/Chicago Board of Trade/NYMEX Company

## Clearing House Currency Delivery Processing Procedures

### Monday cont'd

11:00 a.m. **Delivery Commitments** must be submitted by clearing member firms into the Deliveries System.

#### Notes –

1. Any firm utilizing CLS must enter a delivery commitment equal to the value of the CLS instruction they are entering.
2. Positions should not be netted across house and customer accounts.
3. Verify all payment instructions to ensure payment of currencies.

Any changes to delivery commitments must be entered in the Deliveries System by 8:30 a.m. the following business day.

11:15 a.m. **PCS Submissions** should be made by 11:15 a.m. to ensure “as of” trades and/or transfers are included in a firm’s positions. **Note – PCS spreads should not be submitted for the expired futures “on” or “after” the last day of trading.**

2:00 p.m. Firms should call the Clearing House at (312) 207-2525 to confirm no expired futures currency out-trades and/or to resolve their out trades.

3:00 p.m. **Currency delivery commitment detail reports** are made available through EREP or through the Deliveries System via a “Download to Excel” feature in the Deliveries System. **Note:** Please review all information in the reports and make the necessary corrections in the Deliveries System by 8:30 a.m. the next business day.

CME will send CLS messages.

### 2. **Day Two (Tuesday) – Last Trading Day for Canadian Dollar, Turkish Lira, Euro/Turkish Lira & OTPs/Wire Transfers Due**

This is the last trading day for Canadian Dollar, Turkish Lira and Euro/Turkish Lira contracts which is normally one business day prior to the delivery day (i.e., Tuesday). On this day, firms should finalize all prior day commitments, enter delivery commitments and finish sending CLS instructions to their settlement bank. As well, all Orders-to-Pay/Wire Transfers are due in the account held at CME’s agent banks.

12:30 a.m. **Final settlement prices for Turkish Lira and Euro/Turkish Lira** Contracts are made available in the Deliveries System, on [www.cmegroup.com](http://www.cmegroup.com) and as a Clearing House Advisory Notice.

To access the settlement page click on the link below and select “**Quarterly Currency Settlement Prices.**”

<http://www.cmegroup.com/clearing/deliveries/index.html>



A CME/Chicago Board of Trade/NYMEX Company

## Clearing House Currency Delivery Processing Procedures

### Tuesday cont'd

If a clearing member firm needs to be added to the Clearing House Advisory distribution, complete the online request through the following link:

<http://www.cmegroup.com/newsletter/web2lead/web2sf-old.html>

6:00 a.m. Turkish denominated wire transfers due into CME's agent bank delivery account.

8:00 a.m. Euro denominated wire transfers due into CME's agent bank delivery account.

8:30 a.m. **Changes to prior day delivery commitments** should be entered into the Delivery System. **Note:** Any changes past 8:30 a.m. will be accepted upon approval by Clearing House Deliveries.

9:00 a.m. **Final (Non-Canadian Dollar) Currency Delivery Commitment Detail reports** will be available to clearing member firms through Document Direct and the Deliveries System through the "Download to Excel" feature within the Deliveries System. **Note:** Please review reports carefully and report any issues to Clearing House Deliveries by 12 noon.

CME will send any remaining CLS messages from Monday's processing.

9:30 a.m. **Final settlement price for Canadian Dollar** is made available in the Deliveries System, on [www.cmegroup.com](http://www.cmegroup.com) and as a Clearing House Advisory Notice.

To access the settlement page click on the link below and select "**Quarterly Currency Settlement Prices.**"

<http://www.cmegroup.com/clearing/deliveries/index.html>

If a clearing member firm needs to be added to the Clearing House Advisory distribution, complete the online request through the following link:

<http://www.cmegroup.com/newsletter/web2lead/web2sf-old.html>

10:00 a.m. **Delivery Commitments for Canadian Dollar, Turkish Lira and Euro/Turkish Lira** must be submitted by clearing member firms into the Deliveries System.

#### Notes –

1. Any firm utilizing CLS must enter a delivery commitment equal to the value of the CLS instruction they are entering.
2. Positions should not be netted across house and customer accounts.
3. Please verify all payment instructions to ensure payment of currencies.

Any changes to delivery commitments must be entered in the Deliveries System by 1:00 p.m.



A CME/Chicago Board of Trade/NYMEX Company

## Clearing House

### Currency Delivery Processing Procedures

#### Tuesday cont'd

- 11:15 a.m. **PCS Submissions** should be made by 11:15 a.m. to ensure as of trades and/or transfers are included in a firm's positions. **Note – PCS spreads should not be submitted for the expired futures "on" or "after" the last day of trading.**
- 11:30 a.m. Firms should call the Clearing House at (312) 207-2525 to confirm no expired futures currency out-trades and/or to resolve their out trades.
- 12: 00 noon CME sends Canadian Dollar CLS messages.
- 1:00 p.m. **Canadian Dollar, Turkish Lira and Euro/Turkish Lira Currency Delivery Commitment Detail Reports** will be available to clearing member firms through EREP and the Deliveries System. **Note:** Please review reports carefully and report any issues to Clearing House Deliveries by 3:00 p.m.

**Order-to-Pays or Wire Transfers (Non Euro)** are due at CME's agent banks.

CLS instructions must be matched by 1:00 p.m. Any clearing member firm not matched will be required to submit banking instructions to CME along with an OTP if required by 2:00 p.m. to facilitate their delivery outside of CLS.

#### 3. Day Three (Wednesday) – Settlement Day

This is normally the Settlement day of all currencies (i.e., Wednesday). On this day, any clearing member firm that has not settled its currency delivery through CLS should send its payments to CME's agent bank by 10:00 a.m. local time of the currency's country of origin.

- 10:00 a.m. **Currency payments are due into CME's agent bank delivery account by 10:00 a.m. local time in the currency country of origin.** **Note:** For a complete list of Clearing House Deliveries bank instructions, please contact Deliveries at (312) 930-3172.

Upon confirmation of a clearing member firm's currency payment, the opposing receipt currency will be released.

Settlement normally takes place on the third Wednesday of the delivery month. In the event that Wednesday is a holiday in one of the foreign countries or a bank holiday in Chicago or New York, delivery will be made on the business day immediately succeeding the holiday.



A CME/Chicago Board of Trade/NYMEX Company

## Clearing House Currency Delivery Processing Procedures

### Additional Currency Delivery Information

#### Orders to Pay (OTPs) and Wire Transfers

Any clearing member firm not utilizing CLS to facilitate delivery may be obligated to submit an OTP or a Wire Transfer for the value of their delivery based on the specifications of the currency contract and a clearing firm's designation in the Deliveries System.

#### OTP

An OTP is an irrevocable agreement a clearing member firm's bank will pay funds on the delivery date to CME's agent bank. Clearing member firms electing to submit an OTP are required to have the OTP to CME's agent bank by 1:00 p.m. (CST) the business day prior to delivery day.

OTPs are applicable under the following conditions (unless settling by CLS):

- A clearing member firm is long/buyer of any currency contract
- A clearing member firm is the short/seller of the USD/TRY contract resulting in paying USD to receive TRY

OR

- There is a dual OTP requirement of a currency contract. A dual OTP requirement requires a "**short/seller**" and "**long/buyer**" to submit an OTP.

The dual OTP is required for all contracts with the exception of the following:

- **PLN/EUR, HUF/EUR and CZK/EUR contracts.**

OTPs are to be sent to CME's agent bank. To determine what agent bank the OTP needs to be sent to, please contact Clearing House Deliveries for a list of banking instructions at (312) 930-3172.

**All OTPs should be sent to CME's USD agent Citibank.**

#### Wire Transfers

A clearing member firm electing to send a wire transfer of funds instead of an OTP to CME's agent bank must have the payment in CME's delivery account by 1:00 p.m. (local time) one business day prior to settlement day in the currency's country of origin except for the PLN/EUR, HUF/EUR and CZK/EUR. Any clearing member firm electing to send a wire transfer for the PLN/EUR, HUF/EUR, CZK/EUR or EUR/TRY must have funds in CME's delivery account at the agent bank by 8:00 a.m. (local time) one business day prior to settlement day in the currency's country of origin. A clearing member firm electing to send a wire transfer for the USD/TRY must have funds in CME's delivery account at the agent bank by 6:00 a.m. (local time) one business day prior to the settlement day in the currency's country of origin.

**Note:** CME does not pay interest on any funds received early.



A CME/Chicago Board of Trade/NYMEX Company

## **Clearing House**

### **Currency Delivery Processing Procedures**

### **Continuous Linked Settlement (CLS)**

An alternative to settling a currency delivery by OTP or wire transfer is to use CLS. CLS is a real-time global settlement process which allows for both sides of a currency transaction to be settled simultaneously through a CLS settlement bank on a payment vs. payment basis.

A clearing member firm electing to use CLS will not be required to submit an OTP or wire transfer. Instead, a clearing member firm must submit a CLS instruction to its settlement bank. The trade(s) must be matched by 1:00 p.m. one business day prior to the delivery day. Any clearing member firm not matched will be required to submit banking instructions to CME by 2:00 p.m. to facilitate their delivery outside of CLS.

All currency contracts are CLS eligible except for CZK/USD, CZK/EUR, HUF/USD, HUF/EUR, POL/USD, POL/EUR, USD/TRY and EUR/TRY.

Firms that intend to use CLS are required to set-up bank accounts with a CLS settlement member or CLS provider prior to delivery. Please be advised this process can take a few weeks. New accounts should be opened up far enough in advance of delivery so the bank will be able to pay out the foreign currency on the delivery date from the account.

CME has two settlement banks for CLS settlement. Firms should contact Deliveries at (312) 930-3172 to be advised of the bank they should use in their CLS instructions.

CLS Transactions do not require bank account information or fund forwarding as needed for firms not participating in CLS. Instead firms will need to be able to provide their CLS provider and the SWIFT bic that will identify the counterparty of the CLS transaction.

#### **Notes:**

- CME's final settlement prices should be the prices used when entering a CLS transaction.
- A clearing member should enter a delivery commitment equal to the value of their CLS transaction.
- Firms settling their quarterly currency deliveries via CLS must use the counterparty BIC of XCMEUS4C.

### **Seller's Obligations**

Sellers must deliver their currency from a bank in the foreign country of origin (i.e. Polish Zloty should be delivered from a bank in Poland). The delivering bank must be a commercial bank. If a clearing member firm wants to use a bank that is not listed in the Deliveries System, please contact Clearing House Deliveries at (312) 930-3172 and provide the bank name, SWIFT BIC and address to be added.

If a clearing member firm/customer must open a new account in order to make delivery, be advised this process may take a few weeks in various foreign countries. New accounts should be



A CME/Chicago Board of Trade/NYMEX Company

## Clearing House

### Currency Delivery Processing Procedures

opened up far enough in advance of delivery so the bank will be able to pay out the foreign currency on the delivery date from the account.

It is the responsibility of the seller's clearing member firm to notify its delivering bank to transfer the full value of the delivery (i.e., do not deduct charges) of foreign currency into the CME account at the appropriate agent bank by 10:00 a.m. (local time) in the foreign country on the delivery day.

**Note:** The following information must be contained in the currency payment instructions sent by the seller's delivering bank to CME's bank:

- Foreign currency amount (**not** number of contracts)
- Name of the clearing firm
- Name of the customer

This information is critical in order to ensure that payments are received in a timely manner and are applied correctly. Failure to have the foreign currency confirmed in the appropriate CME account by the deadline may result in a failed delivery, interest and/or overdraft charges and delay in releasing the opposing currency to the seller. Clearing firms who fail to have their currencies delivered by the deadline are required to submit a letter of explanation to the CME Clearing House and will be referred to the CME Clearing House Risk Committee for possible further disciplinary action.

The agent bank branches monitor the incoming transfers and notify the CME Clearing House which clearing firms (by customer) have or have not made delivery on time.

To receive a complete list of Clearing House Deliveries currency delivery banking instructions, please contact Deliveries at (312) 930-3172.

## Buyer's Obligations

Buyers must always take delivery of their foreign currency at a bank in the foreign country into which the currency is originated. The receiving bank must be a commercial bank. If the bank a clearing member firm wants to use is not listed in the Deliveries System, please contact Clearing House Deliveries at (312) 930-3172 and provide the bank name, SWIFT BIC and address to be added.

If a clearing member firm/customer must open a new account in order to make delivery, be advised this process may take a few weeks in various foreign countries. New accounts should be opened up far enough in advance of delivery so that that account will be able to pay out the foreign currency on the delivery date.

The receiving bank should be advised and ready to accept the transfer of the foreign currency into the buyer's account. If the clearing firm/customer does not adequately inform the customer of the upcoming delivery of the foreign currency, the receiving bank will reject the transfer from the agent bank and a late delivery will occur. Because the foreign currency is held in a non-interest bearing account at the agent bank, the loss in interest or cost of negative interest could be considerable. It shall be understood that the delivery out of the delivery account for the buyer's



A CME/Chicago Board of Trade/NYMEX Company

## Clearing House

### Currency Delivery Processing Procedures

account will be effectuated only if the information supplied to the Clearing House by the clearing firm is complete and accurate.

## Payment Instructions

All OTPs and wire transfers of funds into the CME's delivery account at the applicable agent bank **must** include the name of the clearing member firm in the instructions. Please be aware that any delay in sending funds or any other error relating to depositing these funds in the CME delivery account may result in a delay in payment of the foreign currency. Late clearing member firms must submit a letter of explanation to the CME Clearing House and may be referred to the CME Clearing House Risk Committee for possible disciplinary action.

In addition, a clearing member firm failing to deposit funds according to the above stated procedure will be responsible for any overdraft charges assessed against CME's delivery account and any other charges Clearing House deems appropriate. The overdraft charge(s) may be waived only if the Clearing House received a letter from the later clearing member firm's bank stating the due to their error, the bank will make CME whole, compensating CME in accordance with standard bank practice. The letter must be received by the CME Clearing House no later than ten (10) business days after the overdraft has occurred.

To receive a list of CME's currency delivery banking instructions, please contact Deliveries at (312) 930-3172.

## Special Wiring Instructions

### Canadian Dollar Payments

Wire transfers should only be sent to the Royal Bank of Canada, for further credit to JPM Chase. Checks/drafts are not an acceptable form of payment for Canadian Dollar deliveries.

### British Pound Payments

All British Pound payments to JPM Chase, London must be made through C.H.A.P.S.

### New Zealand Dollar Payments

All payments to the CME Delivery account at Citibank, New Zealand must be made via wire transfer through the New Zealand Real Time Gross Settlement System (RTGS).

### Mexican Peso Payments

The Mexican Peso delivery will be facilitated through a Citibank, Mexico account established at Banco Nacional de Mexico (Banamex). The USD dollar side of the delivery will be through the existing US Dollar account at Citibank, New York.



A CME/Chicago Board of Trade/NYMEX Company

## **Clearing House**

### Currency Delivery Processing Procedures

### **Currency Delivery Costs (as of 09/08)**

#### **Buyers and Sellers**

Orders-to-Pay charges will be prorated among both longs and shorts according to the dollar values of their deliveries (not inclusive of CLS transactions).

\$0.75 cents per contract delivered and/or received.

\$25.00 transaction fee for each Delivery Commitment entered on behalf of the Clearing House.

\$25.00 per CLS transaction delivered and/or received.

\$25 per million assessment fee to any clearing member firm who fails to use CLS and their currency delivery is in excess of \$25 million per currency pair.

Any additional special costs incurred for a particular transaction, including, but not limited to, the following:

#### **Sellers**

All costs incurred by the Exchange due to a late delivery of the foreign currency into the CME delivery account in the foreign country. This will be the interest charged to the account for funds loaned or an overdraft charge.

All costs incurred by the clearing firm or its customer in transferring foreign currency into the CME delivery account, such as wire charges or transaction fees charged to the seller by his bank.

#### **Buyers**

All costs incurred by the Exchange in transferring the foreign currency into the buyer's bank. These may include transaction fees, cable charges, etc.

All costs incurred by the Exchange when payment cannot be made to the buyer's bank because of a fault of the buyer or his clearing firm, due to incomplete or erroneous delivery instructions.

### **Currency Fine Schedule (as of 6/08)**

#### **Submission of Late Delivery Commitments**

Currency Delivery commitments submitted after 11:00 a.m. for contracts expiring Monday and after 10:00 a.m. for contracts expiring Tuesday:

- \$200 per commitment

#### **Submission of changes to Delivery Commitments**

- \$100 per commitment for changes submitted after 12 noon on Tuesday for all contracts with the exception of Canadian Dollar and Turkish Lira contracts.



A CME/Chicago Board of Trade/NYMEX Company

## **Clearing House**

### **Currency Delivery Processing Procedures**

- \$100 per commitment for all changes submitted after 1:00 p.m. for Canadian Dollar and Turkish Lira contracts.

### **Delivery Obligation Failure**

Clearing member firms failing to adhere to the procedures and deadlines set in accordance with CME rules may result in a delivery fail, interest and/or overdraft charges and may delay the release of a firm's payment. Late clearing firms are required to submit a letter of explanation to the CME Clearing House and will be referred to the CME Clearing House Risk Committee for possible further disciplinary action.

If there are any questions, please contact Deliveries at (312) 930-3172.