05 July 2013

CME Clearing Europe

FX Delivery Procedures

1 Introduction

1.1 This FX Delivery Procedure sets out the delivery process in respect of currencies.

1.2 For the purposes of this FX Delivery Procedure references to times are to London time unless otherwise stated.

2 Definitions

2.1 Capitalised terms which are not defined in the Rules, have the meaning as set out below:

CLS means Continuous Linked Settlement;

CLS Instruction means an instruction given by the Clearing Member in accordance with the rules of the CLS System;

CLS Settlement means physical delivery through the CLS System;

Daily Settlement Price means the price at which the Exchange established the value of a Contract which has not yet expired or settled at the close of a Trading Session, as described in the Exchange’s Trading Procedure;

Delivery Instructions has the meaning given in paragraph 5.7 of this FX Delivery Procedure;

Deliveries System means the system provided by the Clearing House for use as set out in this Procedure and made available on the Website;

Final Settlement Price means the price established by the Exchange in respect of a Contract for the purposes of physical delivery or cash settlement as the case may be;

Non-CLS Delivery Commitment means the commitment given by a Clearing Member to settle a Contract through direct settlement of currency via the Clearing House, which commitment shall be in a form and manner specified by the Clearing House, and which shall identify the agent bank(s), the number of Contracts and the component delivery values; and

Trading Session has the meaning given in the Exchange Rules;
3 Performance of Contracts

3.1 Open positions outstanding at the close of trading on the last trading day shall be performed either by physical delivery or cash settlement, as specified within the relevant Contract Specification. Physical delivery shall be performed either through the CLS System or through direct settlement of currency via the Clearing House, as specified within the relevant Contract Specification, or, if not so specified, at the election of the Clearing Member.

3.2 In the case of physical delivery, the day on which delivery shall be made shall be specified within the relevant Contract Specification.

3.3 The price at which physical delivery or cash settlement is made will be the Final Settlement Price.

3.4 Delivery, either by physical delivery or cash settlement, shall comply with these FX Delivery Procedures and the Clearing House Rules.

4 Timelines for deliveries

4.1 Currency deliveries generally follow a three day settlement process occurring on the third Wednesday of the Contract Month unless such day is not a Business Day. In the event that such day is not a Business Day, delivery will be made on the next Business Day.

4.2 Clearing Members are advised to update currency delivery banking instructions at least one week prior to the last trading day of the relevant Contract to ensure proper settlement of Contracts. In addition, Clearing Members must 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.

4.3 Delivery timeline

Day one - Last Trading Day (except Canadian Dollar, Turkish Lira and Euro/Turkish Lira Contracts)

The last trading day is normally the second Business Day prior to the delivery day. Day one is also the day the Clearing Member should enter its Non-CLS Delivery Commitments into the Deliveries System and send CLS Instructions.

10:00 Final Settlement Prices are made available in the Deliveries System and as a Notice.
11:00 Non-CLS Delivery Commitments must be submitted by Clearing Members into the Deliveries System.

1. Contracts should not be netted across Accounts.

2. Clearing Members must verify all payment instructions.

Any changes to Delivery Commitments must be entered into the Deliveries System by 08:30 the following Business Day.

11:15 PCS submissions should be made by 11:15 to ensure “as of” trade and/or transfers are including the Clearing Member’s positions. PCS spreads should not be submitted for the expired futures “on” or “after” the last day of trading.

Day two - Last Trading Day for Canadian Dollar, Turkish Lira, Euro/Turkish Lira and Orders to Pay/Wire Transfer Due

Clearing Members should finalise all prior day Non-CLS Delivery Commitments, enter OTHER Non-CLS Delivery Commitments and finish sending CLS Instructions. In addition, all wire transfers are due in the relevant account at the relevant Agent Bank.

00:30 Final Settlement Prices for Turkish Lira and Euro/Turkish Lira Contracts are made available in the Deliveries System and as a Notice.

06:00 Turkish Lira denominated wire transfers are due into the relevant account at the Agent Bank.

08:00 Euro denominated wire transfers are due into the relevant account at the Agent Bank.

08:30 Changes to prior day Non-CLS Delivery Commitments should be entered into the Deliveries System. Any changes to Non-CLS Delivery Commitments entered after 08:30 will need to be approved by the Clearing House before they are accepted into the Deliveries System.

09:30 Final Settlement Price for Canadian Dollar Contracts made available in the Deliveries System and as a Notice.

10:00 Non-CLS Delivery Commitments for Canadian Dollar, Turkish Lira and Euro/Turkish Lira Contracts must be submitted by the Clearing Member into the Deliveries System.

1. Contracts must not be netted across Accounts.

2. Clearing Members must verify all payment instructions.
Any changes to Non-CLS Delivery Commitments must be entered into the Deliveries System by 13:00 on the same day.

13:00 Wire transfers (Non Euro) are due in the relevant account at the relevant Agent Bank.

Day three - settlement day

This is normally the settlement day of all currencies. Deliveries occurring through the CLS System should be made in accordance with the deadlines and compensation conventions established by the CLS Bank. On this day for non-CLS settled Contracts, Clearing Members should send payments to the Agent Bank by 10:00 local time of the currency’s country of origin.

In the event that this day is not a Business Day, delivery will be made on the next Business Day.

(a) 10:00 currency payments are due into the relevant account at the Agent Bank by 10:00 local time in the currency country of origin. The Clearing House will provide a complete list of the relevant accounts at each Agent Bank upon request from the Clearing Member.

(b) A delivery payment due from the Clearing House will only be made upon confirmation of the opposing currency payment having been received into the relevant account at the relevant Agent Bank.

5 CLS Delivery Arrangements

The CLS System

5.1 The CLS System is a real time global settlement process which allows for both sides of a currency Contract to be settled simultaneously on a payment versus payment basis.

5.2 In the event that for any reason a CLS settlement facility or the CLS System is unavailable a Non-CLS physical delivery must be effected in accordance with section 6 (Non-CLS Physical Delivery Arrangements) of this FX Delivery Procedure. Where this is the case the Clearing Members must inform the Clearing House as soon as practically possible. It should be noted that for Non-CLS settlement the Clearing House must receive its confirmation from its Agent Bank that funds due to the Clearing House have been received before the payment of the corresponding currency is made.

5.3 A Clearing Member which intends to use the CLS System, shall ensure it has a CLS Account to allow the Clearing Member to effect CLS Settlement. Clearing Members should note that this procedure can take a number of weeks.
5.4 The Final Settlement Price must be used when entering CLS Instructions.

**CLS deliveries**

5.5 Where a Contract Specification specifies that it is CLS Eligible delivery shall be by transfer between the CLS Accounts of two Clearing Members (as directed by the Clearing House in accordance with this FX Delivery Procedure) and, subject to paragraph 5.8 below, follow the requirements set out in this section 5.

5.6 No later than [ ] on the [ ] Business Day preceding the intended day of delivery, each Clearing Member must tender to the Clearing House a notice of intention to settle an Exchange Contract through the CLS System. Clearing Members must provide a notice of intention in relation to each Exchange Contract that is due for delivery.

5.7 Following receipt of the notice, the Clearing House shall provide each Clearing Member which has a delivery obligation for a particular delivery date with delivery instructions specifying the amount of the relevant currency, and the identity and CLS Account details of the other Clearing Member to which the Clearing Member will make the delivery (the **Delivery Instructions**). The Clearing House will provide separate Delivery Instructions for each Contract in respect of which a Clearing Member has a delivery obligation on a delivery date.

5.8 Within one (1) hour of receipt of the Delivery Instructions from the Clearing House, a Clearing Member may agree with the Clearing Member identified in the Delivery Instructions, that they will instead use the Non-CLS delivery process as set out in section 6 of this FX Delivery Procedure. Clearing Members may only agree to use the delivery process set out in section 6 if the value of the delivery is less than USD$25 (twenty five) million. If the Clearing Members agree to do this, they must inform the Clearing House as soon as possible and the Clearing House will notify each Clearing Member of the cancellation of the Delivery Instructions. In this case, the Clearing Members and the Clearing House will instead settle in accordance with section 6 of this Procedure.

5.9 Subject to paragraph 5.8, on [the Business Day preceding] the intended day of delivery, each Clearing Member must confirm to the Clearing House by [ ] that the relevant CLS Instruction has been made. The details included in the CLS Instructions must match the Delivery Instructions provided by the Clearing House pursuant to paragraph 5.9 of this FX Delivery Procedure and must ensure that delivery will be made on the delivery date required by the Contract Specification. The Clearing Member may not amend the Delivery Instructions without the prior written consent of the Clearing House. Once the Clearing Member has confirmed the CLS Instruction has been made it may not amend or cancel the CLS Instruction without the prior written consent of the Clearing House.
5.10 The Clearing Member must confirm to the Clearing House receipt of the delivery of the relevant currency for each Contract.

5.11 If on the delivery day any CLS Instruction has failed to settle each Clearing Member must notify the Clearing House as soon as possible. Such notifications shall be in the form of a Notice of Settlement Failure set out as Appendix 1 to this FX Delivery Procedure. The Notice of Settlement Failure should be emailed to the following email address: [CLSfailure@cme Group.com]

Clearing Members must make such notification by 15:00 London time.

6 Non-CLS Physical Delivery Arrangements

6.1 Where a Contract Specification specifies that delivery shall be performed through direct settlement of currency via the Clearing House or where two Clearing Members have, in accordance with paragraph 5.8 of this FX Delivery Procedure elected to make delivery in accordance with this section 6, delivery shall follow the requirements set out in this section 6.

6.2 The Clearing House shall establish such requirements and preconditions for registration as a facility for the delivery of currencies as it deems necessary.

6.3 The Clearing House shall designate an Agent Bank in each country into which currency shall be delivered, and shall make the relevant details available to the Clearing Member upon request. Agent Banks shall notify the Clearing House when currency funds have been received. The Clearing House shall be the buyer to every Clearing Member that is a seller and the seller to every Clearing Member that is a buyer in the currency delivery process.

6.4 The amount of a currency to be delivered shall equal either (i) the Contract Size in respect of Contracts for which the Contract Size is denominated in that currency, or (ii) the Contract Size converted to currency in respect of Contracts implied by a final mark to market to the Final Settlement Price in the minimum price fluctuation currency.

6.5 The Clearing House shall, promptly after receipt of notification that currency funds have been received from the buying Clearing Member, transfer funds denominated in the corresponding currency, as defined in the Contract Specification, previously deposited by the selling Clearing Member to the account of the buying Clearing Member. At such point, delivery in respect of the buyer is complete.

6.6 The Clearing House shall, promptly after receipt of notification that currency funds have been received from the selling Clearing Member, transfer funds denominated in the corresponding
currency, as defined in the Contract Specification, previously deposited by the buying Clearing Member to the account of the selling Clearing Member. At such point, delivery in respect of the seller is complete.

6.7 The Clearing Member that is the deliverer of a currency shall bear the costs of transferring the currency into the Agent Bank designated by the Clearing House. The Clearing Member that is the receiver of a currency shall bear the costs of transferring the currency out of the Agent Bank designated by the Clearing House. Such costs may include, but are not limited to, wire transfer charges, negative interest charges and transaction fees.

**Seller’s Delivery Requirements**

6.8 In order for a selling Clearing Member to make non-CLS physical delivery arrangements the steps set out below must be followed:

(a) A Clearing Member delivering currency to liquidate a net short position shall, no later than 13:00 on the last day of trading, or on the first day preceding the delivery date, as specified in the relevant Contract Specification, present to the Clearing House a seller’s Non-CLS Delivery Commitment, in a form and manner specified by the Clearing House, which identifies the bank(s) used by the seller and the number of Contracts and the component delivery values.

(b) The Clearing Member shall arrange with their bank to transfer currency to the Agent Bank of the Clearing House, as directed by the Clearing House, such that the currency is received no later than 10:00 on the delivery day.

(c) If, in relation to an Exchange Contract, the seller’s Non-CLS Delivery Commitment is received later than 13:00 on the last day of trading, but not later than 10:00 on the following day, the buying Clearing Member shall be assessed a fine on a per Contract basis, consistent with section 9 of this FX Delivery Procedure. Any deliveries memoranda or instructions received subsequent to 10:00 on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with section 9 of this FX Delivery Procedure.

(d) From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the selling Clearing Member’s responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which it is desired to make delivery. For the avoidance of doubt, a Seller’s non-compliance with applicable local requirements in the country in which delivery is to be made shall not constitute a Force Majeure Event.
The Clearing Member representing the seller shall have made all provisions necessary to make delivery within the relevant country.

Selling Clearing Members must deliver their currency from a bank in the country of origin of the relevant currency. The delivering bank must be a commercial bank. The Clearing House will provide a list of banks which a Clearing Member may use in the Deliveries System. If a Clearing Member wishes to use a bank which is not included on the list of banks provided by the Clearing House it must first gain the permission of the Clearing House. Should the Clearing House grant such permission, the Clearing Member must provide the bank name, SWIFT BIC and address of the bank to the Clearing House.

Clearing Members are advised that opening new accounts with banks may take a number of weeks. New accounts must be opened up far enough in advance of delivery so that a payment of the relevant currency will be able to be made on the delivery date.

It is the responsibility of the selling Clearing Member to instruct its bank to transfer the full value of the delivery (i.e. not to deduct charges) of currency to the Agent Bank by 10:00 local time in the country of the relevant Agent Bank on the delivery day.

The following information must be contained in the instructions sent by the selling Clearing Member’s bank to the Agent Bank:
(a) the currency amount (not the number of Contracts);
(b) the name of the Clearing Member; and
(c) if relevant, the name of the Client.

This information is critical to ensure that payments are received in a timely manner and are applied correctly. Failure to have the currency delivery confirmed in the relevant account at the Agent Bank by the deadline may result in a failed delivery, interest and/or overdraft charges and a delay in releasing the opposing currency to the selling Clearing Member. Clearing Members who fail to make deliveries by the relevant deadline are required to submit a letter of explanation to the Clearing House and may be subject to disciplinary action or a Declaration of Default pursuant to the Rules.

Buyer’s Delivery Requirements

In order for a buying Clearing Member to make a non-CLS physical delivery arrangements the steps set out below must be followed:
(a) A Clearing Member that intends to accept delivery of currency to liquidate a net long position shall, no later than 13:00 on the last day of trading, present to the Clearing House a Non-CLS Delivery Commitment, in a form and manner specified by the Clearing House, which identifies the agent bank(s) used by the buyer and the number of Contracts and the component delivery values.
(b) By 13:00 on the first Business Day preceding the delivery day, the Clearing Member shall deposit the delivery amount (as described in paragraph 6.36.4) denominated in the currency of the minimum price fluctuation. Such deposit shall be in the form of same-day funds to specified account at an Agent Bank designated by the Clearing House.

(c) If, in relation to a Contract, the Non-CLS Delivery Commitment is received later than 13:00 on the last day of trading, but not later than 10:00 on the following day, the buying Clearing Member shall be assessed a fine on a per Contract basis, in accordance with section 9 of this FX Delivery Procedure. Any deliveries memoranda or instructions received subsequent to 10:00 on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with section 9 of this FX Delivery Procedure.

(d) From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the buying Clearing Member’s responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which it is desired to accept delivery. For the avoidance of doubt, a Buyer’s non-compliance with applicable local requirements in the country in which delivery is to be made shall not constitute a Force Majeure Event.

(e) The Clearing Member that is the buyer shall have made all provisions necessary to receive delivery within the relevant country.

6.14 Buying Clearing Members must take delivery of the currency at a bank in the country of origin of the relevant currency. The receiving bank must be a commercial bank. The Clearing House will provide a list of banks which a Clearing Member may use in the Deliveries System. If a Clearing Member wishes to use a bank which is not included on the list of banks provided by the Clearing House it must first gain the permission of the Clearing House. Should the Clearing House grant such permission, the Clearing Member must provide the bank name, SWIFT BIC and address of the bank to the Clearing House.

6.15 Clearing Members are advised that opening new accounts with banks may take a number of weeks. New accounts must be opened up far enough in advance of delivery so that a payment of the relevant currency will be able to be made on the delivery date.

6.16 The receiving bank should be advised and ready to accept the transfer of the relevant currency into the buying Clearing Member’s account. If the Clearing Member does not adequately inform the receiving bank, the receiving bank may reject the transfer from the Agent Bank and a late delivery will occur. As the Clearing House will hold any currency for delivery in a non-interest
bearing account at the Agent Bank, the loss in interest or cost of negative interest could be considerable.

6.17 Delivery will only be made to the receiving bank if the information supplied to the Clearing House in relation to the receiving bank and the relevant account is complete and accurate.

7 Wire Transfers

7.1 Any Clearing Member not using CLS to facilitate physical delivery, where permitted by the Contract Specification, may have to submit Wire Transfer. The Clearing House will provide its account details settlement by way of Wire Transfer upon request from a Clearing Member.

Wire transfers

7.2 A Clearing Member which elects to send a wire transfer of funds to the Agent Bank in order to make delivery under a Contract must ensure that the payment is received into the relevant account at the relevant Agent Bank by 13:00 local time at the location of the relevant Agent Bank one (1) Business Day prior to the settlement day in the currency's country of origin except for deliveries in relation to any PLN/EUR, HUF/EUR and CZK/EUR Contracts.

7.3 A Clearing Member which elects to send a wire transfer of funds in order to make delivery in relation to any PLN/EUR, HUF/EUR, CZK/EUR or EUR/TRY Contract must ensure that the payment is received into the relevant account at the Agent Bank by 08:00 local time at the location of the relevant Agent Bank one (1) Business Day prior to the settlement day in the currency's country of origin.

7.4 A Clearing Member which elects to send a wire transfer of funds in order to make delivery in relation to any USD/TRY Contract must ensure that the payment is received into the relevant account at the Agent Bank by 06:00 local time at the location of the relevant Agent Bank one (1) Business Day prior to the settlement day in the currency's country of origin.

7.5 The Clearing House does not pay any interest on any funds received into an account at an Agent Bank.

Payment Instructions

7.6 All wire transfers of funds into an account at an Agent Bank must include the name of the Clearing Member in the instructions. Any delay in sending funds or other error relating to depositing any funds into the account at the Agent Bank may result in a delay in payment of the relevant currency by the Clearing House. Clearing Members who fail to make deliveries by the
relevant deadline are required to submit a letter of explanation to the Clearing House and may be subject to disciplinary action or a Declaration of Default pursuant to the Rules.

7.7 A Clearing Member who fails to deposit funds in accordance with this FX Delivery Procedure will be responsible for any overdraft charges assessed by the Agent Bank and any other charges as the Clearing House deems appropriate. The overdraft charges may only be waived if the Clearing House receives a letter form the Clearing Member’s bank stating that the bank will make the Clearing House whole, compensating the Clearing House in accordance with standard bank practice. Such letter must be received by the Clearing House no later than ten (10) Business Days after such overdraft charge has been notified to the Clearing Member.

8 Cash Settlement Arrangements

8.1 Where a Contract Specification specifies that delivery shall be performed through cash settlement, delivery shall follow the requirements set out in this section 8.

8.2 Cash settlement shall occur at the Final Settlement Price.

8.3 Where the Final Settlement Price exceeds the Daily Settlement Price on the immediately preceding Business Day, a Clearing Member that is or is representing the seller shall pay to the Clearing House in respect of each Contract outstanding in respect of a Transaction the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day, multiplied by the Contract Size. Where the Daily Settlement Price on the immediately preceding Business Day exceeds the Final Settlement Price, the Clearing Member that is the seller shall receive from the Clearing House in respect of each Contract outstanding the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day, multiplied by the Contract Size.

8.4 Where the Final Settlement Price exceeds the Daily Settlement Price on the immediately preceding Business Day, a Clearing Member that is or is representing the buyer shall receive from the Clearing House in respect of each Contract outstanding the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day, multiplied by the Contract Size. Where the Daily Settlement Price on the immediately preceding Business Day exceeds the Final Settlement Price, a Clearing Member that is the buyer shall pay to the Clearing House in respect of each Contract outstanding the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day multiplied by the Contract Size.

8.5 All payments described in this section 8 shall be in a form determined by the Clearing House.
9 Delivery Infractions

Late or Inaccurate Delivery

9.1 If a Clearing Member fails to deposit such funds in order to make timely payment as required in this FX Delivery Procedure, the Clearing House may impose a fine upon the Clearing Member pursuant to the schedule of fines set out below, in addition to charging the current overdraft rate applicable to the Clearing House's delivery account in the currency in question or any other compensation due to the late or inaccurate delivery. Funds deposited earlier than the required date of deposit shall not earn interest for the early time period.

9.2 If the information contained in either a buying Clearing Member's Non-CLS Delivery Commitment is inaccurate so that delivery cannot be accomplished in a timely manner, fines or damages may be assessed as in the remainder of this section 9.

9.3 If the Clearing House takes any action pursuant to this section 9, this will in no way inhibit the ability of the Clearing House to make a Declaration of Default in relation to a Clearing Member in accordance with the Rules.

Delivery Obligation Failure

9.4 A Clearing Member who fails to perform all acts required by this FX Delivery Procedure, or whose actions or inactions have been, at the discretion of the Clearing House, deemed a delivery obligation failure shall be liable to the Clearing House for any loss sustained, which loss shall be at least the aggregate of:

(a) The change, if any, from the Final Settlement Price on the last day of trading to the spot rate on the first day on which the transaction could be consummated on the spot market, as determined by the Clearing House. The spot market rate for the purposes of this computation shall be the means of the spot rates between a group of London banks selected for this purpose by the Clearing House at the earliest time it is determined the transaction can be completed in the spot market;

(b) Any related charges suffered by the Clearing House at any of its designated banks; and

(c) A sum not to exceed 1% of the value of the Contract. Such amount shall be set by the Clearing House, except no such sum shall be assessed where a delivery obligation failure is occasioned by a Force Majeure Event.

Fines Schedule

Submission of late notices of intention to settle via CLS or Non-CLS Delivery Commitments
Notices of intention to settle via CLS submitted after [ ] shall incur a fine of at least USD$[ ] per notice of intention.

Non-CLS Delivery Commitments submitted after [ ] shall incur a fine of at least USD$[ ] per Non-CLS Delivery Commitment.

**Submission of changes to Delivery Commitments**

USD$100 per Non-CLS Delivery Commitment in relation to which changes are submitted after 12:00 for all Contracts with the exception of Canadian Dollar and Turkish Lira Contracts.

USD$100 per Non-CLS Delivery Commitment in relation to which changes are submitted after 13:00 for Canadian Dollar and Turkish Lira Contracts.
Appendix 1: Form of Notice of Settlement Failure

To: CME Clearing Europe Limited

From: [Name of Clearing Member] (Clearing Member)

Notice of Settlement Failure

1. The Clearing Member has not received the required delivery currency in respect of the following Contract(s):

[full details of all Contracts under which delivery has not been made to be included]

2. Clearing Member confirms that it has immediate access to the amount of the relevant currency required in order for it to meet its delivery obligation under the following Contract(s):

[details of the relevant Contracts to be set out]

and is willing to make immediate delivery in the manner directed by the Clearing House.

AND/OR

3. Clearing Member confirms that it does not have immediate access to the amount of the relevant currency required in order for it to meet its delivery obligation under the following Contract(s):

[details of the relevant Contracts to be set out]

and it is not able to make immediately delivery in respect of such Contract(s).

Signed by: [Clearing Member Representative who is appropriately authorized to give the Notice of Settlement Failure]

On behalf of: [Name of Clearing Member]

Date: []