



Special Executive Report

S-8060

December 18, 2017

Amendments to CME Chapter 901 ("Interest Rate Swaps Contract Terms") for the BRL Interest Rate Swaps Contract

Effective Wednesday, January 3, 2018 for trade date Thursday, January 4, 2018, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") shall amend CME Rule 90104. ("BRL Interest Rate Swaps Contract Terms") located in CME Chapter 901 ("Interest Rate Swaps Contract Terms") (collectively, the "Rule Amendments"). The BRL Interest Rate Swaps Contract (Commodity Code: ZCSBRL) (the "Contract") is available for submission for clearing via CME ClearPort.

Emerging Markets Trading Association ("EMTA") is resigning as sponsor/administrator and terminating all EMTA Indicative and Industry Surveys because it has determined that the polling survey mechanism that was developed following the Argentine currency crisis and that is underlying the suite of EMTA Indicative Surveys (and one remaining Industry Survey for BRL/USD), is no longer a supportable mechanism in the NDF and NDO documentation architecture.

CME has utilized these surveys as fall back procedures in the event the primary settlement rate is not available. Without the use of such surveys, if the primary settlement rate is not available, final settlement will be deferred or postponed for thirty (30) consecutive days. This deferral period aligns with the OTC market. Following this deferral period, if the rate remains unavailable, the fallback reference price will be determined by CME as the calculation agent.

In addition, the Contract allowed for a BRL price materiality disruption event that was dependent upon the availability of the EMTA Industry Survey which serves as the second reference price. As the EMTA Indicative Surveys will no longer be available in 2018, CME is implementing the Rule Amendments such that price materiality will not be a viable disruption event and will be removed from CME BRL interest rate swap rules.

Appendix 1 provides the amendments to CME Chapter 901 ("Interest Rate Swaps Contract Terms") in blackline format.

Please direct questions regarding this notice to:

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Appendix 1

Chapter 901 Interest Rate Swaps Contract Terms

90104. BRL INTEREST RATE SWAPS CONTRACT TERMS

90104.C. FURTHER TERMS OF BRL IRS CONTRACTS

Each BRL IRS Contract shall be further supplemented and amended with the following provisions of this Rule 90104.C.

90104.C.12. Price Materiality

~~(a) Price Materiality shall be applicable.~~

~~(b) The Secondary Rate shall be EMTA BRL Industry Survey Rate (BRL12), or EMTA BRL Indicative Survey Rate (BRL 13), as the case may be.~~

~~(c) The Price Materiality Percentage shall be 3%; provided, however, that if there are insufficient responses on the Valuation Date to the EMTA BRL Industry Survey or the EMTA BRL Indicative Survey, as the case may be, the Price Materiality Percentage will also be deemed to have been met.~~

90104.C.132. Fallback Reference Price

The Fallback Reference Price shall be (in the following order of priority):

~~(a) EMTA BRL Industry Survey Rate (BRL 12);~~

~~(b)~~ the Spot Rate determined on the Business Day first succeeding the day on which the Price Source Disruption ceases to exist, unless the Price Source Disruption continues to exist (measured from the date, that, but for the occurrence of the Price Source Disruption, would have been the Valuation Date) for a consecutive number of calendar days equal to 30 calendar days;

~~(c) EMTA BRL Indicative Survey Rate (BRL13);~~

~~(d)~~ determined by the Calculation Agent.

90104.C.143. Deferral Period for Unscheduled Holiday

In the event that the Scheduled Valuation Date becomes subject to the Following Business Day Convention, and if the Valuation Date has not occurred on or before the 30th consecutive day after the Scheduled Valuation Date (any such period being a "Deferral Period"), then the next day after the Deferral Period that would have been a Business Day but for the Unscheduled Holiday, shall be deemed to be the Valuation Date.