



Special Executive Report

S-8086

February 26, 2018

Amendments to Cash Settlement Rule for the BRL/USD Futures Contract

Effective Sunday, March 11, 2018 for trade date Monday, March 12, 2018, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") shall amend Rule 25702.B. ("Cash Settlement") of the Brazilian Real/U.S. Dollar (BRL/USD) futures (CME Rulebook Chapter: 257, Commodity Code: BR) contract (the "Contract"). The Contract is available for trading on CME Globex and for submission for clearing via CME ClearPort.

EMTA (the principal trade group for the Emerging Markets trading and investment community) has published its Recommended FX and Currency Derivatives Market Practice No 81 on New Terms, for BRL/USD Non-Deliverable FX Forward and Currency Option Transactions. Market Practice No. 81 addresses, specifically, the revisions to the BRL/USD Template Terms for Non-Deliverable FX Forward and Currency Option Transactions, and, in particular, the inclusion of a new Disruption Event, "Exchange Rate Divergence."

CME is amending Rule 25702.B. ("Cash Settlement") of the Contract to include exchange rate divergence as a rate source disruption event to maintain its alignment with the OTC FX market.

Appendix 1 provides the CME rule amendments for the Contract in blackline format.

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Appendix 1
Chapter 257
Brazilian Real/U.S. Dollar (BRL/USD) Futures

25702. SETTLEMENT PROCEDURES

25702.A. [Reserved]

25702.B. Cash Settlement

All Brazilian real/U.S. dollar futures contracts remaining open after the close of trading on the termination of trading day shall be liquidated by cash settlement at a price equal to the Final Settlement Price. The CME Brazilian real/U.S. dollar currency futures contract Final Settlement Price shall be equal to the reciprocal of the spot exchange rate for Brazilian real per U.S. dollar, defined as the average offered rate calculated by the Central Bank of Brazil on the last Business Day of the month for the Central Bank of Brazil immediately preceding the contract month, to 5 decimal places ("BRL PTAX" or "BRL09" rate). This rate is reported by the Banco Central do Brasil on its website at www.bcb.gov.br by approximately 1:15 p.m., São Paulo time. All open positions shall be cash settled to the reciprocal of this rate on the Business Day following the last Business Day of the month for the Central Bank of Brazil.

1. Procedures ~~for a Price Source Disruption~~~~if No Central Bank of Brazil BRL PTAX Rate is Available~~

In the event ~~that there is of a Price Source Disruption as defined by the 1998 FX and Currency Option Definitions (which shall include the term "Exchange Rate Divergence" as defined by the EMTA Template Terms for BRL/USD Non-Deliverable FX Forward Transactions) and the Central Bank of Brazil BRL PTAX rate is not calculated by the Central Bank of Brazil and/or broadcasted by SISBACEN on the Brazilian real/U.S. dollar futures contract termination of trading day~~, the Clearing House shall defer cash settlement to a subsequent day.

2. Procedures ~~for the Cessation of a Price Source Disruption~~~~if Central Bank of Brazil BRL PTAX Rate is Available after Commencement of a Deferral Period~~

Upon ~~the cessation of a Price Source Disruption~~~~publication of the Central Bank of Brazil BRL PTAX rate~~ after a deferral period commences, CME shall determine the Final Settlement Price using the reciprocal of such Rate rounded to 5 decimal places and the Brazilian real/U.S. dollar futures contract shall be settled on such day. If, however, 30 consecutive calendar days pass without ~~the cessation of the Price Source Disruption~~~~publication of the Central Bank of Brazil BRL PTAX Rate~~, CME shall otherwise determine the Final Settlement Price. ~~See next section.~~

3. Procedures after 30-Day Deferral Period

After the lapse of 30 consecutive calendar days without ~~the cessation of the Price Source Disruption~~~~publication of the Central Bank of Brazil BRL PTAX rate~~, ~~CME then~~ Rule 812 shall apply to determine the Final Settlement Price.