

CME Chapter 13 Spot FX Transactions

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Chapter 13

Spot FX Transactions

1300. SCOPE OF CHAPTER

This Chapter sets forth the terms for executing Spot FX Basis Spread Trades through the FX Link spread trade functionality. This Chapter must be read alongside the EBS Rules, which govern the Spot FX Transactions made through FX Link. Spot FX Transactions are not regulated futures contracts. Spot FX Transactions are foreign exchange transactions that, by their terms, are required to settle via actual delivery of the relevant currencies, ordinarily within two business days.

1301. [RESERVED]

1302. DEFINITIONS

“Applicable Law” means any and all applicable laws, rules, regulations, judgments, decrees, treaties, ordinances, orders and rulings, interpretations and statements of policy of any Governmental Authority or self-regulatory organization, authority, agency or body, in each case, which has jurisdiction or authority over a Permitted User or Executing Counterparty on FX Link or each such institution’s operations.

“Direct Participant” means an institution that is authorized by the Primary FX Firm, which authorization, at any time, has not been terminated or withdrawn by the Primary FX Firm, to engage in the trading of any specified Spot FX Transaction solely for the account and risk of such Direct Participant.

“EBS” means EBS Service Company Limited, a company registered in Switzerland and ultimately sharing common ownership with the Exchange under CME Group Inc.

“EBS Rules” means the rules of EBS set forth in the EBS Dealing Rules - General Terms and EBS Dealing Rules – Appendix FX Spot+, as may be amended from time to time.

“End-User” means with respect to a Permitted User, an institution that (a) is a prime brokerage client of such Permitted User, and (b) is authorized by such Permitted User, which authorization, at any time, has not been terminated or withdrawn by the Permitted User, to enter into Spot FX Transactions on the Platform with a Primary FX Firm in the name and for the account and risk of such Permitted User.

“Exchange” means Chicago Mercantile Exchange Inc.

“Executing Counterparty” means as the context requires (a) an End-User or Direct Participant (including a Permitted User) that is engaged in the execution of Spot FX Transactions utilizing the Spot FX Basis Spread Trade functionality or (b) an FX Spot+ Participant in relation to any Spot FX Transactions resulting from the match of an order native to FX Link or in FX Spot+ (i.e., entered by a participant in that market) against an Implied Order.

“FX Futures Contract” means a futures contract listed for trading on or subject to the rules of the Exchange that is designated as eligible to be executed through a Spot FX Basis Spread Trade, as cataloged in the Appendix to this Chapter.

“FX Link” is spread trade functionality for combining the purchase or sale of Spot FX Transactions with the simultaneous sale or purchase of FX Futures Contracts in the same currency pairs on the Platform.

“FX Spot+” means the market for Spot FX Transactions offered by EBS pursuant to the EBS Rules.

“FX Spot+ Participant” means a person authorized by EBS to participate in the FX Spot+ market.

“Implied Order” means, as the context requires, (a) the representation of an order in FX Link that is implied from resting native orders in FX Spot+ and FX Futures Contract order books, (b) the representation of an order in FX Spot+ that is implied from resting native orders in the FX Link and FX Futures Contract order books, or (c) the representation of an order in the FX Futures Contract order book that is implied from resting native orders in the FX Link and FX Spot+ order books.

“Off-Setting Transaction” means a Spot FX Transaction between a Permitted User and an End-User which is equal and opposite to a concurrently established Spot FX Transaction that comprises one leg of a Pair of Matched Transactions, where each transaction results from the End User’s trading of a Spot FX Transaction on FX Spot+ in such Permitted User’s name.

“Pair of Matched Transactions” means a pair of equal and opposite Spot FX Transactions where each such Spot FX Transaction is between a Primary FX Firm and either (a) a Permitted User or (b) a Direct Participant.

“Permitted User” means any institution that is authorized by a Primary FX Firm, which authorization, at any time, has not been terminated or withdrawn by the Primary FX Firm, to engage in the trading of any specified Spot FX Transactions with the Primary FX Firm on the Platform through an End-User of such Permitted User.

“Platform” means CME Globex, an electronic trading platform, which is the technology on which the FX Futures Contract, FX Link and FX Spot+ order books are hosted.

“Primary FX Firm” means an institution that contracts with EBS as the provider of FX Spot+ to provide a service whereby Permitted Users and Direct Participants may engage in Spot FX Transactions with the Primary FX Firm, as the intermediating counterparty for Pairs of Matched Transactions. In the EBS Rules, the Primary FX Firm is the Central FXPB.

“Spot FX Basis Spread Trade” means a spread trade functionality for involving the purchase or sale of a Spot FX Transaction with the simultaneous sale or purchase of an FX Futures Contract in the same currency pairs.

“Spot FX Transaction” means a currency purchase and sale that is bilaterally settled by the counterparties via an actual delivery of the relevant currencies ordinarily within two business days (or as per relevant market convention).

1303.**GENERAL PROVISIONS**

- 1303.A.** With respect to Spot FX Transactions, the Exchange is solely a provider of the Platform to EBS for the Spot FX Transactions effected through FX Link and FX Spot.
- 1303.B.** A Direct Participant or Permitted User must be authorized by EBS as a Participant (in the relevant classification) as that term is defined in the EBS Rules. Primary FX Firms, Permitted Users, End-Users and Direct Participants are required to be “Eligible Contract Participants,” as defined in section 18(a) of the Commodity Exchange Act and the CFTC’s regulations thereunder.
- 1303.C.** When the Platform matches a Spot FX Basis Spread Trade it simultaneously matches the spread trade’s (a) Spot FX Transaction leg and (b) the FX Futures Contract leg.
- 1303.D.** A Spot FX Transaction and an FX Futures Contract that are matched through a Spot FX Basis Spread Trade are separately executed transactions, subject to separate legal obligations. The FX Futures Contract is subject to the Exchange’s Rulebook and the Spot FX Transaction is subject to the EBS Rules.
- 1303.E.** The Spot FX Transaction leg of a Spot FX Basis Trade may occur when there is a match with an FX basis spread order sent to FX Link, when there is a match with an Implied Order in FX Link arising from native resting orders in FX Spot+ and the FX Futures Contracts order book respectively, or when there is a match involving an Implied Order or native order in FX Spot+ in other circumstances where the implication technology is used. Notwithstanding such a match between Executing Counterparties, the resulting Spot FX Transaction leg will be an execution solely within FX Spot+ and subject to the EBS Rules. The use of implication technology to represent an Implied Order is only available when the Primary FX Firm has contracted with EBS to serve as the Central FXPB (as defined in the EBS Rules) for Spot FX Transactions occurring within FX Spot+.
- 1303.F.** Each Spot FX Basis Trade will, in respect of its Spot FX Transaction leg, result in one Pair of Matched Transactions, and where applicable Off-Setting Transaction(s).
- 1303.G.** Spot FX Transactions are not regulated futures contracts and are not executed on or subject to the rules of the Exchange in its capacity as a Designated Contract Market.
- 1303.H.** **{Reserved}**

- 1303.I.** FX Futures Contracts matched through a Spot FX Basis Spread Trade are subject to all applicable Exchange Rules, inclusive of this Chapter, and the provisions of the Commodity Exchange Act and the Commodity Futures Trading Commission's regulations thereunder.
- 1303.J.** Orders for Spot FX Basis Spread Trades can be solicited and accepted solely by persons that are registered, or exempt from registering, with the Commodity Futures Trading Commission.
- 1303.K.** Because FX Link results in the execution of FX Futures Contracts through Spot FX Basis Spread Trades, all actions taken by any Executing Counterparty (or eligible intermediary that is in compliance with Rule 1303.J. through which an Executing Counterparty executes on the Platform) during the execution of a Spot FX Transaction, including such party's trading practices, are subject to all applicable Exchange Rules, inclusive of Chapters 4 ("Enforcement of Rules"), 5 ("Trading Qualifications and Practices") and 6 ("Arbitration") of the Exchange's Rules, and the provisions of the Commodity Exchange Act and the Commodity Futures Trading Commission's regulations thereunder. A Participant (as that term is used in the EBS Rules) on FX Spot+ only (that is not executing a Spot FX Basis Spread Trade through FX Link) is not subject to the Exchange Rules, including where Spot FX Transactions that the Participant is party to are the result of an Implied Order.
- 1303.L.** [Reserved]
- 1303.M.** [Reserved]
- 1303.N.** In the event of any discrepancy between the Rules of this Chapter and the Rules for entering into Spot FX Transactions, the EBS Rules shall control.
- 1303.O.** In the event of any discrepancy between the Rules of this Chapter and the EBS Rules for entering into an FX Futures Contract, the Rules of this Chapter shall control.
- 1304.** [RESERVED]
- 1305. PERMITTED USER**
- 1305.A.** A Permitted User shall be subject to and remain at all times in compliance with the Rules of this Chapter, to the extent such Rules are applicable to a Permitted User.
- 1305.B.** [Reserved]
- 1306. END-USERS AND DIRECT PARTICIPANTS**
- 1306.A.** An End-User or Direct Participant shall be subject to and remain at all times in compliance with the Rules of this Chapter, to the extent such Rules are applicable to an End-User or Direct Participant.
- 1306.B.** [Reserved]
- 1307. EXCHANGE**
- 1307.A.** The Exchange shall, subject to its sole discretion, enable a functionality allowing Spot FX Basis Spread Trades on FX Link.
- 1307.B.** [Reserved]
- 1307.C.** [Reserved]
- 1307.D.** [Reserved]
- 1307.E.** The Exchange reserves the right to adjust or cancel (bust) any Spot FX Basis Spread Trades by applying the process and terms set forth in Exchange Rule 588 (Trade Cancellations and Price Adjustments), and shall, with respect to such Spot FX Basis Trades, cancel the FX Futures Contract executed simultaneously with the relevant Spot FX

Transaction through a Spot FX Basis Spread Trade, and instruct EBS to cancel the Spot FX Transaction executed through the Spot FX Basis Spread Trade.

- 1307.F.** The Exchange shall (a) instruct EBS to cancel (bust) any Spot FX Transaction that would (i) result in the Primary FX Firm's position as buyer (or seller) of an amount of currency under a Spot FX Transaction not being fully equal and opposite to the Primary FX Firm's positions as seller (or buyer) of the same amount under a related Spot FX Transaction in the Pair of Matched Transactions, and (b) cancel (bust) the FX Futures Contract executed simultaneously with such Spot FX Transaction through a Spot FX Basis Spread Trade.

1308. SETTLEMENTS

- 1308.A.** The Exchange is not a party to and does not in any way guarantee the performance of any Spot FX Transaction.

- 1308.B.** [Reserved]

1309. LIMITATION OF LIABILITY

With respect to Permitted Users, End-Users and Direct Participants, the limitation of liability provisions in Rules 578, 579.B, and 588 of the Exchange's Rulebook shall apply to all transactions and actions taken under this Chapter.

1310. ENFORCEMENT

With respect to Permitted Users, End-Users and Direct Participants, the Exchange shall enforce the Rules of this Chapter by applying the process and terms set forth in Chapter 4 ("Enforcement of Rules") of the Exchange's Rulebook.

Appendix

Futures Contracts Eligible to be Executed through a Spot FX Basis Spread Trade

Currency Pair	Futures Commodity Code
AUD/USD	AD
EUR/USD	EC
GBP/USD	BP
NZD/USD	NE
USD/CNH	CNH
USD/CAD	C1
USD/CHF	E1
USD/JPY	J1
USD/MXN	MP
USD/NOK	UN
USD/SEK	SE
USD/ZAR	RA