

**CLEARED OTC U.S. DOLLAR / CHILEAN PESO SPOT, FORWARD AND SWAP TRANSACTIONS**

Effective Monday, April 18, 2011, Chicago Mercantile Exchange Inc. will offer initial clearing services for non-deliverable forward (NDF) over-the-counter (OTC) U.S. dollar/Chilean peso spot, forward and swap transactions. Parties to transactions in cleared OTC contracts shall be limited to “eligible contract participants” as defined in Section 1a(12) of the Commodity Exchange Act. Cleared OTC U.S. Dollar / Chilean Peso NDF transactions, the first of a broader NDF product suite to be rolled out at a later date, is the initial phase of CME plans to introduce clearing services for a wide range of OTC FX spot, forward, swaps; and options on FX spot and forward contracts. OTC FX transactions that are executed bilaterally through brokers, ECNs or other FX trading platforms, when submitted to the CME Clearing House, are novated for purposes of clearing and application of financial safeguards, bookkeeping, trade processing, and final delivery or cash settlement. These contracts will be carried in the new OTC sequestered account class.

Further, CME intends to secure such positions with a process that would require daily variations to be funded with collateral (“collateralization”) instead of a standard daily mark-to-market (MTM) in cash. This process is intended to be consistent with processes that are frequently deployed in the context of the interbank or OTC FX markets.

**Contract Summary** – The initial product launch will be for NDF-style transactions for U.S. dollar (USD) versus Chilean peso (CLP), where original trades conducted in the standard “USD/CLP” interbank terms of Chilean peso per U.S. dollar, can be submitted for clearing. CME Clearing systems are flexible to accommodate any style of quoted trade with any size notional amounts down to the precision of \$0.01 and any date. Notable contract details are summarized as follows.

- **Sequestered Accounts:** The contracts are carried as OTC instruments in the clearing system. These positions will be carried in the new OTC sequestered account class.
- **Held as True OTC FX Spot & Forwards in Clearing:** Positions shall remain open until delivery or the final cash settlement date. Accordingly, there shall be no netting of such positions. However, positions may be prematurely offset through a “tear-up” process whereby the two counterparties to the transaction mutually consent to negate a previous transaction with monetary consideration as appropriate.
- **Cash Settlement, NDF-Style:** The initial offered NDF-style contracts are financially or cash settled in U.S. dollars with positions held in clearing at the original trade price marked to the applicable standard OTC NDF settlement rate option. For example, final settlements for USD/CLP spot transactions are concluded based on the difference between (1) the spot exchange rate of Chilean peso per U.S. dollar, “CLP DÓLAR OBS (CLP10),” as reported for the valid value date for cash settlement by Banco Central de Chile for the formal exchange market, and (2) the original trade price for each transaction, and the result divided by the CLP per USD spot exchange rate (CLP10) to convert notional CLPs to USDs. Cash settlement of cleared only transactions occurs on a net basis at the customer account level.
- **Allowable Maturities:** CME Clearing will accept spot and forward transactions into clearing with delivery or cash settlement dates starting with the next business day for spot and extending outward into the future two years initially for forwards. At a later date, maturity dates will be expanded out an additional three years for a total maturity out five years.

- **Swaps:** Swap transactions accepted into clearing are a combination (spread) of a spot or forward position and another deferred date forward.
- **CME Clearing Set Up Structures for Cleared OTC FX:** CME Clearing operational infrastructure defines FX pair products by the price nomenclature of the trade. For example, USD/CLP OTC transactions, where the normal quotation mechanism is “CLP per USD,” will be processed in the clearing structure for transactions quoted in “CLP per USD.”
- **Normalization Rule:** New CME Rule 856 –**NORMALIZATION OF OTC FX SPOT, FORWARD, SWAP AND OPTIONS TRANSACTIONS**, enables CME Clearing to accept OTC FX transactions negotiated in notional amounts of either currency. OTC FX conventions imply deals to be struck in notional amounts of a specific currency for a given currency pair. For example, the USD/CLP or “Dollar/Chilean Peso” transaction described above defines price in numbers of CLP per USD with the notional amount given in U.S. dollars. The normalization rule explains CME Clearing procedures for taking non-standard notional amounts in the contra-currency (here CLP) and “normalizing” it into standard amounts of base currency (here USD). See Appendix 1 for the Normalization rule.
- **Definitions:** New DEFINITIONS will be added to the CME Rulebook to support the Cleared OTC FX initiative. Appendix 2 provides the new definitions.
- **Position Accountability & Position Limits:** Individual rule chapters for each FX pair for cleared OTC FX will specify either Position Accountability (PA) or Position Limits (PL) or a combination of both (e.g., PA with spot month PL) depending generally on the liquidity in the underlying OTC instruments and coordinating with existing and similar FX futures and options on futures contracts. Highly liquid underlying FX pair activity enable Position Accountability trigger levels as opposed to finite limits, and less liquid underlying FX pair activity require the more restrictive Position Limits. Since FX futures, options on FX futures, cleared OTC FX spot, forwards and swaps; and OTC FX options on spot and forwards, are essentially extensions of the same market, CME rules will aggregate positions for an account holder across all of these product lines per FX pair. Notional level equivalents for the existing FX pair futures contracts for Position Accountability and/or Position Limits are carried over to the Cleared OTC FX rules. Also carried over to the Cleared OTC FX rules is a provision for an exemption from finite position limits, where the account holder demonstrates to Market Regulation a bona fide hedging strategy meeting the requirements of Regulation 1.3(z)(1) of the CFTC.

When there is not an underlying FX pair futures or options on futures contract for an FX pair listed for cleared OTC transactions, then notional amounts of cleared OTC FX positions will be translated into contract equivalents and an amendment to the Chapter 5 interpretation table will be added. See Appendix 3 for such a case regarding cleared only U.S. dollar/Chilean peso references. The notional contract equivalent level for Cleared OTC USD/CLP spot, forwards and swaps is 100,000 U.S. dollars for purposes of Position Accountability and Position Limits. Therefore, the position accountability trigger level for Cleared OTC USD/CLP spot, forwards and swaps is 600,000,000 U.S. dollars (6,000 contracts x 100,000 U.S. dollar per contract = 600 million USD). Similarly, the spot month position limit (expiration dates within next 5 business days) is 2,000,000,000 U.S. dollars (20,000 contracts x 100,000 U.S. dollar per contract = 2 billion USD). CME will be aggregating cleared OTC USD/CLP spot, forward and swap positions by account holder for purposes of Position Accountability and Position Limits.

- **Reportable Positions:** Please note that currently, service bureaus used by clearing firms do not have the capability to aggregate cleared OTC FX positions of clearing firm customers for subsequent reporting of the information by the clearing firms to the CFTC and CME. Therefore, CME has not set reportable level requirements characteristic of FX futures and options contracts at this time for the cleared OTC USD/CLP spot, forward and swap product. However, as noted in the section above, CME will aggregate cleared OTC USD/CLP spot, forward and swap positions by account holder for Position Accountability and Position Limits purposes.
- **Rule Chapters:** Appendix 4 contains the “non-deliverable forward (“NDF”) USD/CLP spot, forwards & swaps contract series that illustrate the format that will be followed for the cleared OTC FX initiative. A revised “number” and “letter” format for the FX product rulebook chapters was developed to rationalize the growing permutations of the CME FX product suite.
- **Cleared Only Transactions:** Note that CME does not intend to provide a trading platform for such transactions. Rather, such transactions will be executed on a bi-lateral, privately negotiated basis amongst the two counterparties. These transactions are submitted to the CME Clearing House on a post-trade basis. Once submitted and accepted (“novated”) to the CME Clearing House, these transactions are assigned the trade type “OPNT” which acronym stands for Over-the-counter Privately Negotiated Trade.

**Collateralization** – CME Clearing will deploy the SPAN system to establish performance bond or “margin” requirements for FX spot, forwards and swaps. Initial performance bond requirements will be established at levels that are consistent with observed levels of volatility in the particular currency pairing and generally aligned with initial margin levels applied to current CME FX futures and option contracts, where applicable. However, the administration of this margin regime shall depart from current practices in one notable way. Rather than requiring a daily mark-to-market (MTM) on a cash basis, all variation margins may be satisfied with the posting of appropriate amounts of collateral, rather than being collected and paid in cash between the counterparties.

Where additional variation margins are required as a result of adverse market fluctuations, such variation requirement will be added to the performance bond requirement. Position holders may deposit cash or collateral to fulfill this requirement, and these deposits will be held in their account. Where market fluctuations result in a favorable mark-to-market, such value is recognized as a credit against the performance bond requirement. However, such credit shall not be withdrawn from the account.

The CME Clearing House will accept as collateral cash or any other instruments currently designated as approved collateral. In order to calculate variation requirements, settlement prices will be established for each contract and for each delivery date referencing data collected from a variety of market sources.

**ICAP / CME Collaboration** – CME is collaborating with ICAP in the introduction of cleared only OTC U.S. Dollar/Chilean Peso NDF spot, forward and swap transaction services. ICAP has strong institutional and customer relationships in Latin America, developed from operating as a multi-service broker. CME believes that ICAP is in a good position to assist with daily valuations of OTC U.S. dollar / Chilean peso NDF positions cleared on the books of CME Clearing. ICAP will be the primary, but not exclusive, contributor to the daily valuation curve used for open position, non-banked, mark to market (or daily settlement valuation).

**Initial Performance Bonds** - As of April 7, 2011, CME Clearing calculated initial margins as follows based upon a notional trade amount of USD 100,000:

Outright Performance Bonds								
Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 7	Tier 8	Tier 9
Months 0-1	Months 1-2	Months 2-3	Months 3-4	Months 4-5	Months 5-6	Months 6-9	Months 9-12	Months 12-24
\$ 2,790	\$ 2,890	\$ 3,000	\$ 3,110	\$ 3,220	\$ 3,320	\$ 3,630	\$ 3,950	\$ 4,280

Intra-Commodity Spreads										
	T1	T2	T3	T4	T5	T6	T7	T8	T9	
	Months 0-1	Months 1-2	Months 2-3	Months 3-4	Months 4-5	Months 5-6	Months 6-9	Months 9-12	Months 12-24	
T1	Months 0-1	\$ 110	\$ 210	\$ 320	\$ 430	\$ 540	\$ 840	\$ 1,160	\$ 1,500	\$2,030
T2	Months 1-2		\$ 110	\$ 220	\$ 330	\$ 440	\$ 740	\$ 1,060	\$ 1,400	\$1,930
T3	Months 2-3			\$ 110	\$ 220	\$ 330	\$ 630	\$ 960	\$ 1,290	\$1,820
T4	Months 3-4				\$ 110	\$ 220	\$ 520	\$ 850	\$ 1,780	\$1,710
T5	Months 4-5					\$ 110	\$ 420	\$ 740	\$ 1,070	\$1,560
T6	Months 5-6						\$ 110	\$ 630	\$ 960	\$1,500
T7	Months 6-9							\$ 330	\$ 660	\$1,190
T8	Months 9-12								\$ 330	\$ 870
T9	Months 12-24									\$ 540

If you have any questions, please contact the Risk Management Hotline at 312-648-3888.

**Contract Specifications Summary** – A fact sheet of contract specifications for the product offering follows on the next page.

## Cleared Only CME U.S. Dollar/Chilean Peso Transactions

OTC FX NDF-Style "True Forwards" Collateralized Model

USD/CLP Spot, Forwards and Swaps	
<b>Unit of Clearing</b>	Units of 1 U.S. Dollar in any amount down to a precision of 0.01 U.S. Dollar.
<b>Sample Quotes</b>	<p><b>Spot:</b> 508.3000 Chilean pesos (CLP) per U.S. dollar (USD) for buy or sell</p> <p><b>Forward:</b> Spot = 508.3000 + Forward Points = -1.0852 = <b>507.2148</b> CLP per USD for buy or sell</p> <p><b>Swap:</b> Spot = <b>508.3000</b> CLP per USD for buy (sell)            Frwd = <b>507.2148</b> CLP per USD for sell (buy)</p>
<b>Tick Size</b>	0.0001 Chilean peso per U.S. dollar, equivalent to 0.0001 Chilean peso for spot, forward and swap FX OTC cleared transactions.
<b>Performance Bonds</b>	Performance bonds denominated in USD. CME Clearing will calculate daily pays & collects in CLP, but will not "bank" them. Rather CME Clearing will "collateralize" these CLP amounts with a translation to USD and apply appropriate adjustments to posted performance bonds.
<b>Clearing Hours</b>	<u>Sundays through Fridays:</u> ClearPort® clearing hours are 6:00 p.m. (Eastern Time) Sundays through 5:15 p.m. (Eastern Time) Fridays (5:00 p.m. Central time on Sundays through 4:15 p.m. Central Time on Fridays), with a 45-minute halt in trading each day between 5:15 p.m. ET for the current trade date and 6:00 p.m. ET for the next trade date (4:15 p.m. CT for the current trade date and 5:00 p.m. CT for the next trade date).
<b>Valid Value Dates for Cash Settlement</b>	Cleared only USD/CLP spot, forwards, and swaps contracts shall be cash settled for any valid value date(s) mutually agreed to by buyer and seller, and accepted by the Exchange for the applicable currency pair as a valid value date(s) for cash settlement and clearing. In general, for any currency pair, a valid value date shall be any business day that is a banking business day in the countries of issue for both currencies. "Cleared only" spot, forward and swap transactions may be submitted for clearing on any Exchange business day.
<b>Cash Settlement OTC NDF-Style</b>	<p>Each USD/CLP spot contract, for the valid value date for cash settlement in two business days, is liquidated by cash settlement at a price equal to the daily Final Settlement Price for that day. The daily Final Settlement Price shall be equal to the spot exchange rate of Chilean peso per U.S. dollar, "CLP DÓLAR OBS (CLP10)," as reported for that day by Banco Central de Chile for the formal exchange market which appears on the Reuters screen "CLPOB=" at approximately 8:00 PM Santiago time and rounded to two decimal places. This rate is used widely by the interbank foreign exchange market to cash settle non-deliverable forward contracts for CLP versus USD.</p> <p>All open positions for that valid value date for cash settlement will be cash settled in USD based upon the difference between the Final Settlement Price for the valid value date for cash settlement and the original trade price as submitted for clearing times the notional value of the transaction in USDs divided by Final Settlement Price. In the event, this USD amount is positive, then the Clearing House shall debit the seller's clearing member account and credit the buyer's clearing member account for this amount in USD. In the event, this USD amount is negative, then the Clearing House shall debit the buyer's clearing member account and credit the seller's clearing member account for this amount in USD.</p> <p>For example, if the "CLP DÓLAR OBS (CLP10)" for the valid value date for cash settlement in two business days, is as follows: "Observado Value DD MM YYYY Close" is 547.10 CLP per USD, and the original trade price submitted for clearing by clearing firms of the buyer and seller was 515.25 CLP per USD for a notional amount of 100,000 USD, then the Clearing House on the business day following the valid value date for cash settlement shall credit the clearing member account for the buyer with US\$5,821.60 (i.e., 547.10 CLP per USD – 515.25 CLP per USD = (+31.85 CLP per USD x 100,000 USD) / 547.10 CLP per USD) = \$5,821.60.). Similarly, the Clearing House on the business day following the valid value date for cash settlement shall debit the clearing member account for the seller with US\$5,821.60.</p>

**Cleared Only CME U.S. Dollar/Chilean Peso Transactions** (continued)  
OTC FX NDF-Style "True Forwards" Collateralized Model

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**USD/CLP Spot, Forwards and Swaps**

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**Position  
Accountability  
& Spot Limits** For purposes of cleared only positions, the applicable position accountability level shall be in notional terms of 600 million U.S. dollars. Also, for purposes of spot limits, cleared only positions for expiration within the next five (5) business days shall not exceed 2 billion U.S. dollars. Hedge exemptions from spot limits are available for bona fide hedgers.

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**Venues** Cleared only via CME ClearPort®

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Appendix 1

**CME OTC FX NORMALIZATION RULE**

**856. NORMALIZATION OF OTC FX SPOT, FORWARD, SWAP AND OPTIONS TRANSACTIONS FOR CLEARING.**

For over-the-counter (OTC) foreign exchange (FX) transactions submitted for clearing and any non-standard specification of the transaction as defined by the price format shall be normalized by CME Clearing to standard or normal specifications by the following "normalization process."

Instrument: Currency 1/Currency 2 (CCY1/CCY2)

**Generically, for spot and forward OTC FX transactions...**

Standard or Normal: Buy (B)/Sell (S) CCY1 notional amount at CCY2 per CCY1 rate.

Non-standard or Non-normal: B/S CCY2 notional amount at CCY2 per CCY1 rate.

To normalize:

1. Convert B to S, or S to B
2. Convert CCY2 notional to CCY1: CCY2 amount divided by CCY2 per CCY1 rate to obtain CCY1 amount.

For example, for Instrument: EUR/USD ...

Standard: EUR/USD- Quote USD per EUR; notional amount in EUR  
Trade comes in as SELL €15 million at 1.350000 USD per EUR →BUY \$20,250,000 (€15 million x 1.350000 USD/EUR)

Non-standard: EUR/USD- Notional amount in USD, but quote still in USD per EUR.  
Trade comes in as buy \$20 million at 1.350000 USD per EUR →SELL €14,814,814.81 (\$20 million / 1.350000 USD/EUR).

To normalize the non-standard EUR/USD transaction, CME Clearing shall:

3. Convert Buy to Sell, or Sell to Buy
4. Convert USD notional to EUR: USD amount divided by USD per EUR rate.

Example: The trade "BUY \$20 million at 1.350000 ⇒SELL €14,814,814.81 (\$20/1.350000) at 1.350000 USD per EUR" shall be normalized and held in CME Clearing as:

The trade "SELL €14,814,814.81 (\$20/1.350000) at 1.350000 USD per EUR⇒ BUY \$20 million at 1.350000."

**For swap OTC FX transactions, ...**

Standard or Normal: Leg 1 B/S CCY1 notional amount at CCY2<sub>t</sub> per CCY1 rate.

Leg 2 S/B CCY1 notional amount at CCY2<sub>t+n</sub> per CCY1 rate.

Non-standard or Non-normal:

Leg 1 B/S CCY2 notional amount at CCY2<sub>t</sub> per CCY1 rate.

Leg 2 S/B CCY2 notional amount at CCY2<sub>t+n</sub> per CCY1 rate.

To normalize:

1. Convert B to S, or S to B
2. Convert CCY2 notional to CCY1: CCY2 amount divided by CCY2 per CCY1 rate to obtain CCY1 amount.

For example, for instrument: EUR/USD...

Standard: Leg 1 EUR/USD- Quote USD per EUR; notional amount in EUR

Leg 2 EUR/USD- Quote USD per EUR; notional amount in EUR

Trade comes in as "Leg 1 BUY €20 million at 1.305000 ⇒ SELL \$26,100,000 (\$20 million x 1.305000) at 1.305000 USD per EUR; Leg 2 SELL €20 million at 1.315000 USD per EUR (1.3050 + 0.0100 swap points)"

Non-Standard: Leg 1 EUR/USD- Notional amount in USD, but quote still in USD per EUR.

Leg 2 EUR/USD- Notional amount in USD, but quote still in USD per EUR.

Trade comes in as "Leg 1 SELL \$26.1 million at 1.305000 ⇒ BUY €20 million (\$26.1 million / 1.305000) at 1.305000 USD per EUR; Leg 2 BUY \$26.3 million at 1.315000 USD per EUR (1.3050 + 0.0100 swap points)."

To normalize the non-standard EUR/USD transaction, CME Clearing shall:

3. Convert Buy to Sell, or Sell to Buy
4. Convert USD notional to EUR: USD amount divided by USD per EUR rate.

Example: The trade "Leg 1 SELL \$26.1 million at 1.305000 ⇒ BUY €20 million (\$26.1 million / 1.305000) at 1.305000 USD per EUR; Leg 2 BUY \$26.3 million at 1.315000 USD per EUR (1.3050 + 0.0100 swap points)" shall be normalized and held in CME Clearing as:

The trade "Leg 1 BUY €20 million at 1.305000 ⇒ SELL \$26,100,000 (\$20 million x 1.305000) at 1.305000 USD per EUR; Leg 2 SELL €20 million at 1.315000 USD per EUR (1.3050 + 0.0100 swap points)"

**For option OTC FX transactions, ...**

Standard or Normal: B/S CCY1/CCY2 CALL (PUT) at STRIKE PRICE in units of CCY2 per CCY1 for a notional amount of CCY1 for a premium in CCY2 (CCY1 amount x premium price in CCY2 per CCY1, that is, CCY2 pips) or % of CCY1 (CCY1 premium / CCY1 notional amount).

Non-standard or Non-normal: B/S CCY1/CCY2 CALL (PUT) at STRIKE PRICE in units of CCY2 per CCY1 for a notional amount of CCY2 for a premium in CCY1 (CCY2 amount / premium price in CCY2 per CCY1, that is, CCY1 pips) or % of CCY2 (CCY2 premium / CCY2 notional amount).

To normalize:

1. Retain B/S direction

2. Convert CCY2 Put to CCY1 Call, CCY2 Call to CCY1 Put
3. Convert CCY2 notional to CCY1: CCY2 amount divided by Strike Price expressed in CCY2 per CCY1.
4. Process original premium amount and currency.
5. Take premium amount and divide by CCY1 notional to express price in CCY1 terms for reference purposes.

For example, for Instrument: EUR/USD ...

Standard: EUR/USD- Quote USD per EUR; notional amount in EUR, premium in either % of EUR notional (EUR premium) or USD pips (USD premium)

Trade comes in as BUY EUR/USD PUT at 1.350000 USD per EUR for a notional amount of €20 million with premium of \$100,000 (€20 million x option price of 0.0050 USD per EUR, that is, USD pips) or 1.0% of €20 million (€200,000 premium / €20 million) → SELL EUR/USD PUT at 1.350000 USD per EUR for a notional amount of €20 million with premium of \$100,000 (€20 million x option price of 0.0050 USD per EUR, that is, USD pips) or 1.0% of €20 million (€200,000 premium / €20 million).

Non-standard: EUR/USD- Notional amount in USD, but quote still in USD per EUR, premium in either % of USD notional (USD premium) or EUR pips (EUR premium).

Trade comes in as BUY EUR/USD PUT at 1.350000 USD per EUR for a notional amount of \$20 million with premium of €170,100 (\$20 million x option price of 0.008505 EUR per USD, that is, EUR pips) or 1.0% of \$20 million (\$200,000 premium / \$20 million) → SELL EUR/USD PUT at 1.350000 USD per EUR for a notional amount of \$20 million with premium of €170,100 (\$20 million x option price of 0.008505 USD per EUR, that is, EUR pips) or 1.0% of \$20 million (\$200,000 premium / \$20 million).

To normalize the non-standard EUR/USD transaction, CME Clearing shall:

6. Retain B/S direction
7. Convert USD Put to EUR Call, USD Call to EUR Put
8. Convert USD notional to EUR: USD amount divided by Strike Price expressed in USD per EUR.
9. Process original premium amount and currency.
10. Take premium amount and divide by EUR notional to express price in EUR terms for reference purposes.

Example: Trade comes in as BUY EUR/USD PUT at 1.350000 USD per EUR for a notional amount of \$20 million with premium of €170,100 (\$20 million x option price of 0.008505 EUR per USD, that is, EUR pips) or 1.0% of \$20 million (\$200,000 premium / \$20 million) → SELL EUR/USD PUT at 1.350000 USD per EUR for a notional amount of \$20 million with premium of €170,100 (\$20 million x option price of 0.008505 USD per EUR, that is, EUR pips) or 1.0% of \$20 million (\$200,000 premium / \$20 million) shall be normalized and held in CME Clearing as:

BUY EUR/USD CALL at 1.350000 USD per EUR for a notional amount of €14,814,814.81 (\$20 million/1.350000 USD per EUR) with a premium of €170,100 (\$20 million x option price of 0.008505 EUR per USD, that is, EUR pips) or 1.148% of €14,814,814.81 (€170,100 / €14,814,814.81).

## Appendix 2

### ADDITIONS TO “DEFINITIONS” SECTION OF CME RULEBOOK

#### **CLASS B STOCKHOLDER**

The registered owner of one or more Class B Shares.

#### **CLEAR DATE OF THE FX OTC CLEARED TRANSACTION**

For purposes of these rules, the “clear date of the foreign exchange (FX) over-the-counter (OTC) cleared transaction” is the date on which an original spot, forward and swap FX OTC transaction clears at CME Clearing as a substituted, cleared transaction.

#### **CLEARING HOUSE**

The department of the Exchange through which all trades on the Exchange are adjusted and cleared.

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#### **FORMS**

All forms referred to herein; e.g., “Buyer Delivery Commitment,” shall be forms prescribed by the Exchange.

#### **FORWARD FX OTC CLEARED TRANSACTION**

For purposes of these rules, a “forward” foreign exchange (FX) over-the-counter (OTC) cleared transaction shall be an agreement between counterparties to exchange (“delivery”) of the associated currency pairs at a maturity date greater than one or two business days in the future. A forward FX transaction may be for standard delivery maturities from the original trade date, such as TOM Next (tomorrow next or day after tomorrow), 1-week, 2-weeks, 3-weeks, 1-month, 2-months, 3-months, ..., 6-months, ..., 1-year, 18-months, 2-years, etc. Also, a forward FX transaction may be for broken date maturities, that is, for delivery on any good business day in both the issuing countries of the associated currency pair that is not one of the standard delivery dates.

#### **FUTURES CONTRACT**

A contract made on the Exchange for the purpose or sale of any commodity which may be satisfied by offset or delivery during such specified months pursuant to these rules.

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#### **ORDERS**

(Note that not all order types are eligible to be entered into the GLOBEX System...

#### **ORIGINAL TRADE DATE OF AN FX OTC TRANSACTION**

For purposes of these rules, an “original trade date of a foreign exchange (FX) over-the-counter (OTC) cleared transaction,” is the date on which the two counterparties agreed to the OTC transaction that is being replaced with the FX OTC cleared transaction.

#### **PANEL**

A subcommittee elected in accordance with committee procedure to adjudicate or make a particular determination. A decision of a panel shall be deemed a decision of the committee.

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#### **SPOT**

The actual or physical commodity, also called “cash” commodity.

#### **SPOT FX OTC CLEARED TRANSACTION**

For purposes of these rules, a “spot” foreign exchange (FX) over-the-counter (OTC) cleared transaction shall be a very short-dated forward transaction with counterparties agreeing to exchange (“delivery”) of the associated currency pairs in one or two business days, whichever is the standard OTC market convention for the particular currency pairs.

#### **SPOT MONTH**

The contract month of a futures contract which is also the current calendar month.

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#### **STRADDLE**

The assumption of a long and short position on different business days in the same or related commodities for the same account.

**SWAP FX OTC CLEARED TRANSACTION**

For purposes of these rules, a “swap” foreign exchange (FX) over-the-counter (OTC) cleared transaction shall be an agreement between counterparties to execute the combination of a spot or forward FX OTC cleared transaction and a subsequent-dated forward FX OTC cleared transaction, where the buyer of the spot or forward currency pair becomes the seller of the subsequent-dated forward currency pair and the seller of the spot or forward currency pair becomes the buyer of the subsequent-dated forward currency pair. In other words, the counterparties are agreeing to the prices on the original trade date to exchange currency pairs for immediate (or nearby forward) delivery, and reverse the same transaction on some mutually agreed to subsequent “forward date,” which according to the definition above for a “forward” may be a standard delivery date or a broken delivery date.

**TIME**

Except as otherwise specifically provided, any reference to time shall mean local Chicago time.

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**TRADE DATE OF AN FX OTC CLEARED TRANSACTION**

The trade date of a foreign exchange (FX) over-the-counter (OTC) cleared transaction” is the date on which counterparties to the OTC transaction submit the FX OTC transaction to clearing as a cleared contract. Although in most instances counterparties may submit an FX OTC cleared transaction for clearing on the same date as the original trade for the FX OTC spot, forward and swap transaction, there is no requirement that it is submitted on the same date. Therefore, an FX OTC cleared transaction may be submitted on any date for clearing on the exchange.

**TRADING SESSION**

A trading session will mean either the pit trading session (the hours designated for open outcry trading for a product) and/or the GLOBEX session (the hours on a particular trading day when a product can be traded on the GLOBEX system).

**VALID VALUE DATE FOR DELIVERY OR CASH SETTLEMENT OF AN FX OTC CLEARED TRANSACTION**

“Cleared only” foreign exchange (FX) over-the-counter (OTC) cleared transactions shall be delivered or cash settled for any valid value date mutually agreed to by buyer and seller, including all applicable standard valid value dates for delivery or cash settlement in futures offered for “trading and clearing.” In general, for any currency pair, a valid value date shall be any business day that is a banking business day in the countries of issue for both currencies.

**VOLATILITY QUOTE**

An alternative means of quoting options, or combinations involving options, by bidding or offering the implied volatility. Any transactions quoted in volatility terms will be translated into price terms for clearing purposes by means of a standard options pricing model maintained and disseminated by the Exchange.

(End Definitions)

Appendix 3

**5.C. POSITION LIMIT AND REPORTABLE LEVEL TABLE  
 POSITION LIMIT, POSITION ACCOUNTABILITY AND REPORTABLE LEVEL TABLE**

CONTRACT NAME	OPTIONS	FIRST SCALE-DOWN SPOT MONTH	SECOND SCALE-DOWN SPOT MONTH	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNT-ABILITY	REPORT-ABLE FUT LEVEL	REPORT-ABLE OPT LEVEL
<b>CME Foreign Exchange</b>									
Canadian Dollar/Japanese Yen							6,000	25	
<u>U.S. Dollar /Chilean Peso (Cleared OTC Equivalents)****</u>				20,000			6,000	NA	
Chinese Renminbi/Euro FX	Y			2,000			6,000	25	25

\*\*\*\*For purposes of Position Accountability and Position Limits, notional value in the cleared only product will be converted to contract units, whereby, notional 100,000 U.S. dollars will equal one contract equivalent. Spot month position limits will be calculated based upon contract equivalents expiring within the ensuing 5 business days.

## Appendix 4

[Rulebook Chapters 274, 274A – F are reserved.]

[Rulebook Chapter 274.G. is reserved.]

### **Chapter 274H** **Cleared OTC U.S. Dollar/ Chilean Peso (USD/CLP) Spot, Forwards and Swaps**

#### **274H.00. SCOPE OF CHAPTER**

This chapter is limited in application to U.S. Dollar/Chilean Peso Spot, Forwards, and Swaps that are executed between two counterparties on an Over-the-Counter (“OTC”) basis and subsequently novated to the CME Clearing House for purposes of clearance (“Cleared OTC Contracts”). Parties to transactions in Cleared OTC Contracts shall be limited to “eligible contract participants” as defined in Section 1a(12) of the Commodity Exchange Act. Cleared OTC Contracts are listed by CME for clearing-only. Transactions in Cleared OTC Contracts shall also be subject to the general rules of the Exchange insofar as applicable. The clearing and settlement of transactions in Cleared OTC Contracts shall also be subject to the provisions of Chapter 8-F of the CME Rulebook (Over-the-Counter Derivative Clearing). For purposes of these Rules, the minimum-fluctuations currency is the Chilean peso and the clearing-unit currency is the U.S. dollar.

#### **274H.01. CONTRACT SPECIFICATIONS**

##### **274H.01.A. Unit of Clearing**

The unit of clearing shall be 1 U.S. Dollar in any amount down to a precision of 0.01 U.S. Dollar.

##### **274H.01.B. Hours for Clearing Entry**

The Exchange shall determine the hours during which Cleared OTC Contracts may be submitted to the Clearing House. Positions shall be initiated or closed out using off-exchange transactions.

##### **274H.01.C. Minimum Price Increments**

Minimum price fluctuations shall be in multiples of 0.0001 Chilean Peso per U.S. Dollar for transactions in Cleared OTC Contracts.

##### **274H.01.D. Valid Value Dates for Cash Settlement**

Cleared OTC Contracts shall be cash settled for any valid value date(s) mutually agreed to by buyer and seller, and accepted by the Exchange for the applicable currency pair as a valid value date(s) for cash settlement and clearing. In general, for any currency pair, a valid value date shall be any business day that is a banking business day in the countries of issue for both currencies.

##### **274H.01.E. Delivery Price and Delivery Value**

Delivery for the Cleared OTC Contracts assigned pursuant to Chapter 274H shall be by cash settlement according to Rule 274H.02.

##### **274H.01.F. Position Limits and Position Accountability**

1. Authority - Position Limits and Position Accountability may be applicable, as defined by Rule 560, and as per the following.
2. Aggregation - For purposes of this Rule, where applicable:
  - futures,
  - options on futures,
  - E-mini futures,
  - E-micro futures,
  - cleared only spot, forward and swaps (combinations of spot and forwards or two maturity forwards), and
  - cleared only options on spot and forwards; and
  - in addition, where applicable, the analogous reciprocal versions of the aforementioned contracts for the respective foreign exchange pairs,

shall be aggregated with all products utilizing that foreign exchange (FX) pair regardless of quoting conventions. The baseline for this aggregation shall be the denomination of the underlying full-size CME futures contract. Contract equivalents shall be determined through the conversion of the notional value (or contract size times the number of contracts in standardized products) to the CME base currency using the prior day's Regular Trading Hours (RTH) settlement, and dividing the result by the contract size or notional of the full-size CME futures contract.

3. Contract Equivalent - For purposes of this Rule, a contract shall be deemed to be the equivalent of 100,000 U.S. dollars in notional value.

4. Position Accountability - A person owning or controlling more than the aggregated equivalent of 6,000 contracts, or 600,000,000 U.S. dollar in notional value, net long or net short; or, 20,000 contracts which expire within the next five (5) business days, or 2,000,000,000 U.S. dollar, shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.
5. Spot Position Limit – A person shall not own or control more than the equivalent of 20,000 contracts which expire within the next five (5) business days.
6. Exemptions - The foregoing position limits shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, and shall not apply to other positions exempted pursuant to [Rule 559](#).
7. Reserved

**274H.01.G. Last Day of Clearing**

The last day on which a Cleared OTC Contract may be submitted for clearing in respect of a specified cash settlement date shall be one valid business day prior to the cash settlement date.

**274H.01.H. Liquidation and Delivery Standards**

(1) At Maturity. After clearing of Cleared OTC Contracts in respect of a specified cash settlement date has ceased, in accordance with Rule 274H.01.G. of this chapter, outstanding contracts for such cash settlement date shall be liquidated by cash settlement through procedures as prescribed in Rule 274H.02 and in a manner prescribed by the Clearing House.

(2) Prior to Maturity. Standard offsets of futures and options on futures, if applicable, shall not apply to positions in Cleared OTC Contracts. Prior to the Cash Settlement Date, positions may be closed out upon the request of the clearing firm to the Clearing House, and in the manner prescribed by the Clearing House.

**274H.01.I. Contract Modifications**

Specifications shall be fixed as of the first day of clearing of a contract, except that all final settlements via cash settlement must conform to government regulations in force at the time of final settlement. If any national or international government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules and all open and new contracts shall be subject to such government orders.

**274H.02. CASH SETTLEMENT**

**274H.02.A. Day of Cash Settlement**

Each Cleared OTC Contract, for the valid value date for cash settlement in two business days, shall be liquidated by cash settlement at a price equal to the daily Final Settlement Price for that day. The daily Final Settlement Price shall be equal to the spot exchange rate of Chilean peso per U.S. dollar, "CLP DÓLAR OBS (CLP10)," as reported for that day by Banco Central de Chile for the formal exchange market which is available at approximately 8:00 PM Santiago time and rounded to two decimal places. This rate is used widely by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Chilean peso versus U.S. dollars.

All open positions for that valid value date for cash settlement will be cash settled in U.S. dollars based upon the difference between the Final Settlement Price for the valid value date for cash settlement and the original trade price as submitted for clearing times the notional value of the transaction in USDs divided by Final Settlement Price. In the event, this U.S. dollar amount is positive, then the Clearing House shall debit the seller's clearing member account and credit the buyer's clearing member account for this amount in U.S. dollars. In the event, this U.S. dollar amount is negative, then the Clearing House shall debit the buyer's clearing member account and credit the seller's clearing member account for this amount in U.S. dollars.

For example, if the "CLP DÓLAR OBS (CLP10)" for the valid value date for cash settlement in two business days, is as follows: "Observado Value DD MM YYYY Close" is 547.10 Chilean pesos per U.S. dollar, and the original trade price submitted for clearing by clearing firms of the buyer and seller was 515.25 Chilean pesos per U.S. dollar for a notional amount of 100,000 U.S. dollars, then the Clearing House on the business day following the valid value date for cash settlement shall credit the clearing member account for the buyer with \$5,821.60 (*i.e.*,  $547.10 \text{ CLP per USD} - 515.25 \text{ CLP per USD} = (+31.85 \text{ CLP per USD} \times 100,000 \text{ USD}) / 547.10 \text{ CLP per USD}$ ) = \$5,821.60.). Similarly, the Clearing House on the business day following the valid value date for cash settlement shall debit the clearing member account for the seller with \$5,821.60.

For example also, if the "CLP DÓLAR OBS (CLP10)" for the valid value date for cash settlement in two business days, is as follows: "Observado Value DD MM YYYY Close" is 515.25 Chilean pesos per U.S. dollar, and the original trade price submitted for clearing was 547.10 Chilean pesos per U.S. dollar for a notional amount of 100,000 U.S. dollars, then the Clearing House on the business day following the valid value date for cash settlement shall debit the buyer's clearing member account with \$6,181.47 (*i.e.*,  $515.25 \text{ CLP per USD} - 547.10 \text{ CLP per USD} = (-31.85 \text{ CLP per USD} \times 100,000 \text{ USD}) / 515.25 \text{ CLP per USD}$ ) = -\$6,181.47.). Similarly, the Clearing House on the business day following the valid value date for cash settlement shall credit the clearing member account for the seller with \$6,181.47.

**274H.02.B. Procedures if No Cash Settlement Price is Available**

In the event that the "CLP DÓLAR OBS (CLP10)" Chilean pesos per U.S. dollar rate for a valid value date for cash settlement is not published on a given day by Banco Central de Chile, and in order to minimize basis risk between the U.S. dollar / Chilean peso cleared only contracts and the non-deliverable forward ("NDF") market, the Exchange shall determine a Final Settlement Price based on the EMTA CLP Indicative Survey Rate (CLP11), when available. The EMTA CLP Indicative Survey Rate Methodology follows this chapter in an Interpretation.)

**274H.02.C. Amendments to Timings**

The Exchange may amend the timings of notifications, deliveries, and transfers under this Rule 274H.02 to reflect as appropriate the adoption of daylight savings time in the relevant countries of delivery.

**274H.03. DISPUTES**

All disputes between interested parties may be settled by arbitration as provided in the Rules.

**INTERPRETATION TO CHAPTER 274H**

In order to reduce basis risk for market participants trading and/or clearing CME cleared only U.S. dollar/Chilean peso spot, forwards and swaps, over-the-counter (OTC) NDF U.S. dollar / Chilean peso transactions and CME Chilean peso/ U.S. dollar futures and options on futures contracts, if applicable, CME has also adopted procedures to settle terminated cleared only U.S. dollar/ Chilean peso spot, forward and swap contracts to the EMTA CLP Indicative Survey Rate when the Banco Central de Chile "CLP DóLAR OBS (CLP10)" Chilean pesos per U.S. dollar rate is unavailable.

**I. The EMTA CLP Indicative Survey**

- Commencing the Indicative Survey: (A) on any Business Day on which a Price Source Disruption has occurred or is continuing OR (B) on any Valuation Date that is NOT a Business Day (or that would have been a Business Day but for the occurrence of an Unscheduled Holiday), and in each case following the lapse of a 30 calendar day period during which the primary settlement rate option shall have been continuously unavailable and as a consequence valuation shall have been deferred or postponed, upon receipt of a Valid Survey Request, EMTA (or a service provider EMTA shall select in its sole discretion) shall conduct a survey of financial institutions for the purpose of determining the EMTA CLP Indicative Survey Rate for that day.
- Valid Survey Request: A "Valid Survey Request" is a request received by EMTA from not less than two unaffiliated EMTA members not later than 5 business days before the contemplated start of the Survey.
- Polled Banks: For purposes of determining the EMTA CLP Indicative Survey Rate for any Valuation Date, at approximately 11:00 a.m. (Santiago time<sup>1</sup>), EMTA (or a service provider EMTA may select in its sole discretion) shall survey no more than 30 randomly selected financial institutions that are active participants in the Chilean Peso / U.S. Dollar market (each, a "Participating Bank").
- Survey Question: Each Participating Bank will be asked to provide its reasonable judgment of what is (or, in the case of an Unscheduled Holiday, would be) the current prevailing free market Chilean Peso spot rate (bid-offer pair) for a standard size Chilean Peso/U.S. Dollar wholesale financial transaction for same-day settlement in the Chilean marketplace on the Valuation Date. In arriving at this indicative quotation, survey participants will be directed to take such factors into consideration as they deem appropriate, which factors may (but need not) include any or all of the following: the spot rate(s) implied in the offshore non-deliverable foreign exchange market for Chilean Peso/U.S. Dollar transactions; the spot rate implied by any other financial market transactions (to the extent that such other financial markets are open for business); the spot rate used in connection with any commercial transactions for goods or services from offshore suppliers or providers; any existing rate for trade finance transactions; and any other existing unofficial rate for Chilean Peso / U.S. Dollar transactions (commercial or otherwise).

**II. Calculation Methodology**

- EMTA will determine the mid-point of each bid-offer pair. The arithmetic mean of the mid-points will be used to determine the CLP Indicative Survey Rate, rounded to the fourth decimal point as described below.
- If the CLP Indicative Survey results in 21 or more responses, then the 4 highest and 4 lowest mid-points will be eliminated, and the arithmetic mean of the remaining mid-points shall be computed and will constitute the CLP Indicative Survey Rate for such Valuation Date. For purposes of eliminating the 4 highest and 4 lowest mid-points, if more than 4 mid-points have the same highest value or lowest value, then only 4 such mid-points shall be eliminated.

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<sup>1</sup> New York time is 2 hours behind Santiago time when it is Standard Time in New York and Daylight Savings Time in Santiago; New York time and Santiago Time are the same when it is Standard Time in Santiago and Daylight Savings Time in New York; New York time is 1 hour behind Santiago time when it is Standard Time in both Santiago and New York and when it is Daylight Savings time in both Santiago and New York.

- If the CLP Indicative Survey results in less than 21 but 12 or more responses, then the 2 highest and 2 lowest mid-points will be eliminated, and the arithmetic mean of the remaining mid-points shall be computed and will constitute the CLP Indicative Survey Rate for such Valuation Date. For purposes of eliminating the 2 highest and 2 lowest mid-points, if more than 2 mid-points have the same highest value or lowest value, then only 2 such mid-points shall be eliminated.
- If the CLP Indicative Survey results in less than 12 but 10 or more responses, then the highest and the lowest rate will be eliminated and the arithmetic mean of the remaining midpoints shall be computed and will constitute the CLP Indicative Survey Rate for such Valuation Date. For purposes of eliminating the highest and lowest mid-points, if more than 1 mid-point has the same highest value or lowest value, then only 1 such mid-point shall be eliminated.
- If the CLP Indicative Survey results in less than 10 but 8 or more responses, then no mid-point will be eliminated and the arithmetic mean of all mid-points obtained shall be computed and will constitute the CLP Indicative Survey Rate for such Valuation Date.
- Quotes shall be provided to the fourth decimal point (e.g., 10000).

### III. Insufficient Responses

- If the CLP Indicative Survey results in less than 8 responses from Participating Banks, no CLP Indicative Survey Rate will be available for the relevant Valuation Date.

### IV. CLP Indicative Survey Rate Publication

- The CLP Indicative Survey Rate will be published on EMTA's web site ([www.emta.org](http://www.emta.org)) (the "Publication Site") by approximately 12:00 p.m. (Santiago time), or as soon thereafter as practicable, on the Valuation Date.
- As soon as it is determined that the CLP Indicative Survey will result in Insufficient Responses, a notice that no CLP Indicative Survey is available for the Valuation Date shall be published on the Publication Site.

### V. Discontinuing the CLP Indicative Survey

The CLP Indicative Survey will be discontinued (a) following the publication of a CLP DOLAR OBS Rate (CLP10) (or any successor primary settlement rate option) on any Valuation Date or (b) on the third day following polling for the CLP Indicative Survey Rate that results in less than 8 responses for more than two consecutive polling days. Notwithstanding the foregoing, nothing herein shall be construed to prevent EMTA from re-initiating the CLP Indicative Survey at an appropriate time in the future.

A notice that the CLP Indicative Survey has been discontinued will be published on the Publication Site.

### VI. Amendments to the Methodology

EMTA may, in its discretion, from time to time, make such administrative, procedural or other modifications to this Methodology as are appropriate to ensure the continued operation and integrity of the CLP Indicative Survey.

### VII. Disclaimer

EMTA (and any service provider EMTA may select) disclaim liability for the CLP Indicative Survey Rate, and no representation or warranty, express or implied, is made concerning the CLP Indicative Survey Rate (including, without limitation, the methodology for determining the CLP Indicative Survey Rate and its suitability for any particular use).

[Rulebook Chapter 274.I. is reserved.]

For further information, please contact Craig LeVeille, Director, FX Products at 312-454-5301; or Paul Bauerschmidt, Director, Product Strategy & Planning at 312-648-3645; or Steve Youngren, Associate Director, Research & Product Development at 312-930-4583.