

## Special Executive Report

S-4778

October 23, 2008

### **CME GROUP ANNOUNCES U.S. DOLLAR / TURKISH LIRA AND EURO / TURKISH LIRA FUTURES CONTRACTS**

On Wednesday, October 22, 2008, CME Group announced plans to list for trading U.S. Dollar (USD) / Turkish Lira (TRY) and Euro (EUR)/ Turkish Lira futures contracts. These new emerging market foreign exchange (FX) contracts will expand the CME Group FX product line to forty-three currency-pair futures contracts comprised of 20 different currencies. These Turkish lira futures contracts will be physically-delivered and will trade exclusively on the CME Globex<sup>®</sup> electronic trading system. CME Group will determine and publish the specific product launch date and initial contract month listings at a future time. Launch is expected in Quarter 1 2009. Brief contract highlights follow immediately below.

**Launch Date:** To be determined, launch is expected during Quarter 1 2009.

**Trading Hours:**

CME Group U.S. Dollar / Turkish Lira and Euro / Turkish Lira Futures will be traded exclusively on the CME Globex electronic trading system as follows:

Sundays: 3:00 p.m. – 4:00 p.m. Central Time (CT) next day.

Monday - Friday: 5:00 p.m. - 4:00 p.m. CT the next day, except on Friday, when CME Globex<sup>®</sup> platform closes at 4:00 p.m. & reopens Sunday at 3:00 p.m. CT

**Futures Contracts' Highlights:**

- Contracts Sizes: USD/TRY: 200,000 U.S. dollars  
EUR/TRY: 125,000 Euro
- Interbank Quotations: USD/TRY: Minimum tick = 0.0001 TRY per USD (=20 TRY≈14 USD)  
EUR/TRY: Minimum tick = 0.0001 TRY per EUR (=12.5 TRY≈9 USD)
- Settlement Variation & Performance Bonds: Turkish lira (TRY)
- Termination of Futures Trading: At 12:30 a.m. Central Time on 1<sup>st</sup> business day before 3<sup>rd</sup> Wednesday of contract month (this is usually 8:30 a.m. Istanbul/Ankara time, on a Tuesday)
- Physical Delivery: On 3<sup>rd</sup> Wednesday of March, June, September and December contract months

**Turkish Lira Performance Bonds & Daily Settlement Variation:**

The new contracts are U.S. dollar and Euro denominated, respectively, i.e., buyers are purchasing USDs or EURs and paying for them with Turkish lira. Interbank terms quotations of TRY per USD and TRY per EUR require daily settlement variation and performance bonds in TRY. CME Clearing is making arrangements for Turkish lira daily settlement variation and performance bonds. Customers (proprietary firms, FCMs and hedge funds) in the U.S. and Europe report settlement variation in TRY is preferred, given that spot arbitrage is quoted and handled in the same manner.

**Physical Delivery at Termination:**

Delivery of the futures contracts are on the 3<sup>rd</sup> Wednesday of the March, June, September and December quarterly cycle with termination of trading on the immediately preceding business day at 12:30 a.m. Central Time (8:30 a.m. Istanbul/Ankara Time). This aligns the futures delivery at termination with interbank spot trade conventions of one day (tomorrow or TOM) settlement. Currently, there is same-day finality of payment for Turkish lira. However, Turkish lira is not a CLS (Continuous Linked Settlement)-eligible currency, so non-CLS FX delivery procedures apply, including dual orders to pay for both buyers and sellers to secure the deliveries. This same dual orders to pay methodology has been used in the past for both the Israeli shekel futures deliveries (note that CME Group only recently eliminated the sell side orders to pay for the Israeli shekel) and the South African rand futures deliveries.

**Contract Specifications Summary Sheets, CME Rulebook Chapters and Delivery Rules Amendments:**

Appendices 1 and 2, respectively, provide contract specifications summary sheets for the U.S. Dollar/Turkish Lira and Euro/Turkish Lira futures contracts. Appendices 3 and 4 contain the detailed CME Group USD/TRY and EUR/TRY futures contract terms for insertion into the CME Rulebook. Appendix 5 contains amendments to Chapter 7 to enable physical deliveries of the new futures contracts with deletions bracketed and lined out and additions underlined.

If you have any questions, please contact Andy Durrant, Head of EMEA FX Sales, CME Group London Office, at 44-207-796-7109 or Steve Youngren, Associate Director, Financial Product Development at 312-930-4583.

## Appendix 1

### Term Sheet on CME Group U.S. Dollar/ New Turkish Lira Futures Contracts (Interbank Terms)

Futures	
<b>Contract Size</b>	200,000 U.S. Dollars (approximately equal to TRY245,400 as of 6/20/08)
<b>Sample Quote</b>	1.2270 TRY / USD (AKA "YTL" $\approx$ 0.81500 USD/TRY)
<b>Tick Size</b>	TRY0.0001 per U.S. dollar increments (TRY20/contract). Also, trades can occur in TRY.00005 per U.S. dollar increments (TRY10/USD contract) for Turkish lira futures intra-currency spreads executed on CME Globex <sup>®</sup> .
<b>Trading Hours</b>	<u>Sundays</u> : 3:00 p.m. – 4:00 p.m. Central Time (CT) next day. <u>Monday – Friday</u> : 5:00 p.m. - 4:00 p.m. CT the next day, except on Friday, when CME Globex <sup>®</sup> platform closes at 4:00 p.m. & reopens Sunday at 3:00 p.m. CT
<b>Months</b>	Six months in March Quarterly Cycle (March, June, September & December)
<b>Last Trading Day</b>	Trading ceases at 12:30 a.m. Central Time on the business day immediately preceding the third Wednesday of the contract month (usually early on Tuesday morning CT, which is 8:30 a.m. Istanbul/Ankara Time on Tuesday)
<b>Physical Delivery</b>	Physical delivery takes place on the third Wednesday of the contract month, in the country of issuance at a bank designated by the CME Clearing.
<b>Position Accountability</b>	Positions more than 6,000 contracts net long or short in all contract months combined must provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position.
<b>Spot Position Limits</b>	No more than 2,000 contracts net long or short in the spot month one week prior to termination.
<b>Maximum Price Fluctuation CME Globex:</b>	Price banding in effect at $\pm$ .006 (60 ticks) for outright, $\pm$ .001 (10 ticks) for spreads <sup>1</sup>

<sup>1</sup> No price limits. However, for CME Globex trading, automated price banding prevents execution of orders at prices falling outside of the last sale, best bid or best offer and  $\pm$  the price band. Price banding prevents the entry of limit orders more than a pre-determined amount above the last price in the case of bids and more than the same pre-determined amount below the last price in the case of offers. The band "shadows" the last foreign exchange futures price as it reacts to new transaction prices, higher bids and lower offers.

## Appendix 2

### Term Sheet on CME Group Euro / New Turkish Lira Futures Contracts (Interbank Terms)

Futures	
<b>Contract Size</b>	125,000 Euro (approximately equal to TRY239,675 ≈USD195,335 as of 6/20/08)
<b>Sample Quote</b>	1.9174 TRY/EURO (AKA "YTL" ≈ 0.52153 EUR/TRY)
<b>Tick Size</b>	.0001 Turkish lira per Euro increments (TRY12.5/contract). Also, trades can occur in TRY0.00005 per Euro increments (TRY6.25/contract) for Turkish lira futures intra-currency spreads executed on CME Globex®.
<b>Trading Hours</b>	<u>Sundays</u> : 3:00 p.m. – 4:00 p.m. Central Time (CT) next day. <u>Monday – Friday</u> : 5:00 p.m. – 4:00 p.m. CT the next day, except on Friday, when CME Globex® platform closes at 4:00 p.m. & reopens Sunday at 3:00 p.m. CT
<b>Months</b>	Six months in March Quarterly Cycle (March, June, September & December)
<b>Last Trading Day</b>	Trading ceases at 12:30 a.m. Central Time on the business day immediately preceding the third Wednesday of the contract month (usually early on Tuesday morning CT, which is 8:30 a.m. Istanbul/Ankara Time on Tuesday)
<b>Physical Delivery</b>	Physical delivery takes place on the third Wednesday of the contract month, in the country of issuance at a bank designated by the CME Clearing.
<b>Position Accountability</b>	Positions more than 6,000 contracts net long or short in all contract months combined must provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position.
<b>Spot Position Limits</b>	No more than 2,000 contracts net long or short in the spot month one week prior to termination.
<b>Maximum Price Fluctuation CME Globex:</b>	Price banding in effect at ±.006 (60 ticks) for outrights, ±.001 (10 ticks) for spreads <sup>2</sup>

<sup>2</sup> No price limits. However, for CME Globex trading, automated price banding prevents execution of orders at prices falling outside of the last sale, best bid or best offer and ± the price band. Price banding prevents the entry of limit orders more than a pre-determined amount above the last price in the case of bids and more than the same pre-determined amount below the last price in the case of offers. The band "shadows" the last foreign exchange futures price as it reacts to new transaction prices, higher bids and lower offers.

## Appendix 3

### Chapter 272 U.S. Dollar / Turkish Lira Futures

#### 27200. SCOPE OF CHAPTER

This chapter is limited in application to futures trading in Turkish lira versus the U.S. dollar. The procedures for trading, clearing, delivery, settlement and any other matters not specifically contained herein shall be governed by the rules of the Exchange.

#### 27201. FUTURES CALL

##### 27201.A. Trading Schedule

Futures contracts shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Board of Directors.

##### 27201.B. Trading Unit

The unit of trading shall be 200,000 U.S. dollars.

##### 27201.C. Price Increments

Minimum price fluctuations shall be in multiples of 0.0001 Turkish lira per U.S. dollar, equivalent to 20 Turkish lira per contract. Trades may also occur in multiples of 0.00005 Turkish lira per U.S. dollar, commonly referred to as one-half tick, for U.S. Dollar / Turkish lira futures intra-currency spreads executed as simultaneous transactions on GLOBEX® pursuant to Rule 542.F.

##### 27201.D. Position Accountability and Spot Month Position Limits

A person owning or controlling more than 6,000 contracts net long or net short in all contract months combined 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; except that in no event shall such person own or control more than 2,000 contracts in the spot month on or after the day one week prior to the termination of trading day. For positions involving options on U.S. Dollar / Turkish lira futures, this rule is superseded by the option position accountability and spot month positions limit rule.

In addition, the Exchange President or his designee or the Business Conduct Committee may require, at their discretion, that such positions not be further increased.

##### 27201.E. Accumulation of Positions

For purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

##### 27201.F. Exemptions

The foregoing spot month 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 543.

##### 27201.G. Termination of Trading

Futures trading shall terminate at 12:30 a.m. Central Time (CT) on the business day immediately preceding the third Wednesday of the contract month (usually 8:30 a.m. Istanbul/Ankara Time). If the foregoing date for termination is a bank holiday in Chicago or New York City, futures trading shall terminate on the next preceding business day common to Chicago and New York City banks and the Exchange.

##### 27201.H. Contract Modifications

Specifications shall be fixed as of the first day of trading of a contract, except that all deliveries must conform to government regulations in force at the time of delivery. 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.

#### 27202. SETTLEMENT PROCEDURES

##### 27202.A. Physical Delivery

##### 1. Procedures

In addition to the procedures and requirements contained in this chapter, delivery procedures shall be governed by

the rules set forth in Chapter 7.

## **2. Delivery Days**

Delivery shall be made on the third Wednesday of the contract month. If that day is not a business day in the country of delivery or is a bank holiday in either Chicago or New York City, then delivery shall be made on the next day which is a business day in the country of delivery and is not a bank holiday in Chicago or New York City.

## **27202.B. [Reserved]**

## **27203. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 272)

# **Appendix 4**

## **Chapter 320**

### **Euro/ Turkish Lira (Euro/ TRY) Cross Rate Futures**

## **32000. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading in Euro versus the Turkish lira. The procedure for trading, clearing, delivery, settlement and any other matters not specifically contained herein shall be governed by the rules of the Exchange.

## **32001. FUTURES CALL**

### **32001.A. Trading Schedule**

Futures contracts shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Board of Directors.

### **32001.B. Trading Unit**

The unit of trading shall be 125,000 Euro.

### **32001.C. Quote Basis**

Bids and offers shall be quoted in terms of Turkish lira per Euro, significant to four decimal places, e.g., 1.9174.

### **32001.D. Price Increments**

Minimum price fluctuations shall be in multiples of 0.0001 Turkish lira per Euro, equivalent to 12.5 Turkish lira per contract. Trades may also occur in multiples of .00005 Turkish lira per Euro, commonly referred to as one-half tick, for EURO/TRY futures intra-currency spreads, executed as simultaneous transactions on the trading floor pursuant to Rule 542.A. and on GLOBEX® pursuant to Rule 542.F.

### **32001.E. Position Accountability and Spot Month Position Limits**

A person owning or controlling more than 6,000 contracts net long or net short in all contract months combined 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; except that in no event shall such person own or control more than 2,000 contracts in the spot month on or after the day one week prior to the termination of trading day. For positions involving options on Euro/Turkish lira futures, this rule is superseded by the option position accountability and spot month positions limit rule. For positions involving options on Euro/Turkish lira Cross-Rate futures, this rule is superseded by the option position accountability rule.

### **32001.F. Accumulation of Positions**

For purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

### **32001.G. Exemptions**

The foregoing spot month 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 543.

### **32001.H. Termination of Trading**

Futures trading shall terminate at 12:30 a.m. Central Time (CT) on the business day immediately preceding the third Wednesday of the contract month (8:30 a.m. Istanbul/Ankara Time). If the foregoing date for termination is a bank holiday in Chicago or New York City, futures trading shall terminate on the next preceding business day common to Chicago and New York City banks and the Exchange.

**32001.I. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract, except that all deliveries must conform to government regulations in force at the time of delivery. If any national or international governmental 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.

**32002. SETTLEMENT PROCEDURES**

**32002.A. Physical Delivery**

**1. Procedures**

In addition to the procedures and requirements contained in this chapter, physical delivery procedures shall be governed by the rules set forth in Chapter 7.

The Euro/ Turkish lira cross-rates traded pursuant to Chapter 320 shall be delivered in banks designated by the Exchange. Buyers of the Euro/ Turkish lira cross-rate futures contract shall deliver the minimum-fluctuation currency (Turkish lira) and receive the trading-unit currency (Euro). Sellers of the Euro / Turkish lira cross-rate futures contract shall deliver the trading-unit currency (Euro) and receive the minimum-fluctuation currency (Turkish lira).

**2. Delivery Days**

Delivery shall be made on the third Wednesday of the contract month. If that day is not a business day in both countries of delivery or is a bank holiday in either Chicago or New York City, then delivery shall be made on the next day which is a business day in both countries of delivery and is not a bank holiday in Chicago or New York City.

**32002.B. [Reserved]**

**32003. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 320)

## Appendix 5

Approved Rule Additions are Underlined and Deletions are Lined Out.

**NON-CLS (LEGACY) CURRENCY DELIVERIES**

Rule 736 is unchanged.

**737. FOREIGN CURRENCY BUYER'S DUTIES**

Rules 737.A. through 737.C. are unchanged.

**737.D. Physical Delivery U.S. Dollar/ Turkish Lira and Euro/ Turkish Lira Contracts**

A clearing member representing a customer that intends to accept delivery of a Physical Delivery U.S. Dollar / Turkish Lira or Euro / Turkish Lira Contract in liquidation of his position shall, no later than 10:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Non-CLS Delivery Commitment for U.S. Dollar / Turkish Lira or Euro / Turkish Lira Contracts. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount in the minimum-fluctuation currency of Turkish Lira equal to the contract value based on the settlement price on the last day of trading. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds in Turkish Lira on the delivery day.

**737.~~D~~E. Restrictions**

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 buyer'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 he desired to accept delivery.

**738. FOREIGN CURRENCY SELLER'S DUTIES**

Rules 738.A. through 738.B. are unchanged.

**738.C. Physical Delivery U.S. Dollar/ Turkish Lira and Euro/ Turkish Lira Contracts**

The clearing member representing a customer making delivery of a Physical Delivery U.S. Dollar/ Turkish Lira or Euro/ Turkish Lira Contract, in liquidation of his position shall, no later than 10:00 a.m. on the last day of trading, present to the Clearing House a Seller's Non-CLS Delivery Commitment for U.S. Dollar/ Turkish Lira or Euro/ Turkish Lira Contracts. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount equal to the trading unit of U.S. Dollars for the U.S. Dollar/ Turkish Lira Contract or Euro for the Euro/ Turkish Lira Contract. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day. The Seller shall have made all provisions necessary to receive delivery of the minimum-fluctuation currency (Turkish Lira) within the country of issuance. The Seller's clearing member shall be responsible for delivering the trading unit currency (either U.S. Dollars or Euro as appropriate) on the delivery date to a bank designated by the Clearing House. The Exchange reserves the right to eliminate the requirement for sellers to post a Bank Order to Pay in the event that such requirement is no longer deemed necessary to secure the delivery.

Subject to the preceding two paragraphs, if the Seller's Non-CLS Delivery Commitment for U.S. Dollar/ Turkish Lira or Euro/ Turkish Lira Contracts is received later than 10:00 a.m. on the last day of trading, but not later than 1:00 p.m. on the same day, the seller's clearing member shall be assessed a fine on a per-contract basis, the amount to be determined by Exchange staff. Any deliveries memoranda or instructions received subsequent to 1:00 p.m. on the same day, shall be deemed a delivery obligation failure and acted upon in accordance with [Rule 743.B](#).

**738.[C]D. Restrictions**

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 seller'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 he desired to make delivery.

Rule 739 is unchanged.

**740. PAYMENTS**

The Clearing House shall designate a bank in each foreign country into which foreign currency shall be delivered. These banks shall notify the Clearing House when foreign currency funds have been received. In the case of Currency Contracts, the foreign currency delivery for each customer shall equal the net short value of positions in that foreign currency. Values for positions in contracts with minimum fluctuations denominated in U.S. dollars shall be the contract size. Values for positions in contracts with minimum fluctuations in foreign currency shall be the contract value based on the settlement price on the last day of trading. In the case of Currency Contracts, the Clearing House shall, promptly after receipt of notification that foreign currency funds have been received, transfer the U.S. dollar funds previously deposited by the foreign currency buyer's clearing member to the account of the foreign currency seller's clearing member.

For the U.S. Dollar/ Turkish Lira and Euro/ Turkish Lira Contracts, respectively, the Clearing House shall designate a bank in the U.S. and the European Union into which the trading unit currency (respectively, U.S. Dollars or Euro) shall be delivered. These banks shall notify the Clearing House when the trading unit currency funds have been received. In the case of these Currency Contracts, the U.S. Dollar or Euro delivery for each selling customer shall equal the net short value of positions in those currencies. Values for buyer's positions in contracts with minimum fluctuations in Turkish Lira shall be the contract value based on the settlement price on the last day of trading (settlement price times contract size per contract). In the case of U.S. Dollar/ Turkish Lira and Euro/ Turkish Lira Contracts, the Clearing House shall, promptly after receipt of notification that Turkish Lira funds have been received, transfer the U.S. dollar or Euro funds, respectively, that were previously deposited by the seller's clearing member to the account of the buyer's clearing member.

Rule 741 is unchanged.

**742. DELIVERY NETTING**

Rule 742.A. is unchanged.

**742.B. Non-CLS Delivered Currency Futures Contracts**

To facilitate spread trading between currency products where positions held to termination create offsetting currency payment obligations, the Clearing House may net to the extent possible physical delivery payment obligations by clearing member customer by currency, in accordance with the procedures outlined in the Clearing House Manual of Operations. Clearing members desiring netting of obligations may only net payment obligations that arise from positions belonging to the same beneficial account owner, and shall be required to submit a Delivery Netting Request form, which identifies the final positions and net currency payments of a customer requesting delivery netting, to the Clearing House by 11:00 a.m. on the last day of trading. For U.S. Dollar/ Canadian Dollar, U.S. Dollar/ Turkish Lira or Euro/ Turkish Lira Contracts only, such Delivery Netting Request form shall be submitted to



the Clearing House by 10:00 a.m. on the last day of trading.

Clearing members may also net delivery obligations within a given currency following the last day of trading in such eligible currency product, except for U.S. Dollar/ Canadian Dollar, U.S. Dollar/ Turkish Lira or Euro/Turkish Lira Contracts. Clearing members may net delivery obligations across all accounts belonging to the same beneficial account owner.

Clearing members are prohibited from netting open positions across customer accounts while a currency contract remains eligible for trading on the Exchange.

Clearing members shall be required to submit a Delivery Netting Request, which identifies the final positions and net currency delivery obligations to the Clearing House by 11:00 a.m. (10:00 a.m. for U.S. Dollar/ Canadian Dollar, U.S. Dollar/ Turkish Lira or Euro/ Turkish Lira Contracts), on the last day of trading, in accordance with the procedures outlined in the Clearing House Manual of Operations.

Remainder of chapter is unchanged.