



Special Executive Report

DATE: July 22, 2016

SER #: 7711

SUBJECT: Amendments to Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures Contract

Effective Sunday, August 7, 2016 for trade date Monday, August 8, 2016, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) will amend Rule 204E03 (“Final and Daily Settlement Prices During the Last Month of Trading”) and Rule 204E05 (“Daily Settlement Price”) of the Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures contract. (commodity code: POG; rulebook chapter: 204E).

More specifically, the daily settlement price for the Contract is currently rounded to the nearest \$0.01 per metric ton. The amendments to the Contract will provide that the daily settlement price shall be rounded to the nearest \$0.001 per metric ton. The Exchange is implementing this amendment to provide further granularity and enhance the mark-to-market accuracy. The amendments to CME Rules 204E03 and 204E05 are provided in Appendix A with additions underlined.

Please refer questions on this subject to:

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Appendix A

(additions are underlined)

CME Rulebook

Chapter 204E

Bursa Malaysia Crude Palm Oil – Gasoil Spread Futures

204E03. FINAL AND DAILY SETTLEMENT PRICES DURING THE LAST MONTH OF TRADING

The final settlement price shall be determined on the final settlement day. The final settlement price shall be equal to the cumulative average of the settlement prices for the third forward month FCPO contract traded on the Bursa Malaysia Derivatives Berhad for each trading day in the contract month converted to USD and rounded to the nearest \$0.25 using the USD/MYR spot rate minus the cumulative average of the settlement prices for the first nearby month ICE Low Sulphur Gasoil Futures contract for each trading day in the contract month rounded to the nearest \$0.001 (using non-common pricing). The settlement prices of the first nearby contract month will be used except on the last day of trading for the expiring ICE Low Sulphur Gasoil Futures contracts when the settlement prices of the second nearby contracts will be used.

For example, the palm oil component of final settlement for a January contract month of the contract would reference the cumulative average of the daily settlement prices for the third forward FCPO contract listed on the Bursa Malaysia Derivatives Berhad contract during the month of January, which in this example will comprise half of the March futures contract and half of the April futures contract, with the month roll determined by the Bursa Malaysia Derivatives Berhad listing and expiration cycle. These daily settlement prices for palm oil component are converted to USD and rounded to the nearest \$0.25 using the USD/MYR spot rate. The gasoil component of final settlement for a January Malaysian Palm Oil – Gasoil Spread futures contract would reference the cumulative average of the daily settlement prices for the first nearby ICE Low Sulphur Gasoil futures contract during the month of January, which in this example will comprise half of the January futures contract and half of the February futures contract, with the month roll determined by the ICE Futures Europe listing and expiration cycle. These daily settlement prices for the gasoil component are rounded to the nearest \$0.001.

Daily settlement during the last month of trade shall be the cumulative average of each settlement price of the corresponding Bursa Malaysia Derivatives Berhad FCPO futures contract and converted to USD and rounded to the nearest \$0.25 weighting the current day's settlement price across each remaining trading day minus the cumulative average of each settlement prices of the corresponding ICE Low Sulphur Gasoil Futures contract and rounded to the nearest \$0.001 weighting the current day's settlement price across each remaining trading day. Then the daily settlement price for the spread shall be rounded to the nearest \$0.001.

204E05. DAILY SETTLEMENT PRICE

Daily settlement other than settlement on the final settlement day or during the last month of trade (as described in Rule 204E03.) shall be equal to the settlement price of the Bursa Malaysia Derivatives Berhad FCPO futures contract that is the third-forward month from the contract month converted to USD using USD/MYR forward rates and rounded to the nearest \$0.25 minus the settlement price of the ICE Low Sulphur Gasoil futures contract that is the first nearby month from the contract month and rounded to the nearest \$0.001. Then the daily settlement price for the spread shall be rounded to the nearest \$0.001. Daily settlement prices shall be generated each business day the CME is open using the most recent available ICE Low Sulphur Gasoil futures prices and Bursa Malaysia Derivatives Berhad FCPO futures prices and the latest available USD/MYR forward rates.