

COMMODITY PRODUCTS

# Centrally-Cleared Grain Swaps



Cultivating A  
Risk Management Strategy To  
**MEET YOUR GOALS**

# CENTRALLY-CLEARED **GRAIN SWAPS** THROUGH CME CLEARPORT

In response to the increased volatility of grain markets, CME Group now offers the first-ever suite of centrally-cleared grain and oilseed swap products, enabling users to better manage price and basis level risk through tailored hedges and central clearing through CME ClearPort.



## A New Crop Of Opportunity

Recent growth spurred by developing nations, monetary policy and the use of agricultural products to produce biofuels has resulted in higher prices and greater price volatility in global agricultural markets. This environment of higher market volatility has resulted in customers acquiring additional creative price risk management tools, such as swaps.

While swaps offer greater flexibility, trading them in the OTC market currently involves counterparty risk. However, the Commodity Futures Trading Commission (CFTC) has recently granted exemptions to CME Group to centrally clear agricultural OTC swaps.

By acting as a central counterparty, CME Group preserves the intrinsic risk management benefits of grain swap contracts while substantially mitigating counterparty default risk for both customers. Through our centrally-cleared grain basis swaps and calendar swaps, CME Group is committed to providing innovative and secure risk management products and services to agricultural markets across the globe.

## Grain swaps include:

- Corn Basis Swaps For Northeastern Iowa
- Corn Basis Swaps For Northwestern Iowa
- Corn Basis Swaps For Southern Iowa
- Corn Basis Swaps For Eastern Nebraska
- Corn Basis Swaps For Eastern South Dakota
- Corn Basis Swaps For Southern Minnesota
- Calendar Swaps For Corn
- Calendar Swaps For Wheat
- Calendar Swaps For Soybeans

## Key benefits of centrally-cleared grain swaps include:

- Substantially mitigated risk
- Flexibility of privately negotiated swap contract terms
- Reduced capital requirements due to cross product margin efficiencies
- Easy and accessible use of CME ClearPort – limited and straightforward registration documentation
- Position accountability through our daily mark-to-market process

## For more information on grain swaps, contact a member of the CME Group Commodity Team.

### Chicago Office

Brenda Tucker  
312 454 8304  
brenda.tucker@cmegroup.com

### Chicago Office

Rich Jelinek  
312 930 2320  
richard.jelinek@cmegroup.com

### London Office

Jeffrey Kuijpers  
+44 (0) 20 7796 7108  
jeffry.kuijpers@cmegroup.com

### Singapore Office

Nelson Low  
+65 6550 9621  
nelson.low@cmegroup.com

# SECURITY. FLEXIBILITY. A **CLEAR** ADVANTAGE.

CME Group brings together a world of market participants and provides them with the security of centralized clearing. With a broad base of trading partners, we offer the liquidity and volume you need to manage your agricultural commodity risk. And with CME ClearPort, you have a secure system to clear your OTC trades while significantly reducing your counterparty credit risk.

## Trade With Greater Certainty

Efficient and reliable, CME ClearPort is a flexible clearing service for OTC market participants. After a simple registration process, you can negotiate your own prices, trade off exchange and clear each transaction through a central counterparty, with several benefits and financial safeguards.

## Position netting

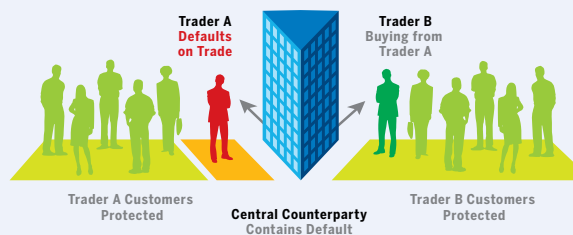
- Multilateral netting, cross-margining and portfolio margining processes help reduce your capital requirements
- Neutral settlement prices and independent mark-to-market processes help you perform more accurate position monitoring and risk assessment

## Simplified clearing structure

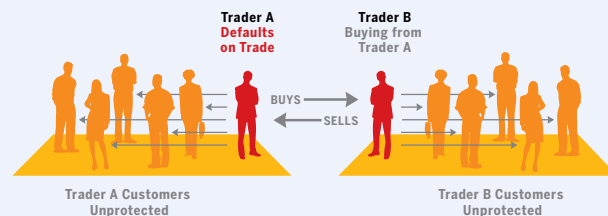
- Central clearing streamlines both sides of the transaction into a single liability backed by more than 100 years of experience and \$8 billion in financial safeguards

## Convenience

- Ability to transact with any company registered on CME ClearPort
- Flexible and efficient new product introductions
- Real-time trade confirmations reduce the expense of documentation



With a central counterparty model, the clearing house is the buyer to every seller and the seller to every buyer. So, if Trader A defaults, the default is contained between Trader A and the clearing house, protecting everyone in the green above.



The over-the-counter market's bilateral model works differently. If Trader A defaults, neither Trader A, Trader B, nor the others they transact business with are protected from the default, leaving everyone in the orange at risk.

## Getting started with CME ClearPort is easy.

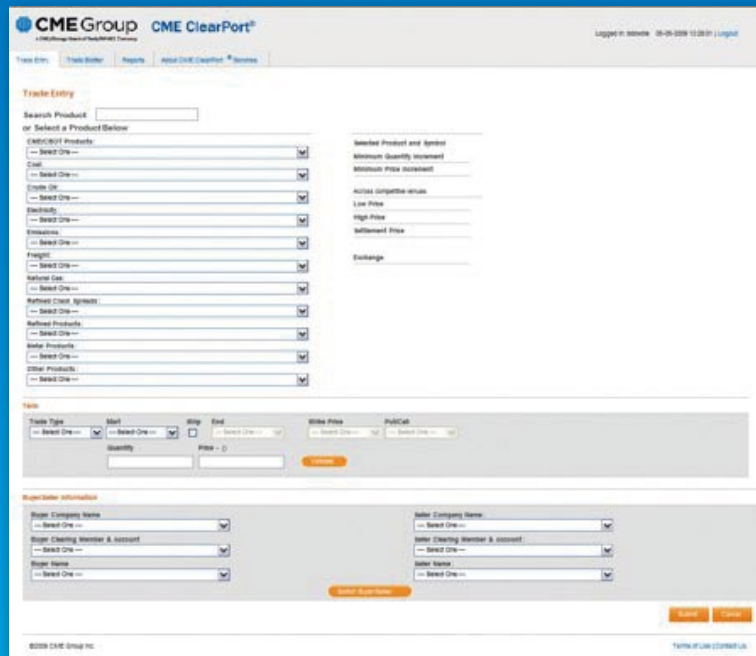
### How to register for clearing through CME ClearPort:

1. Establish an account with a CBOT clearing member.
2. Visit [www.cmegroup.com/clearport](http://www.cmegroup.com/clearport) and complete the online Exchange User License Agreement (EULA), whether you are a broker or a trader.
3. Once you have received your username and password, contact the clearing or risk staff person at your clearing member firm and request that your clearing account be added to RAV (Risk Account Value) Manager. You will then be given permissions for any markets you wish to clear and for any OTC brokers who may be entering trades for clearing on your behalf.

Once approved, you're immediately ready to clear OTC grain swaps. To date, CME ClearPort serves more than 2,000 active registered companies and 10,000 users worldwide, whose average daily volume exceeds 600,000 contracts spanning 700 individual products.

### How to Access CME ClearPort

- Through the CME ClearPort Web-based user interface (GUI), via a broker or end user
- By contacting the CME ClearPort Facilitation Desk via phone, e-mail or IM, along with a submitted spreadsheet
- Directly, through an API that connects to CME ClearPort
- Direct reporting from the Futures Commissions Merchant (FCM), via Front-End Clearing (FEC)



The screenshot displays the CME ClearPort web interface. At the top, it shows the CME Group logo and 'CME ClearPort' branding. Below the navigation bar, there is a 'Trade Entry' section with a search box and a list of product categories (e.g., CME/CBOT Products, Oil, Grains, etc.) with dropdown menus. To the right, there is a 'Selected Product and System' section with fields for 'Minimum Quantity Allowed' and 'Minimum Price Movement'. Below this, there are 'Trade' and 'Market Information' sections with various input fields and buttons.

For further information and questions regarding CME ClearPort, contact the CME ClearPort Facilitation Desk toll-free at 866 246 9639 or 212 299 2457, via e-mail at [ClearPort@cmegroup.com](mailto:ClearPort@cmegroup.com) or visit [www.cmegroup.com/clearport](http://www.cmegroup.com/clearport).

# Contract Specifications

Corn Basis Swap Contract Specifications		Grain Calendar Swap Contract Specifications
Basis Regions	Corn swap contracts listed for each of the following: Northeastern Iowa, Northwestern Iowa, Southern Iowa, Eastern Nebraska, Eastern South Dakota and Southern Minnesota	Corn, Soybean, Wheat
Contract Size	5,000 bushels	5,000 bushels
Price Quotation	Cents and quarter cents per bushel	Cents and quarter cents per bushel
Minimum Price Fluctuation	One quarter of one cent (\$0.0025) per bushel	One quarter of one cent (\$0.0025) per bushel
Clearing Hours (Central Time)	CME ClearPort clearing is available from 5:00 p.m. Sunday through 4:15 p.m. Friday, with a 45-minute break between 4:15 p.m. and 5:00 p.m. on Mondays through Thursdays	CME ClearPort clearing is available from 5:00 p.m. Sunday through 4:15 p.m. Friday, with a 45-minute break between 4:15 p.m. and 5:00 p.m. on Mondays through Thursdays
Contract Pricing	The basis for each listed region, defined as the cash price index from a region minus the price for the corresponding Corn futures contract	N/A
Contract Months	Calendar swaps are listed for all 12 calendar months with the corresponding futures contract being the contract closest to the swap's expiration date	Calendar swaps are listed for all 12 calendar months with the corresponding futures contract being the contract closest to the swap's expiration date
Termination of Clearing/Expiration Date	The last business day of the month preceding the month of the basis swap. For example, a December Corn Basis swap would expire on the last business day in November	The last business day of the month preceding the month of the calendar swap. For example, a December Calendar swap will expire on the last business day in November
Daily Settlement	Settled to the preliminary cash price index for the respective region minus the corresponding Corn futures contract price until the final calculation begins	Settled to the corresponding Corn, Soybean or Wheat futures contract closest to but not before the calendar swap month
Final Settlement	During the last five clearing days of a Corn Basis swap, daily settlement will be a running cumulative average of the DTN cash price index for the respective region minus the corresponding Corn futures contract. Final settlement is completed by a cash settlement. For example, the final settlement for the November 2009 DTN Northeastern Iowa Corn Basis swap would be the average of daily settlement prices of the DTN Northeastern Iowa cash price index minus the December Corn futures contract on October 23, 26, 27, 28 and 29	During the last month of a calendar swap is listed, daily settlement shall be a running of cumulative average of the settlement prices for the corresponding futures contract. For example, the final settlement for a December Corn Calendar swap would be the average of daily settlement prices for the December Corn futures contract during the month of November
Clearing Codes	Southern Minnesota Corn Basis Swap: SMN Eastern Nebraska Corn Basis Swap: ENE Eastern South Dakota Corn Basis Swap: ESC Northeastern Iowa Corn Basis Swap: NEC Northwestern Iowa Corn Basis Swap: NWI Southern Iowa Corn Basis Swap: SIC	Corn Calendar Swap: CCS Soybean Calendar Swap: SNS Wheat Calendar Swap: WCS

Daily settlement prices will be based on preliminary DTN cash indexes for each region. DTN will calculate preliminary indexes each business day based on the average bids from approximately 30 randomly selected elevators in each region. Final settlement prices will be based on final DTN cash indexes for each region. DTN will calculate final indexes based on the 10 percent trimmed mean from bids from approximately 74 to 180 locations (depending on the region) in each region.

These contracts are listed and subject to the rules and regulations of CBOT.

For more information on grain swaps, visit [www.cmegroup.com/agswaps](http://www.cmegroup.com/agswaps).



**CME GROUP HEADQUARTERS**

20 South Wacker Drive  
Chicago, Illinois 60606  
cmegroup.com

info@cmegroup.com  
800 331 3332  
312 930 1000

**CME GROUP GLOBAL OFFICES**

**Chicago**  
312 930 1000

**Washington D.C.**  
202 638 3838

**Singapore**  
+65 6322 8595

**New York**  
212 299 2000

**Hong Kong**  
+852 3101 7696

**Sydney**  
+61 2 9231 7475

**Houston**  
713 658 9292

**London**  
+44 20 7796 7100

**Tokyo**  
+81 3 5403 4828