

# Flexible, Secure Clearing Services for the Global OTC FX Market

## CLEARED OTC FX



### → **USD/CLP NDF.** **Now cleared by** **CME Group.**

As part of our initial phase to provide clearing services for a wide range of OTC FX products, we now offer clearing services for OTC U.S. dollar/Chilean peso Non-Deliverable Forwards through CME ClearPort, in collaboration with ICAP. This collaborative relationship integrates ICAP's valuation settlements along with CME Group's post-execution clearing services and meets the needs of OTC emerging markets currency traders around the world.

CME ClearPort offers enhanced security through a comprehensive set of flexible solutions for substantially mitigating counterparty credit risk in the OTC marketplace. The open-access, platform-agnostic structure of CME ClearPort means you have access to a post-execution clearing service that lets you control how, with whom and on what terms you trade — while increasing your security, efficiency and confidence.

### Key Benefits:

#### **Mitigate your counterparty risk.**

CME ClearPort uses a central counterparty clearing model, where CME Clearing becomes the buyer to every seller and the seller to every buyer — we guarantee the financial obligation of both parties.

#### **Expand your liquidity.**

With these clearing and risk services in place, existing accounts will now have the ability to free-up credit lines and therefore increase trading volume and the liquidity pool for USD/CLP NDFs. Additionally, this service opens the opportunity to trade with counterparties that may not have been accessible previously due to the complex requirements of ISDA-based relationships.

#### **Enhance capital efficiency.**

Post-trade clearing and processing with CME ClearPort eliminates significant documentation time. In addition, all OTC FX positions sent to CME Clearing allow for the same powerful cross-margin efficiencies as exchange-traded FX futures and options and our portfolio margining provides valuable risk mitigation for a portfolio of longer-dated risk products.

#### **Benefit from sequestered customer account treatment.**

Our cleared OTC FX transactions are covered in the *OTC Derivatives Account Class* which provides the benefits of bankruptcy protection and portability of customer funds under the full financial safeguards package of CME Clearing.

#### **Access independent, third-party valuations.**

CME ClearPort gives you access to neutral, third-party valuations and our daily mark-to-market process enables you to track positions accurately and assess risk.

#### **Trust more than a century of experience.**

For more than 100 years, no CME clearing member has failed to meet a performance bond call or its delivery obligations. And no customer has lost funds as a result of the failure of a clearing member firm.

# Clearing OTC FX Through CME ClearPort

## Increase your trading flexibility. Mitigate your counterparty credit risk.

CME ClearPort is a comprehensive set of flexible clearing services for the OTC market. Launched in 2002 to provide centralized clearing services and mitigate risk in the energy marketplace, today CME ClearPort clears transactions across multiple asset classes. With OTC clearing through CME ClearPort, you can continue to negotiate your own prices privately and conduct business off exchange — but you gain increased security, efficiency and confidence.

- » Clears more than 500,000 contracts daily.
- » Brings together more than 16,500 registered users — commercial, banking, hedge funds, trading entities, IDBs, FCMs and clearing firms.
- » Features more than 1,000 products available for clearing, with more to come.

## Comprehensive clearing services.

CME ClearPort offers an array of clearing services, allowing us to tailor our services to the needs of our customers. CME ClearPort's FX capabilities range from clearing OTC FX transactions to reporting Block Trades and EFPs of our standard listed products.

OTC transactions cleared through CME ClearPort

Block Trades and EFPs of our listed products through CME ClearPort

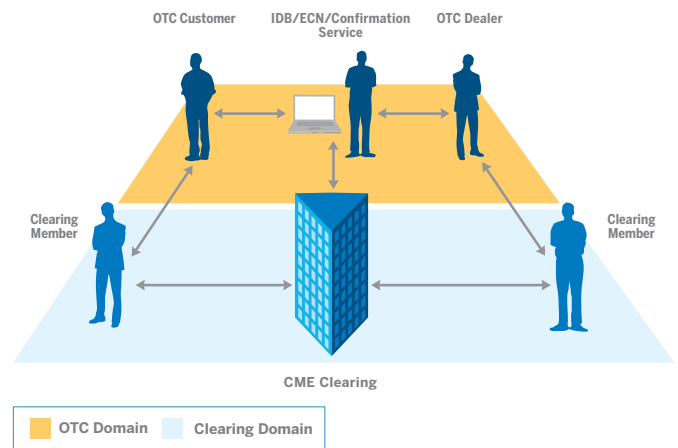
## A complementary service with added security.

CME ClearPort preserves the customer and dealer relationship and adds an extra level of protection to the transaction.

Here's how it works:

- » Customers (such as corporate treasuries, asset management firms, hedge funds and proprietary trading firms) continue to negotiate transactions bilaterally in the OTC market. Then they clear those transactions through a CME clearing member.
- » Clearing members collect margin from clients, who in turn provide margin to CME Clearing.
- » In the event your original counterparty (clearing member/dealer/other customer) defaults, the central counterparty covers the counterparty's obligations, insulating you — and other clearing members, dealers and customers — from losses.

Together, CME ClearPort's added layer of credit risk mitigation and independent valuations complement existing relationships and give OTC FX customers added certainty.



# Get Started Today

## HOW TO REGISTER FOR CLEARING THROUGH CME CLEARPORT:

Getting started to clear through CME ClearPort is easy. When an account has been established with a CME clearing member, you simply complete the online registration form. Once approved, you'll immediately be able to clear OTC FX trades as approved with the clearing member.

**1.**

Establish an account with a CME clearing member.

**2.**

Visit [cmegroup.com/clearport](http://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 Allocation Value) Manager. You should inform your clearing firm as to which OTC brokers (if any) should be allowed to enter trades for clearing on your behalf. You will then be given permission for any markets you wish to clear.

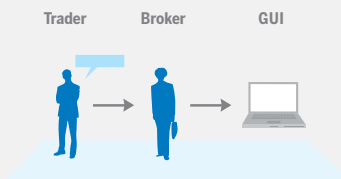
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## HOW TO BEGIN ENTERING TRADES FOR CLEARING THROUGH CME CLEARPORT.

Customers have three options for reporting the trade for clearing through CME ClearPort.

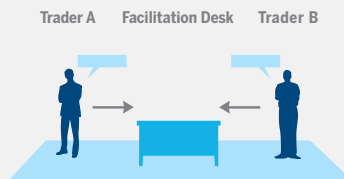
### Broker Entry

Once a deal is reached, the broker enters the trade into the CME ClearPort web-based user interface (GUI) or CME ClearPort API.



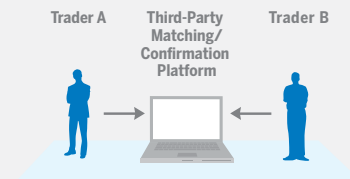
### Facilitation Desk

Once a deal is reached, one of the traders calls the CME ClearPort facilitation desk. The facilitation desk contacts the other trader to confirm. When the desk has confirmation from both parties, it processes the trade.



### Third-Party Matching

In this scenario, two traders are matched by a third-party matching confirmation platform. The matching platform writes the trade directly into the CME ClearPort API.



## Product Specifications:

### Cleared OTC USD/CLP NDF

<b>Notional Size</b>	Any multiple of US \$1.00, with precision down to \$0.01.
<b>Sample Quotes</b>	\$10,000,000 @ 486.8500 CLP/USD
<b>Minimum Price Fluctuation (Tick)</b>	0.0001 Chilean peso per U.S. dollar increments
<b>CME ClearPort Hours</b>	Sunday — Friday 6:00 p.m. – 5:15 p.m. ET (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. ET (4:15 p.m. CT)
<b>Valid Value Dates for Cash Settlement</b>	Date on which the cleared OTC transaction is cash settled at termination and can be any common banking business day in Chile and U.S.A.
<b>Clear Date of OTC FX Cleared Transaction</b>	Date on which the original spot, forward, swap, option on spot or forward OTC FX transaction clears at CME Clearing as a cleared transaction
<b>Original Trade Date of an OTC FX Transaction</b>	Date on which two OTC counterparties agreed to the OTC transaction that is being replaced with the OTC FX cleared transaction.
<b>Cash Settlement (OTC Non-Deliverable Forward or “NDF-Style” Final Settlement)</b>	Final Settlement Price is equal to the spot exchange rate of Chilean peso per U.S. dollar “CLP DÓLAR OBS (CLP10)” as reported on the termination day by Banco Central de Chile for the formal exchange market which is available at approximately 8:00 p.m. Santiago time and rounded to two decimal places. The “CLP DÓLAR OBS (CLP10)” rate is used widely by the OTC non-deliverable forward (NDF) FX market for cash settlement of USD/CLP NDFs. All open positions for that valid value date for cash settlement will be cash settled in U.S. dollars (USDs) 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.

CME USD/CLP Spot Transactions Cash Settlement Definition is the same as the EMTA CLP/USD NDF Template Terms.

**Primary Rate Source:** Both CME and EMTA cash settle USD/CLP NDFs to the “CLP DÓLAR OBS (CLP10),” the daily spot CLP per USD rate calculated & published by Banco Central de Chile at about 8:00 p.m. Santiago time.

**Backup Rate Source:** In the event the primary rate source is unavailable, both CME and EMTA cash settle USD/CLP NDFs to the “EMTA CLP Indicative Survey Rate (CLP11),” produced by EMTA or its designated service provider.

The CME USD/CLP spot cash settlement procedures mirror EMTA's CLP per USD NDF Template Terms in order to minimize basis risk between the products.

To learn more about Cleared OTC FX, visit [cmegroup.com/fxclearing](http://cmegroup.com/fxclearing)  
or **contact the CME Group FX team.**

**Chicago**  
+1 312 454 5301

**London**  
+44 20 7796 7122

**Singapore**  
+65 6595 5561

The contracts in this piece are listed with, and subject to, the rules and regulations of CME.

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade.

All references to options refer to options on futures.

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