Chapter 271
Korean Won/U.S. Dollar (KRW/USD) Futures

27100. SCOPE OF CHAPTER
This chapter is limited in application to Korean won/U.S. dollar futures. In addition to this chapter, Korean won/U.S. dollar futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.
For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

27101. TRADING SPECIFICATIONS
27101.A. Trading Schedule
Futures contracts shall be scheduled for trading and final settlement during such hours and in such months as may be determined by the Exchange.
27101.B. Trading Unit
The unit of trading shall be 125,000,000 Korean won.
27101.C. Price Increments
Minimum price fluctuations shall be in multiples of $.0000001 per Korean won, equivalent to $12.50 per contract.
27101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels
The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.
A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.
Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.
27101.E. [Reserved]
27101.F. Special Price Fluctuation Limits
At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.
27101.G. Termination of Trading
Futures trading shall terminate at 3:30 p.m. Seoul time on the second Seoul Business Day immediately preceding the third Wednesday of the contract month.
27101.H. [Reserved]

27102. SETTLEMENT PROCEDURES
27102.A. [Reserved]
27102.B. Cash Settlement
All Korean won/U.S. dollar futures contracts remaining open after the close of trading on the termination of trading day shall be liquidated by cash settlement at a price equal to the Final Settlement Price. Final Settlement Price is equal to the reciprocal of the spot exchange rate of Republic of Korea won per U.S. dollar as reported on the termination of trading day by the Seoul Money Brokerage Service Limited (SMBS) as "KRW KFTC 18" or "KRW02", which appears on the Reuters KFTC18 Page to the right of the caption "USD Today." The reciprocal will be rounded to seven decimal places. The reported KFTC18 rate represents spot market activity for value on the second succeeding Korean Business Day. This spot exchange rate is published at about 4:00 p.m. Seoul Time on the rate calculation date. This rate is used widely by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Korean won versus U.S. dollars. All open positions at the termination of trading will be cash settled to the reciprocal of this rate when it is available.
In the event that the spot exchange rate of Korean won per U.S. dollar is not reported by the Seoul Money Brokerage Service Limited (SMBS) on the CME Korean won/U.S. dollar futures contract Termination of Trading day, and therefore, CME cannot determine the CME Korean won/U.S. dollar Final Settlement Price, then final settlement of the CME Korean won/U.S. dollar futures contract may be deferred or postponed for up to 14 consecutive calendar days. This procedure is intended to correspond to the deferral or postponement procedure followed by the inter-bank non-deliverable forward ("NDF") market to cash-settle NDF transactions, pursuant to recognized market practices as published by EMTA, Inc., the Foreign Exchange Committee and the Singapore Foreign Exchange Market Committee ("SFEMC"). Upon the reporting of the spot exchange rate of Korean won per U.S. dollar by SMBS prior to the lapse of such 14-day period, CME shall determine the Final Settlement Price using the reciprocal of such KFTC rate rounded to seven decimal places, and the CME Korean won/U.S. dollar futures contract shall be cash settled on such day. If however, 14 consecutive calendar days pass without CME shall otherwise determine the Final Settlement Price.

After the lapse of 14 consecutive calendar publication of the KFTC rate, days without publication of the KFTC rate, the Final Settlement Price may be calculated and published by CME on the next Business Day using the SFEMC KRW Indicative Survey Rate ("KRW Indicative Survey Rate"), if available. The KRW Indicative Survey Rate is proposed to be published by SFEMC (or its designee) and posted on the public portion of SFEMC and EMTA’s website following the continuous unavailability of the KFTC rate for 14 calendar days in order to provide the NDF market with a back-up rate source for valuation of certain outstanding non-deliverable foreign exchange transactions if the KFTC rate cannot be published for an extended period of time. The procedures for the SFEMC KRW Indicative Survey are defined in the Interpretation to this chapter.

However, if SFEMC fails to publish the KRW Indicative Survey Rate on the first Business Day following the lapse of the valuation postponement or deferral period described above, and the KFTC rate is also unavailable, then SFEMC shall repeat efforts to obtain the KRW Indicative Survey Rate each day for an additional two Business Days. If on either of these two Business Days the KFTC rate is published, then final settlement of the CME Korean won/U.S. dollar futures contracts shall be to the reciprocal of the first of these rates published, rounded to seven decimal places. However, if the KFTC rate is unavailable and the SFEMC publishes the KRW Indicative Survey Rate on either of these two Business Days, then the final settlement of the CME Korean won/U.S. dollar futures contracts shall be to the reciprocal of the first of these rates published, rounded to seven decimal places. If the SFEMC does not publish the KRW Indicative Survey Rate on either of these two Business Days, then Rule 812 shall apply to determine the Final Settlement Price.

However, in the event that the Exchange determines that the Clearing House is not able to determine a Final Settlement Price pursuant to any of the preceding sections and the Interpretation to this chapter, then Rule 812 shall apply to determine the Final Settlement Price.

27103. [RESERVED]

(End Chapter 271)

INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 271

Effective, May 17, 2006, EMTA, Inc., the Foreign Exchange Committee ("FXC") and the Singapore Foreign Exchange Market Committee ("SFEMC") adopted amendments to the December 1, 2004 non-deliverable forward ("NDF") template procedures for six Asian currencies, which included a “SFEMC KRW Indicative Survey” ("KRW Indicative Survey") to be conducted in certain circumstances when the official closing “exchange rate of Korean won per U.S. dollar” as reported by the Korea Financial Telecommunication and Clearing Corporation (KFTC) and determined by the Seoul Money Brokerage Service Limited (SMBS) is unavailable for settlement of expiring non-deliverable forward ("NDF") Korean won versus U.S. dollar transactions. The KRW Indicative Survey results in the calculation of the "SFEMC KRW Indicative Survey Rate" ("KRW Indicative Survey Rate"), which can be used by the NDF market to settle non-deliverable Korean won/U.S. dollar transactions in defined circumstances. In order to reduce basis risk for market participants trading both NDF Korean won transactions and CME Korean won/U.S. dollar futures and options on futures contracts, CME has also adopted procedures to settle terminated CME Korean won/U.S. dollar futures contracts to the reciprocal of the KRW Indicative Survey Rate when the CME Korean won/U.S. dollar futures contract has been unavailable for 14 consecutive calendar days. The following sets forth the EMTA, FXC and SFEMC methodology for the KRW Indicative Survey.

The SFEMC KRW Indicative Survey
For purposes of determining the SFEMC KRW Indicative Survey Rate (“KRW Indicative Survey Rate”) for any Valuation Date, SFEMC (or a service provider SFEMC may select in its sole discretion) shall conduct a survey of financial institutions (“KRW Indicative Survey”) for such date.

- **Commencing the KRW Indicative Survey:** SFEMC (itself or through a service provider SFEMC will select in its sole discretion) will conduct a survey of financial institutions for the purpose of determining the SFEMC KRW Indicative Survey Rate, beginning at 11:00 a.m. (Singapore time) or as soon thereafter as practicable on a Business Day in Seoul (or a calendar day that would have been a Business Day but for an Unscheduled Holiday), following any 14 calendar day period during which valuation is deferred or postponed (or both).

- **Polled Banks:** For purposes of determining the KRW Indicative Survey Rate for a Valuation Date, SFEMC (itself or through a service provider) will survey financial institutions that are active participants in the KRW/U.S. dollar market (each, a “Participating Bank”) and included in a current list of Participating Banks published on the SFEMC’s website (www.sfemc.org) (the “Publication Site”). Only one office of each financial institution will be included as a Participating Bank in each KRW Indicative Survey.

- **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 KRW spot rate (bid-offer pair) for a standard size KRW/U.S. dollar wholesale financial transaction for same-day settlement in the Seoul marketplace on the Valuation Date. In arriving at this indicative quotation, each Participating Bank will be directed to take such factors into consideration as it deems 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 KRW/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 KRW/U.S. dollar transactions (commercial or otherwise).

**Use of Survey Results**

- SFEMC (itself or through a service provider) will determine the mid-point of each bid-offer pair. The arithmetic mean of the mid-points will be used to determine the KRW Indicative Survey Rate, rounded to the fourth decimal point as described below.

- If the KRW 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 will be computed and will constitute the KRW 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.

- If the KRW Indicative Survey results in less than 21 but 11 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 KRW 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 KRW Indicative Survey results in less than 11 but 8 or more responses, then no mid-points will be eliminated and the arithmetic mean of all mid-points will be computed and will constitute the KRW Indicative Survey Rate for such Valuation Date.

- Quotes will be provided to the fourth decimal point (e.g., 1.0000).
Insufficient Responses

- If the KRW Indicative Survey results in less than 5 responses from Participating Banks ("Insufficient Responses"), no KRW Indicative Survey Rate will be available for the relevant Valuation Date. The next KRW Indicative Survey will take place on the next succeeding Business Day in Seoul (or calendar day that would have been a Business Day but for an Unscheduled Holiday), subject to section below titled “Discontinuing the KRW Indicative Survey.”

KRW Indicative Survey Rate Publication

- The KRW Indicative Survey Rate will be published on Publication Site at 3:30 p.m. (Singapore time), or as soon thereafter as practicable.

- As soon as it is determined that the KRW Indicative Survey will result in Insufficient Responses, a notice that no KRW Indicative Survey Rate is available for the Valuation Date will be published on the Publication Site.

- The response of each Participating Bank to the Indicative Survey (bid-off pair) will be available on the Publication Site at 9:00 a.m. (Singapore time) on the first Business Day in Seoul (or calendar day that would have been a Business Day but for an Unscheduled Holiday) following the Business Day on which the relevant KRW Indicative Survey Rate is published, or as soon thereafter as practicable.

Discontinuing the KRW Indicative Survey

The KRW Indicative Survey will be discontinued (i) on the calendar day first following the Business Day in Seoul on which the KRW KFTC18 (KRW 02) is available for the determination of a Settlement Rate, or (ii) on the calendar day first following polling for the KRW Indicative Survey that results in Insufficient Responses for three consecutive polling days. Notwithstanding the foregoing, nothing herein will be construed to prevent SFEMC from continuing or re-initiating the KRW Indicative Survey at an appropriate time.

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

Amendments to the Methodology

SFEMC 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 KRW Indicative Survey.

Disclaimer

CME, SFEMC and any service provider SFEMC may select disclaim liability for the use of the SFEMC Indicative Survey Rates and for any action taken in reliance thereon, and CME, SFEMC and any service provider SFEMC may select make no representation and warranty, express or implied, either as to the results (including, without limitation, the accuracy, timeliness or adequacy) obtained from the use of any of the SFEMC Indicative Survey Rates or the methodology for determining any of the SFEMC Indicative Survey Rates and its merchantability or suitability for any particular use.