



## Special Executive Report

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S-7698

July 1, 2016

### **Amendments to the Cash Settlement Rules for the Cleared OTC U.S. Dollar/Malaysian Ringgit (USD/MYR) Spot, Forwards and Swaps Contract**

Effective Sunday, July 17, 2016 for trade date Monday, July 18, 2016, and pending all CFTC regulatory review periods, Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) will amend CME Rule 280H.02. (“Cash Settlement”) for the Exchange’s Cleared OTC U.S. Dollar/Malaysia Ringgit (USD/MYR) Spot, Forwards and Swaps contract (the “Cleared-Only Contract”) (Rulebook chapter: 280H; Code: USDMYR). The Cleared-Only Contract is available for submission for clearing through CME ClearPort.

- CME is amending the Cleared-Only Contract to change the cash settlement price from the current MYR PPKM (MYR03) rate to the MYR KL REF (MYR04) rate. Bank Negara Malaysia revised the methodology for its USD/MYR rate and is replacing it with a new rate, the MYR KL REF (MYR04) rate that is based upon a volume-weighted average methodology.
- CME is also amending the publishing time of the cash settlement rate as Bank Negara Malaysia will publish the rate at 3:30 p.m. Kuala Lumpur time. The rate is currently published at 11:30 a.m. Kuala Lumpur time.

Currently there is no open interest in the Cleared-Only Contract.

Attachment 1 provides the CME Rulebook amendments in blackline format.

Please direct questions regarding this notice to:

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For media inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).

## Attachment 1

### CME Rulebook

#### Chapter 280H

#### Cleared OTC U.S. Dollar/ Malaysian Ringgit (USD/MYR) Spot, Forwards and Swaps

(Additions are underlined; deletions are ~~struck through~~.)

#### 280H.02. CASH SETTLEMENT

##### 280H.02.A. Day of Cash Settlement

Each Cleared OTC Contract, for the valid value date for cash settlement in two Business Days, shall be liquidated by cash settlement at a price equal to the daily Final Settlement Price (FSP) for that day. The daily Final Settlement Price shall be equal to the "MYR ~~PPKMKL REF~~ (MYR034)," which is the "Malaysian ringgit per U.S. dollar" spot exchange rate spot rate at ~~4:30~~ 4:30 a.m. Kuala Lumpur time (~~9:30~~ 9:30 a.m. CT on the preceding evening), expressed as the amount of Malaysian ringgit per one U.S. dollar, for settlement in two Business Days, reported by ~~Persatuan Pasaran Kewangan Malaysia (ACI - Malaysia)~~ Bank Negara Malaysia, which appears on Thomson Reuters Screen MYRFIX2 Page at approximately ~~4:30~~ 4:30 a.m., Kuala Lumpur time, on that Rate Calculation Date, rounded to four (4) decimal places. This rate is used widely by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Malaysian ringgit versus U.S. dollars. All open positions for that valid value date for cash settlement will be cash settled in U.S. dollars 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. In the event, this U.S. dollar amount is positive, then the Clearing House shall debit the seller's clearing member account and credit the buyer's clearing member account for this amount in U.S. dollars. In the event, this U.S. dollar amount is negative, then the Clearing House shall debit the buyer's clearing member account and credit the seller's clearing member account for this amount in U.S. dollars.

For example, if the "MYR ~~PPKMKL REF~~ (MYR034)," for the valid value date for cash settlement in two Business Days, is as follows: MMYMM, DD - YYYY is 3.012300 MYR per USD," and the original trade price submitted for clearing by clearing firms of the buyer and seller was 3.030801 MYR per USD for a notional amount of 100,000 USD, then the Clearing House on the Business Day following the valid value date for cash settlement shall debit the clearing members account for the buyer with US\$614.18 (*i.e.*, 3.012300 MYR per USD – 3.030801 MYR per USD = (-0.018501 MYR per USD x 100,000 USD) / 3.012300 MYR per USD) = -\$614.18.). Similarly, the Clearing House on the Business Day following the valid value date for cash settlement shall credit the clearing member account for the seller with US\$614.18.

##### 280H.02.B. Procedures if No Cash Settlement Price is Available

In the event that the "MYR ~~PPKMKL REF~~ (MYR034)" Malaysian ringgit per U.S. dollar rate for a valid value date for cash settlement is not published on a given day by ~~Persatuan Pasaran Kewangan Malaysia (ACI - Malaysia)~~ Bank Negara Malaysia, and in order to minimize basis risk between the U.S. dollar / Malaysian ringgit cleared only contracts and the non-deliverable forward ("NDF") market, the Exchange shall determine a Final Settlement Price based on the SFEMC MYR Indicative Survey Rate (MYR02), when available. The SFEMC MYR Indicative Survey Rate Methodology follows this chapter in an Interpretation. In the event that the MYR ~~PPKMKL REF~~ (MYR034) Malaysian ringgit per U.S. dollar rate is not published on a valid date for cash settlement and the SFEMC MYR Indicative Survey does not provide a rate, then the Final Settlement Price will be determined pursuant to Rule 812.