CME Group | Advisory Notice

TO:	Clearing Member Firms; Back Office Managers
FROM:	CME Clearing
ADVISORY #:	17-446
DATE:	November 22, 2017
SUBJECT:	OTC FX Production Advisory – OTC FX Options & New CSFs

Please be advised that beginning on **Monday, November 27, 2017**, CME Clearing will expand its OTC FX product offering and deploy support for **OTC FX Options** and **7 new Cash-settled Forwards (CSFs)** into the Production environment.

The cleared **product scope** is illustrated below:

Currency Pair		Clearing Code*	Settlement Currency**
USD/JPY	US Dollar/Japanese Yen	USDJYN	JPY
EUR/USD	Euro/US Dollar	EURUSN	USD
GBP/USD	British Pound/US Dollar	GBPUSN	USD
AUD/USD	Australian Dollar/US Dollar	AUDUSN	USD
USD/CHF	US Dollar/Swiss Franc	USDSFN	CHF
USD/CAD	US Dollar/Canadian Dollar	USDCAN	CAD
EUR/GBP	Euro/British Pound	EURBPN	GBP

**The same Clearing Code will be used for both OTC FX Options and the 7 new CSFs.*

***Variation Margin, Premium and Cash Settlement amounts will move in settlement currency*

- **Exercise Style**: European
- **Max Expiry**: 2 years
- **Settlement Method**: Cash-settled
- **Fixing Rate**: WM/Reuters 10:00 am ET Intraday Spot
- **Strike**: Any

The production deployment will include support for the following functionality and corresponding impacts:

- **Account Manager –** CME will allow clearing members the ability to set daily position limits for FX Options. New Market Types will be supported for "Specific" permission (e.g. OTC FXO CAD (ClearPort)).

- **Trade Submission & Clearing Firm API** – The existing OTC FX clearing workflow will be leveraged, to include support for additional FX Option-specific attributes:
  - Strike Price
  - Put/Call
  - Expiration date
  - Security Type
  - CFI Code
  - Exercise Style
  - Settlement Method
  - Premium and Cash settlement related fields

- **Position Management** – The existing FX Deal Management System (DMS) will allow clearing members the ability to search, view and claim OTC FX Options at CME.

- **Option Exercise** – On expiry date, CME will calculate the cash settlement amount. For example, a Long Call position will be calculated as the positive difference between the WM/Reuters 10:00 am New York fixing and the option strike, multiplied by the trade quantity (base currency notional).

- **Netting** – OTC FX Options may be fully or partially netted at CME based on new netting eligibility criteria.

- **Reporting** – The existing OTC FX reports will be leveraged for FX Options clearing:
  - FX Trade Register – The following columns will be added to the end of this report:
    - Asset_Class
    - CFI
    - Put_Call
    - Expiration_Date
    - Setl_Amt
    - Prem_Amt
    - Prem_Date
    - Delta
    - Gamma
    - Theta
    - Vega
  - Margin Summary – Existing fields on this report shall reflect the IM requirement at the PB account level, to include any FX Options that are cleared
  - Settlement Price File – OTC FX Options will not be made available on this report.

- **Margin Services – CME CORE and the Margin API are available for initial margin calculation for CME's** OTC FX Options. To request access to these services, please contact cme.core@cmegroup.com.

For further details, please refer to the latest ***CME OTC FX Options Specification*** document available on **IntraLinks** (https://services.intralinks.com/login)

If you have any questions, please contact the CME Client Services Team at onboarding@cmegroup.com or 312.338.7712.

Regards,

CME Clearing