CME Group

Special Executive Report

DATE: **August 23, 2021**

SER#: **8844**

SUBJECT: **Amendments to the Cash Settlement Rule of the Brazilian Real/U.S. Dollar (BRL/USD), Chilean Peso/U.S. Dollar (CLP/USD) and U.S. Dollar/Chilean Peso (USD/CLP) Futures Contracts**

Effective Sunday, December 5, 2021 for trade date Monday, December 6, 2021, and pending all relevant Commodity Futures Trading Commission ("CFTC") regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend the Cash Settlement Rule of the:

Brazilian Real/U.S. Dollar (BRL/USD) Futures (Rulebook Chapter 257; CME Globex Code: 6L, CME ClearPort Code: BR);

U.S. Dollar/Chilean Peso (USD/CLP) Futures (Chapter 345; CME Globex and ClearPort Code: CHL); and

Chilean Peso/U.S. Dollar (CLP/USD) Futures (Chapter 246; CME Globex and CME ClearPort Code: CHP) contracts (collectively, the "Contracts").

Specifically, CME is amending Cash Settlement Rule of the Contracts such that the deferral period following a Price Source Disruption will be reduced from 30 consecutive calendar days to 14 consecutive calendar days. In addition, the Exchange will remove the "Exchange Rate Divergence" provision for the cash settlement procedures for trading on the CME Globex electronic trading platform ("CME Globex") and for submission for clearing via CME ClearPort (collectively, the "Rule Amendments").

Effective December 3, 2021, the Emerging Markets Trade Associate ("EMTA") BRL Working Group has recommended the use of updated Template Terms for BRL and CLP transactions. The Rule Amendments cover the removal of the Exchange Rate Divergence provision from the BRL Template Terms and the update of the Maximum Days of Postponement from 30 days to 14 days for the BRL and CLP Template Terms. CME is amending the Contracts to incorporate the EMTA Template Terms into its rules and align the Contracts more closely with OTC market conventions and thereby enhance trading and clearing of the Contracts.

The Rule Amendments are provided in Appendix A below in blackline format.

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Appendix A
CME Rulebook

(additions underscored; deletions ~~struck through~~)

Chapter 257
Brazilian Real/U.S. Dollar (BRL/USD) Futures

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25702. SETTLEMENT PROCEDURES

25702.A. [Reserved]

25702.B. Cash Settlement

All Brazilian real/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. The CME Brazilian real/U.S. dollar currency futures contract Final Settlement Price shall be equal to the reciprocal of the spot exchange rate for Brazilian real per U.S. dollar, defined as the average offered rate calculated by the Central Bank of Brazil on the last Business Day of the month for the Central Bank of Brazil immediately preceding the contract month, to 5 decimal places ("BRL PTAX" or "BRL09" rate). This rate is reported by the Banco Central do Brasil on its website at www.bcb.gov.br by approximately 1:15 p.m., São Paulo time. All open positions shall be cash settled to the reciprocal of this rate on the Business Day following the last Business Day of the month for the Central Bank of Brazil.

1. Procedures for a Price Source Disruption
In the event of a Price Source Disruption as defined by the 1998 FX and Currency Option Definitions ~~(which shall include the term "Exchange Rate Divergence" as defined by the EMTA Template Terms for BRL/USD Non-Deliverable FX Forward Transactions),~~ the Clearing House shall defer cash settlement to a subsequent day.

2. Procedures for the Cessation of a Price Source Disruption
Upon the cessation of a Price Source Disruption after a deferral period commences, CME shall determine the Final Settlement Price using the reciprocal of such Rate rounded to 5 decimal places and the Brazilian real/U.S. dollar futures contract shall be settled on such day. If, however, ~~30~~ 14 consecutive calendar days pass without the cessation of the Price Source Disruption, CME shall otherwise determine the Final Settlement Price.

3. Procedures after ~~30~~ 14-Day Deferral Period
After the lapse of ~~30~~ 14 consecutive calendar days without the cessation of the Price Source Disruption, CME Rule 812 shall apply to determine the Final Settlement Price.

Chapter 345
U.S. Dollar/Chilean Peso (USD/CLP) Futures

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34502. SETTLEMENT PROCEDURES

34502.A. [Reserved]

34502.B. Cash Settlement

All U.S. dollar/Chilean peso futures contracts remaining open after the close of trading on the termination of trading day shall be liquidated by cash settlement at a Final Settlement Price equal to the "Dólar Observado", as determined on the termination of trading day but reported by the Banco Central de Chile (BCC) on the Business Day following the termination of trading day on the BCC's website (http://www.bcentral.cl/index.asp) and rounded to 2 decimal places. This rate is widely used by the interbank foreign exchange market to cash settle non-deliverable forward contracts for U.S. dollars versus Chilean pesos. All open positions shall be cash settled to this rate on the Business Day following the last Business Day of the month for the BCC.

1. Procedures if No BCC Dólar Observado Rate is Available
In the event that there is a price source disruption and the Dólar Observado rate is not calculated by the BCC on the termination of trading day and/or broadcasted on the Business Day following the termination of trading day, the Clearing House shall defer cash settlement to a subsequent day.

2.Procedures if BCC Dólar Observado Rate is Available after Commencement of a Deferral Period
Upon publication of the BCC Dólar Observado rate after a deferral period commences, CME shall determine the Final Settlement Price using such Rate rounded to 2 decimal places and the U.S. dollar/Chilean peso futures contract shall be settled on such day. If, however, ~~30~~ 14 consecutive calendar days pass without publication of the BCC Dólar Observado rate, CME shall otherwise determine the Final Settlement Price. See section 3.

3.Procedures after ~~30~~ 14-Day Deferral Period
After the lapse of ~~30~~ 14 consecutive calendar days without publication of the BCC Dólar Observado rate, then Rule 812 shall apply to determine the Final Settlement Price.

Chapter 346
Chilean Peso/U.S. Dollar (CLP/USD) Futures

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34602. SETTLEMENT PROCEDURES

34602.A. [Reserved]

34602.B. Cash Settlement
All Chilean peso/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 Final Settlement Price equal to the reciprocal of the "Dólar Observado", as determined on the termination of trading day but reported by the Banco Central de Chile (BCC) on the Business Day following the termination of trading day on the BCC's website (http://www.bcentral.cl/index.asp) and rounded to 7 decimal places. This rate is widely used by the interbank foreign exchange market to cash settle nondeliverable forward contracts for U.S. dollars versus Chilean pesos. All open positions shall be cash settled to this rate on the Business Day following the last Business Day of the month for the BCC.

1. Procedures if No BCC Dólar Observado Rate is Available
In the event that there is a price source disruption and the Dólar Observado rate is not calculated by the BCC on the termination of trading day and/or broadcasted on the Business Day following the termination of trading day, the Clearing House shall defer cash settlement to a subsequent day.

2. Procedures if BCC Dólar Observado Rate is Available after Commencement of a Deferral Period
Upon publication of the BCC Dólar Observado rate after a deferral period commences, CME shall determine the Final Settlement Price using such Rate rounded to 7 decimal places and the U.S. dollar/Chilean peso futures contract shall be settled on such day. If, however, ~~30~~ 14 consecutive calendar days pass without publication of the BCC Dólar Observado rate, CME shall otherwise determine the Final Settlement Price. See section 3.

3. Procedures after ~~30~~ 14-Day Deferral Period
After the lapse of ~~30~~ 14 consecutive calendar days without publication of the BCC Dólar Observado rate, then Rule 812 shall apply to determine the Final Settlement Price.