

## Chapter 274H

### Cleared OTC U.S. Dollar/ Chilean Peso (USD/CLP) Spot, Forwards\* and Swaps

#### 274H.00. SCOPE OF CHAPTER

This chapter is limited in application to U.S. Dollar/Chilean Peso Spot, Forwards, and Swaps that are executed between two counterparties on an Over-the-Counter ("OTC") basis and subsequently novated to the CME Clearing House for purposes of clearance ("Cleared OTC Contracts"). Parties to transactions in Cleared OTC Contracts shall be limited to "eligible contract participants" as defined in Section 1a(18) of the Commodity Exchange Act. Cleared OTC Contracts are listed by CME for clearing-only. Transactions in Cleared OTC Contracts shall also be subject to the general rules of the Exchange insofar as applicable. The clearing and settlement of transactions in Cleared OTC Contracts shall also be subject to the provisions of Chapter 8-F of the CME Rulebook (Over-the-Counter Derivative Clearing). For purposes of these Rules, the minimum-fluctuations currency is the Chilean peso and the clearing-unit currency is the U.S. dollar.

For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

#### 274H.01. CONTRACT SPECIFICATIONS

##### 274H.01.A. Unit of Clearing

The unit of clearing shall be 1 U.S. Dollar in any amount down to a precision of 0.01 U.S. Dollar.

##### 274H.01.B. Hours for Clearing Entry

The Exchange shall determine the hours during which Cleared OTC Contracts may be submitted to the Clearing House. Positions shall be initiated or closed out using off-exchange transactions.

##### 274H.01.C. Minimum Price Increments

Minimum price fluctuations shall be in multiples of 0.0001 Chilean Peso per U.S. Dollar for transactions in Cleared OTC Contracts.

##### 274H.01.D. Valid Value Dates for Cash Settlement

Cleared OTC Contracts shall be cash settled for any valid value date(s) mutually agreed to by buyer and seller, and accepted by the Exchange for the applicable currency pair as a valid value date(s) for cash settlement and clearing. In general, for any currency pair, a valid value date shall be any Business Day that is a banking Business Day in the countries of issue for both currencies.

##### 274H.01.E. Delivery Price and Delivery Value

Delivery for the Cleared OTC Contracts assigned pursuant to Chapter 274H shall be by cash settlement according to Rule 274H.02.

##### 274H.01.F. 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.

##### 274H.01.G. Last Day of Clearing

The last day on which a Cleared OTC Contract may be submitted for clearing in respect of a specified cash settlement date shall be one valid Business Day prior to the cash settlement date.

##### 274H.01.H. Liquidation and Delivery Standards

(1) At Maturity. After clearing of Cleared OTC Contracts in respect of a specified cash settlement date has ceased, in accordance with Rule 274H.01.G. of this chapter, outstanding

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\* This cash settled forward contract is not an 'excluded' forward contract as defined by the Commodity Exchange Act, Commodity Futures Trading Commission Rules, Regulations, Policies, Interpretations or Precedent.

contracts for such cash settlement date shall be liquidated by cash settlement through procedures as prescribed in Rule 274H.02 and in a manner prescribed by the Clearing House.

(2) Prior to Maturity. Standard offsets of futures and options on futures, if applicable, shall not apply to positions in Cleared OTC Contracts. Prior to the Cash Settlement Date, positions may be closed out upon the request of the clearing firm to the Clearing House, and in the manner prescribed by the Clearing House.

**274H.01.I. [Reserved]**

**274H.02. CASH SETTLEMENT**

**274H.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 for that day. The daily Final Settlement Price shall be equal to the spot exchange rate of Chilean peso per U.S. dollar, "CLP DÓLAR OBS (CLP10)," as reported for that day by Banco Central de Chile for the formal exchange market which is available at approximately 10:30 AM Santiago time and rounded to four decimal places. This rate is used widely by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Chilean peso 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 "CLP DÓLAR OBS (CLP10)" for the valid value date for cash settlement in two Business Days, is as follows: "Observado Value DD MM YYYY Close" is 547.10 Chilean pesos per U.S. dollar, and the original trade price submitted for clearing by clearing firms of the buyer and seller was 515.25 Chilean pesos per U.S. dollar for a notional amount of 100,000 U.S. dollars, then the Clearing House on the Business Day following the valid value date for cash settlement shall credit the clearing member account for the buyer with \$5,821.60 (*i.e.*,  $547.10 \text{ CLP per USD} - 515.25 \text{ CLP per USD} = (+31.85 \text{ CLP per USD} \times 100,000 \text{ USD}) / 547.10 \text{ CLP per USD} = \$5,821.60$ ). Similarly, the Clearing House on the Business Day following the valid value date for cash settlement shall debit the clearing member account for the seller with \$5,821.60.

For example also, if the "CLP DÓLAR OBS (CLP10)" for the valid value date for cash settlement in two Business Days, is as follows: "Observado Value DD MM YYYY Close" is 515.25 Chilean pesos per U.S. dollar, and the original trade price submitted for clearing was 547.10 Chilean pesos per U.S. dollar for a notional amount of 100,000 U.S. dollars, then the Clearing House on the Business Day following the valid value date for cash settlement shall debit the buyer's clearing member account with \$6,181.47 (*i.e.*,  $515.25 \text{ CLP per USD} - 547.10 \text{ CLP per USD} = (-31.85 \text{ CLP per USD} \times 100,000 \text{ USD}) / 515.25 \text{ CLP per USD} = -\$6,181.47$ ). 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 \$6,181.47.

**274H.02.B. Procedures if No Cash Settlement Price is Available**

In the event that the "CLP DÓLAR OBS (CLP10)" Chilean pesos per U.S. dollar rate for a valid value date for cash settlement is not published on a given day by Banco Central de Chile, and in order to minimize basis risk between the U.S. dollar / Chilean peso cleared only contracts and the non-deliverable forward ("NDF") market, the Exchange shall determine a Final Settlement Price based on the EMTA CLP Indicative Survey Rate (CLP11), when available. The EMTA CLP Indicative Survey Rate Methodology follows this chapter in an Interpretation. In the event that the "CLP DÓLAR OBS (CLP10)" Chilean pesos per U.S. dollar rate is not published on a valid date for cash settlement and the EMTA CLP Indicative Survey does not provide a rate, then Force Majeure shall be in effect.

**274H.02.C. Amendments to Timings**

The Exchange may amend the timings of notifications, deliveries, and transfers under this Rule 274H.02 to reflect as appropriate the adoption of daylight savings time in the relevant countries of delivery.

**274H.03. DISPUTES**

All disputes between interested parties may be settled by arbitration as provided in the Rules.

**INTERPRETATION TO CHAPTER 274H**

In order to reduce basis risk for market participants trading and/or clearing CME cleared only U.S. dollar/Chilean peso spot, forwards and swaps, over-the-counter (OTC) NDF U.S. dollar / Chilean peso transactions and CME Chilean peso/ U.S. dollar futures and options on futures contracts, if applicable, CME has also adopted procedures to settle terminated cleared only U.S. dollar/ Chilean peso spot, forward and swap contracts to the EMTA CLP Indicative Survey Rate when the Banco Central de Chile "CLP DóLAR OBS (CLP10)" Chilean pesos per U.S. dollar rate is unavailable.

**I. The EMTA CLP Indicative Survey**

- Commencing the Indicative Survey: (A) on any Business Day on which a Price Source Disruption has occurred or is continuing OR (B) on any Valuation Date that is NOT a Business Day (or that would have been a Business Day but for the occurrence of an Unscheduled Holiday), and in each case following the lapse of a 30 calendar day period during which the primary settlement rate option shall have been continuously unavailable and as a consequence valuation shall have been deferred or postponed, upon receipt of a Valid Survey Request, EMTA (or a service provider EMTA shall select in its sole discretion) shall conduct a survey of financial institutions for the purpose of determining the EMTA CLP Indicative Survey Rate for that day.
- Valid Survey Request: A "Valid Survey Request" is a request received by EMTA from not less than two unaffiliated EMTA members not later than 5 Business Days before the contemplated start of the Survey.
- Polled Banks: For purposes of determining the EMTA CLP Indicative Survey Rate for any Valuation Date, at approximately 11:00 a.m. (Santiago time<sup>1</sup>), EMTA (or a service provider EMTA may select in its sole discretion) shall survey no more than 30 randomly selected financial institutions that are active participants in the Chilean Peso / U.S. Dollar market (each, a "Participating Bank").
- 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 Chilean Peso spot rate (bid-offer pair) for a standard size Chilean Peso/U.S. Dollar wholesale financial transaction for same-day settlement in the Chilean marketplace on the Valuation Date. In arriving at this indicative quotation, survey participants will be directed to take such factors into consideration as they deem 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 Chilean Peso/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 Chilean Peso / U.S. Dollar transactions (commercial or otherwise).

**II. Calculation Methodology**

- EMTA will determine the mid-point of each bid-offer pair. The arithmetic mean of the mid-points will be used to determine the CLP Indicative Survey Rate, rounded to the fourth decimal point as described below.
- If the CLP 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 shall be computed and will constitute the CLP 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.

<sup>1</sup> New York time is 2 hours behind Santiago time when it is Standard Time in New York and Daylight Savings Time in Santiago; New York time and Santiago Time are the same when it is Standard Time in Santiago and Daylight Savings Time in New York; New York time is 1 hour behind Santiago time when it is Standard Time in both Santiago and New York and when it is Daylight Savings time in both Santiago and New York.

- If the CLP Indicative Survey results in less than 21 but 12 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 CLP 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 CLP Indicative Survey results in less than 12 but 10 or more responses, then the highest and the lowest rate will be eliminated and the arithmetic mean of the remaining midpoints shall be computed and will constitute the CLP Indicative Survey Rate for such Valuation Date. For purposes of eliminating the highest and lowest mid-points, if more than 1 mid-point has the same highest value or lowest value, then only 1 such mid-point shall be eliminated.
- If the CLP Indicative Survey results in less than 10 but 8 or more responses, then no mid-point will be eliminated and the arithmetic mean of all mid-points obtained shall be computed and will constitute the CLP Indicative Survey Rate for such Valuation Date.
- Quotes shall be provided to the fourth decimal point (e.g., 10000).

### III. Insufficient Responses

- If the CLP Indicative Survey results in less than 8 responses from Participating Banks, no CLP Indicative Survey Rate will be available for the relevant Valuation Date.

### IV. CLP Indicative Survey Rate Publication

- The CLP Indicative Survey Rate will be published on EMTA's web site (<http://www.emta.org>) (the "Publication Site") by approximately 12:00 p.m. (Santiago time), or as soon thereafter as practicable, on the Valuation Date.
- As soon as it is determined that the CLP Indicative Survey will result in Insufficient Responses, a notice that no CLP Indicative Survey is available for the Valuation Date shall be published on the Publication Site.

### V. Discontinuing the CLP Indicative Survey

The CLP Indicative Survey will be discontinued (a) following the publication of a CLP DOLAR OBS Rate (CLP10) (or any successor primary settlement rate option) on any Valuation Date or (b) on the third day following polling for the CLP Indicative Survey Rate that results in less than 8 responses for more than two consecutive polling days. Notwithstanding the foregoing, nothing herein shall be construed to prevent EMTA from re-initiating the CLP Indicative Survey at an appropriate time in the future.

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

### VI. Amendments to the Methodology

EMTA 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 CLP Indicative Survey.

### VII. Disclaimer

EMTA (and any service provider EMTA may select) disclaim liability for the CLP Indicative Survey Rate, and no representation or warranty, express or implied, is made concerning the CLP Indicative Survey Rate (including, without limitation, the methodology for determining the CLP Indicative Survey Rate and its suitability for any particular use).