Chapter 283H
Cleared OTC U.S. Dollar/ Philippines Peso (USD/PHP) Spot, Forwards and Swaps

283H.00.   SCOPE OF CHAPTER

This chapter is limited in application to U.S. Dollar/Philippines 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 Philippines 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.

283H.01.   CONTRACT SPECIFICATIONS

283H.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.

283H.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.

283H.01.C.   Minimum Price Increments

Minimum price fluctuations shall be in multiples of 0.001 Philippines Peso per U.S. Dollar for transactions in Cleared OTC Contracts.

283H.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.

283H.01.E.   Delivery Price and Delivery Value

Delivery for the Cleared OTC Contracts assigned pursuant to Chapter 283H shall be by cash settlement according to Rule 283H.02.

283H.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.

283H.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.

283H.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 283H.01.G. of this chapter, outstanding contracts for such cash settlement date shall be liquidated by cash settlement through procedures as prescribed in Rule 283H.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.

283H.01.I. [Reserved]

283H.02. CASH SETTLEMENT

283H.02.A. Day of Cash Settlement

Each Cleared OTC Contract, for the valid value date for cash settlement in one Business Day, 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 "PHP PDSPESO (PHP06)" which is the "Philippines peso per U.S. dollar" spot exchange rate at 11:30 a.m. Manila time, expressed as the amount of Philippine pesos per one U.S. dollar, for settlement in two Business Days, reported as the weighted average of all foreign exchange transactions done through the electronic Philippine Dealing System (PDS) during the preceding Business Day pursuant to Circular Letter dated July 30, 1992 of the Bangko Sentral ng Pilipinas. This rate is used widely by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Philippine peso versus U.S. dollars. Reuters quotes this spot rate on its page PDSPESO (PHP06) to the right of the caption "AM WT AVE." 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 "PHP PDSPESO (PHP06)," for the valid value date for cash settlement in one Business Day, is as follows: MMMMM, DD - YYYY is 42.673 PHP per USD," and the original trade price submitted for clearing by clearing firms of the buyer and seller was 42.619 PHP 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 credit the clearing members account for the buyer with US$126.54 (*i.e.*, 42.673 PHP per USD – 42.619 PHP per USD =(+0.054 PHP per USD x 100,000 USD) / 42.673 PHP per USD) = +$126.54.). 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 US$126.54.

283H.02.B. Procedures if No Cash Settlement Price is Available

In the event that the "PHP PDSPESO (PHP06)" Hong Kong dollar per U.S. dollar rate for a valid value date for cash settlement is not published on a given day by the Bangko Sentral ng Pilipinas, and in order to minimize basis risk between the U.S. dollar / Philippine peso cleared only contracts and the non-deliverable forward ("NDF") market, the Exchange shall determine a Final Settlement Price based on the SFEMC PHP Indicative Survey Rate (PHP05), when available. The SFEMC PHP Indicative Survey Rate Methodology follows this chapter in an Interpretation. In the event that the PHP PDSPESO (PHP06) Philippine peso per U.S. dollar rate is

not published on a valid date for cash settlement and the SFEMC PHP Indicative Survey does not provide a rate, then the Final Settlement Price will be determined pursuant to Rule 812.

283H.02.C.   Amendments to Timings

The Exchange may amend the timings of notifications, deliveries, and transfers under this Rule 283H.02 to reflect as appropriate the adoption of daylight savings time in the relevant countries of delivery.

283H.03.   DISPUTES

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

(End Chapter 283H)

INTERPRETATION TO CHAPTER 283H

In order to reduce basis risk for market participants trading and/or clearing CME cleared only U.S. dollar/Philippine peso spot, forwards and swaps, over-the-counter (OTC) NDF U.S. dollar / Philippine peso transactions and CME Philippine 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/ Philippine peso spot, forward and swap contracts to the SFEMC PHP Indicative Survey Rate when the PHP PDSPESO (PHP06) Philippine peso per U.S. dollar rate is unavailable.

I. The SFEMC PHP Indicative Survey

- Commencing the PHP 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 PHP Indicative Survey Rate, beginning at 11:00 a.m. (Singapore time) or as soon thereafter as practicable on a Business Day in Manila (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 PHP Indicative Survey Rate for a Valuation Date, SFEMC (itself or through a service provider) will survey financial institutions that are active participants in the PHP/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 PHP 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 PHP spot rate (bid-offer pair) for a standard size PHP/U.S. Dollar wholesale financial transaction for same-day settlement in the Manila 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 PHP/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 PHP/U.S. Dollar transactions (commercial or otherwise).

II. 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 PHP Indicative Survey Rate, rounded to the fourth decimal point as described below.

- If the PHP 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 PHP 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 will be eliminated.

- If the PHP 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 will be computed and will constitute the PHP 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 will be eliminated.

- If the PHP Indicative Survey results in less than 11 but 8 or more responses, then the highest and the lowest mid-points will be eliminated and the arithmetic mean of the remaining midpoints will be computed and will constitute the PHP 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 will be eliminated.

- If the PHP Indicative Survey results in less than 8 but 5 or more responses, then no mid-points will be eliminated and the arithmetic mean of all midpoints will be computed and will constitute the PHP Indicative Survey Rate for such Valuation Date.

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

III. Insufficient Responses

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

IV. PHP Indicative Survey Rate Publication

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

- As soon as it is determined that the PHP Indicative Survey will result in Insufficient Responses, a notice that no PHP 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-offer pair) will be available on the Publication Site at 9:00 a.m. (Singapore time) on the first Business Day in Manila (or calendar day that would have been a Business Day but for an Unscheduled Holiday) following the Business Day on which the relevant PHP Indicative Survey Rate is published, or as soon thereafter as practicable.

V. Discontinuing the PHP Indicative Survey

The PHP Indicative Survey will be discontinued (i) on the calendar day first following the Business Day in Manila on which the PHP PHPESO (PHP 01) is available for the determination of a Settlement Rate, or (ii) on the calendar day first following polling for the PHP 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 PHP Indicative Survey at an appropriate time.

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

VI. 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 PHP Indicative Survey.

VII. Disclaimer

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