



## Special Executive Report

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S-5801

June 15, 2011

**CME Brazilian Real/U.S. Dollar Futures and Options Daily Closes & Settlement Price  
Determination Times Synchronized with BM&FBOVESPA U.S. Dollar/Brazilian Real  
Futures, Effective Sunday, June 19, 2011**

Effective on Sunday, June 19, 2011, for the trade date of Monday, June 20, 2011, CME is synchronizing its Brazilian real/U.S. dollar futures and options daily closes and settlement price determination time with that of the BM&FBOVESPA U.S. dollar/Brazilian real futures contract. Due to different schedules for implementation of Daylight Saving Time (DST) in Brazil and the U.S., CME is adjusting its daily close and settlement price determination times throughout the year and these times will be either the current 2:00 PM Central Time (CT) for 31 continuous weeks or 1:00 PM CT for 3 continuous weeks on two separate occasions or 12:00 noon CT for 15 continuous weeks.

Additions to the CME Rulebook are not deemed necessary, however, contract specifications sections for the BRL/USD futures & options on the CME Group Web site will emphasize this new operational procedure. The CFTC is being notified of the new procedures.

Customers in New York City and São Paulo, Brazil note some difficulty hedging CME BRL/USD futures with the BM&FBOVESPA USD/BRL futures contracts. Asynchronous implementation of Daylight Saving Time (DST) in the U.S. and Brazil result in our respective current settlement prices determined at three different relevant times throughout the year, and when they are different, divergent settlement prices introduce basis risk, which negatively impacts hedging effectiveness. This continues to be a problem for electronic market makers.

Prospective electronic market makers for the CME Brazilian real / U.S. dollar futures contract want to utilize the liquidity in the BM&FBOVESPA U.S. dollar/Brazilian real futures to make liquid markets here. However, for a total of about 21 weeks per year, CME and BM&FBOVESPA determine their respective Brazilian real vs. U.S. dollar futures contract daily settlement prices at different times of day due to implementation dates of DST in U.S. and Brazil. Therefore, on the remaining 31 weeks per year our daily closes & settlement prices do coincide with theirs during our U.S. Spring, Summer and Fall (Brazil's Fall, Winter and Spring). This fact is a problem for market makers (they need the settlement prices for the respective markets to be at similar levels and having them determined at the same relative time throughout the year is considered a way to facilitate this). The following is a summary of relevant BM&FBOVESPA and CME contract characteristics.

***BM&FBOVESPA USD/BRL Futures & Options:***

- **Trading Hours** = 9:00 AM to 6:00 PM Sao Paulo time;
- **Daily Settlement Prices Set** at 4:00 PM Sao Paulo time.

***CME BRL/USD Futures & Options:***

- **Trading Hours** = 5:00 PM to 4:00 PM CT next day;
- **Daily Settlement Prices Set** at 2:00 PM CT.

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CME is implementing variable CME BRL/USD futures & options daily closes and settlement price calculation / publishing times to synchronize with daily settlement price determination times for the BM&FBOVESPA USD/BRL futures & options. To do this, CME is changing the time for termination of trading and daily BRL/USD futures & options settlement prices calculation times:

<b>Illustration of Daily Closing &amp; Settlement Times for CME BRL/USD Futures &amp; Options Synchronized with the BM&amp;FBOVESPA USD/BRL Futures &amp; Options</b> (Coincides with 4:00 PM Sao Paulo Time for BM&F USD/BRL Futures & Options Daily Settlements)						
<b>Historical Intervals</b>	<b>Duration</b>	<b>Daylight Saving Time (DST) or Standard Time (ST)</b>		<b># Hrs Ahead Brazil vs. Chicago</b>	<b>Synchronized Daily CME BR Futures Settlement Times</b>	<b>Impact on CME Procedures</b>
10/17/10 to 11/7/10	3 weeks	BM&F = DST	CME = DST	3	1:00 PM*	1 hr. earlier
11/7/10 to 2/20/11	15 weeks	BM&F = DST	CME = ST	4	12 Noon*	2 hrs. earlier
2/20/11 to 3/13/11	3 weeks	BM&F = ST	CME = ST	3	1:00 PM*	1 hr. earlier
3/13/11 to 10/16/11	31 weeks	BM&F = ST	CME = DST	2	2:00 PM*	No Chg.
10/16/11 to 11/6/11	3 weeks	BM&F = DST	CME = DST	3	1:00 PM	1 hr. earlier
11/6/11 to 2/19/12	15 weeks	BM&F = DST	CME = ST	4	12 Noon	2 hrs. earlier
2/19/12 to 3/11/12	3 weeks	BM&F = ST	CME = ST	3	1:00 PM	1 hr. earlier
3/11/12 to 10/21/12	32 weeks	BM&F = ST	CME = DST	2	2:00 PM	No Chg.

Double lined box indicates impact over current one-year period.  
\*New synchronized times effective with the Sunday, June 19, 2011, implementation date for the changes.

Thus, CME will adjust its BRL/USD futures and options daily close and settlement times during the year and these times will be either the current 2:00 PM Central Time (CT) for 31 continuous weeks or 1:00 PM CT for 3 continuous weeks on two separate occasions or 12:00 noon CT for 15 continuous weeks. These daily closing and settlement times apply to all CME BRL/USD futures, and monthly and weekly CME BRL/USD options.

Appendices 1, 2 and 3, respectively, display changes to the CME Group Web site to notify market users of the procedures for determination of daily closes and settlement prices for the CME BRL/USD futures and options contracts. Since termination of trading day times are linked to determination of daily settlement prices, the Web site changes include revisions to the Last Trade Date / Time sections of both the BRL/USD futures and options on futures. Also, Appendix 3 adds a proposed explanatory footnote to Clearing's "Product Calendar" on the Web site to denote the relative variable times for CME BRL/USD futures and options expirations.

If you have any questions, please contact either Scott Brusso (email: [Scott.Brusso@cmegroup.com](mailto:Scott.Brusso@cmegroup.com) or ph: 312-930-3133) or Steve Youngren (email: [Steve.Youngren@cmegroup.com](mailto:Steve.Youngren@cmegroup.com) or ph: 312-930-4583).

## Appendix 1. CME Group Web site Contract Specifications for BRL/USD Futures

[Changes are highlighted with additions underlined and deletions bracketed and overstruck.]

## BRL/USD Futures

Contract Size	100,000 Brazilian reais
Contract Month Listings	Forty (40) months in the March, June, September and December quarterly cycle (10 years out) plus eighty (80) nearby non-March quarterly cycle months (January, February, April, May, July, August, October, November) or "serial months". A total of 120 consecutive calendar months will always be listed.
Daily Settlement Procedure	To reduce basis risk between the CME Brazilian real/U.S. dollar futures and the BM&FBOVESPA U.S. dollar/Brazilian real futures contract, CME Settlements Team will determine the daily settlement prices at 4:00 PM Sao Paulo time each day. <sup>1</sup>
Final Settlement Procedure	Cash-settled
Position Limits	24,000 futures-equivalent contracts in a single month; 40,000 futures-equivalent contracts in all months combined**
Ticker Symbol	CME Globex Electronic Markets: 6L Open Outcry: BR AON Code: LZ  <a href="#">View product and vendor codes</a>
Minimum Price Fluctuation (Tick)	\$.00005 per Brazilian real increments (\$5.00/contract).
Trading Hours	OPEN OUTCRY (RTH) 7:20 a.m.-2:00 p.m. GLOBEX (ETH) Sundays: 5:00 p.m. – 4:00 p.m. Central Time (CT) next day. Monday – Friday: 5:00 p.m. – 4:00 p.m. CT the next day, except on Friday - closes at 4:00 p.m. and reopens Sunday at 5:00 p.m. CT. CME ClearPort Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT)
Last Trade Date / Time	<del>2:00 p.m. Central Time (CT) e</del> On the last business day of the month for the Central Bank of Brazil immediately preceding the contract month <u>at the same time as the determination of daily settlement prices.</u> <sup>1</sup>
<a href="#">View calendar</a>	

\*\*Position Limits: Size of position may not exceed the indicated numbers of contract, i.e., a finite limit.

<sup>1</sup> Please note that daily settlement prices will be determined at 4:00 PM Sao Paulo time, which is either 2:00 PM or 1:00 PM or 12:00 noon Central Time depending upon relative implementation dates of Daylight Saving Time in both the U.S. and Brazil. CME publishes an annual schedule of the times for daily CME Brazilian real/U.S. dollar futures settlement prices. See [add link to published table illustrated on page 2 of this SER.](#)

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Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of CME.
Block Trade Eligibility	Yes. <a href="#">View more on Block Trade eligible contracts.</a>
Block Trade Minimum	50 Contracts
[EFP]EFRP Eligibility	Yes. <a href="#">View more on [EFPs]EFRPs.</a>

## Appendix 2. CME Group Web site Contract Specifications for BRL/USD Options on Futures

### BRL/USD Options

Contract Size	One futures contract for 100,000 Brazilian reals
Contract Month Listings	Twelve consecutive contract months, 4 weekly
Daily Settlement Procedure	<a href="#">To reduce basis risk between the CME Brazilian real/U.S. dollar futures &amp; options and the BM&amp;FBOVESPA U.S. dollar/Brazilian real futures &amp; options contracts, CME Settlements Team will determine the daily settlement prices at 4:00 PM Sao Paulo time each day.<sup>2</sup></a>
Final Settlement Procedure	Option on cash-settled futures contract
Position Limits	24,000 futures-equivalent contracts in a single month; 40,000 futures-equivalent contracts in all months combined**
Ticker Symbol	Monthly options: BR Weekly options: 1R-5R AON Code: LZK  <a href="#">View product and vendor codes</a>
Minimum Price Fluctuation (Tick)	\$.00005 per Brazilian real increments (\$5.00/contract).
Trading Hours	OPEN OUTCRY (RTH) 7:20 a.m.-2:00 p.m. GLOBEX (ETH) Sundays: 5:00 p.m. – 4:00 p.m. Central Time (CT) next day. Monday – Friday: 5:00 p.m. – 4:00 p.m. CT the next day, except on Friday - closes at 4:00 p.m. and reopens Sunday at 5:00 p.m. CT. CME ClearPort Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT)

<sup>2</sup> Please note that daily settlement prices will be determined at 4:00 PM Sao Paulo time, which is either 2:00 PM or 1:00 PM or 12:00 noon Central Time depending upon relative implementation dates of Daylight Saving Time in both the U.S. and Brazil. CME publishes an annual schedule of the times for daily CME Brazilian real/U.S. dollar futures settlement prices. See [add link to published table illustrated on page 2 of this SER.](#)

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Monthly options: The last business day of the month for the Central Bank of Brazil immediately preceding the contract month. **Same time as determination of daily settlement prices.<sup>2</sup> [2:00 p.m. CT]**

Last Trade Date / Time

[View calendar](#) Weekly Options: Close of trading is on the four nearest Fridays that are not also terminations for monthly options. **Same time as determination of daily settlement prices.<sup>2</sup> [2:00 p.m. CT]**

\*\*Position Limits: Size of position may not exceed the indicated numbers of contract, i.e., a finite limit.

Exchange Rule These contracts are listed with, and subject to, the rules and regulations of CME.

Block Trade Eligibility Yes. [View more on Block Trade eligible contracts.](#)

Block Trade Minimum 250 Contracts

**[EFP][EFRP]** Eligibility Yes. [View more on \[EFPs\]\[EFRPs\].](#)

**Appendix 3. CME Group Web site “Product Calendar” for BRL/USD Options on Futures**

**Product Calendar**

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Asset Class Product Month Year

Product Calendar Lookup Results

**FX**

**BRL/USD\***

Contract Month	Product Code	Type	First Trade Last Trade	Rollover Settlement	First Holding Last Holding	First Position Last Position	First Notice Last Notice	First Delivery Last Delivery
JUN 2011	BRM11	FUT	06/01/2010 <a href="#">05/31/2011</a>	- 06/01/2011	- -	- -	- -	- -
JUL 2011	BRN11	FUT	07/01/2010 <a href="#">06/30/2011</a>	- 07/01/2011	- -	- -	- -	- -
AUG 2011	BRQ11	FUT	08/02/2010 <a href="#">07/29/2011</a>	- 08/01/2011	- -	- -	- -	- -
SEP 2011	BRU11	FUT	09/01/2010 <a href="#">08/31/2011</a>	- 09/01/2011	- -	- -	- -	- -
OCT 2011	BRV11	FUT	10/01/2010 <a href="#">09/30/2011</a>	- 10/03/2011	- -	- -	- -	- -
NOV 2011	BRX11	FUT	11/01/2010 <a href="#">10/31/2011</a>	- 11/01/2011	- -	- -	- -	- -
DEC 2011	BRZ11	FUT	12/01/2010 <a href="#">11/30/2011</a>	- 12/01/2011	- -	- -	- -	- -
JAN 2012	BRF12	FUT	01/03/2011 <a href="#">12/30/2011</a>	- 01/02/2012	- -	- -	- -	- -

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JUN 2011	BRM11	OPT	06/01/2010 <a href="#">05/31/2011</a>	-	06/01/2011	-	-	-	-
JUN 2011	1RM11	OPT	05/09/2011 <a href="#">06/03/2011</a>	-	06/03/2011	-	-	-	-
JUN 2011	2RM11	OPT	05/16/2011 <a href="#">06/10/2011</a>	-	06/10/2011	-	-	-	-
JUN 2011	3RM11	OPT	05/23/2011 <a href="#">06/17/2011</a>	-	06/17/2011	-	-	-	-
JUL 2011	BRN11	OPT	07/01/2010 <a href="#">06/30/2011</a>	-	07/01/2011	-	-	-	-
AUG 2011	BRQ11	OPT	08/02/2010 <a href="#">07/29/2011</a>	-	08/01/2011	-	-	-	-
SEP 2011	BRU11	OPT	09/01/2010 <a href="#">08/31/2011</a>	-	09/01/2011	-	-	-	-
OCT 2011	BRV11	OPT	10/01/2010 <a href="#">09/30/2011</a>	-	10/03/2011	-	-	-	-
NOV 2011	BRX11	OPT	11/01/2010 <a href="#">10/31/2011</a>	-	11/01/2011	-	-	-	-
DEC 2011	BRZ11	OPT	12/01/2010 <a href="#">11/30/2011</a>	-	12/01/2011	-	-	-	-
JAN 2012	BRF12	OPT	01/03/2011 <a href="#">12/30/2011</a>	-	01/02/2012	-	-	-	-

\*To reduce basis risk between the CME Brazilian real/U.S. dollar futures & options and the BM&FBOVESPA U.S. dollar/Brazilian real futures & options contracts, the CME Settlements Team will determine the daily settlement prices at 4:00 PM Sao Paulo time each day. Please note that these daily settlement prices determined at 4:00 PM Sao Paulo time will be either 2:00 PM or 1:00 PM or 12:00 noon Central Time depending upon relative implementation dates of Daylight Saving Time in both the U.S. and Brazil. Please note also that expiring BRL/USD futures and options terminate trading at the closing times on expiration day, so that the expiring underlying futures and options termination times may be either 2:00 PM or 1:00 PM or 12:00 noon Central Time depending upon relative implementation dates of Daylight Saving Time in both the U.S. and Brazil. CME publishes an annual schedule of the daily closes and settlement price determination times for the CME Brazilian real/U.S. dollar futures and options.