



Special Executive Report

S-5972

October 13, 2011

Reminder of 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

As you were notified in CME Group Special Executive Report, S-5801, dated Wednesday, June 15, 2011, effective on Sunday, June 19, 2011, for the trade date of Monday, June 20, 2011, CME synchronized 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 has adjusted its daily close and settlement price determination times throughout the year and these times are 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. Please note that due the start of DST in Brazil on Sunday, October 16, 2011, the daily settlement time for CME BRL/USD futures and options contracts will be 1:00 PM CT starting Monday, October 17, 2011.

Additions to the CME Rulebook were not deemed necessary, however, contract specifications sections for the BRL/USD futures & options on the CME Group Web site emphasize this new operational procedure.

(see http://www.cmegroup.com/trading/fx/emerging-market/brazilian-real_contract_specifications.html#prodType=AME and http://www.cmegroup.com/trading/fx/emerging-market/brazilian-real_contractSpecs_options.html#prodType=AME).

Customers in New York City and São Paulo, Brazil had noted 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 settlement prices determined at three different relevant times throughout the year, and when they were different, divergent settlement prices introduced basis risk, which negatively impacted hedging effectiveness. This had been a problem for electronic market makers in the past.

Prospective electronic market makers for the CME Brazilian real / U.S. dollar futures contract wanted 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 determined 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 did coincide with theirs during our U.S. Spring, Summer and Fall (Brazil's Fall, Winter and Spring). Prior to implementation of the synchronized daily settlements, this situation was a problem for market makers (they needed the settlement prices for the respective markets to be at similar levels and having them determined at the same relative time throughout the year was 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.

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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 prior to changes discussed above.

CME implemented 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 changed the time for termination of trading and daily BRL/USD futures & options settlement prices calculation times:

Illustration of Daily Closing & Settlement Times for CME BRL/USD Futures & Options Synchronized with the BM&FBOVESPA USD/BRL Futures & Options (Coincides with 4:00 PM Sao Paulo Time for BM&F USD/BRL Futures & Options Daily Settlements)						
Historical Intervals	Duration	Daylight Saving Time (DST) or Standard Time (ST)		# Hrs Ahead Brazil vs. Chicago	Synchronized Daily CME BR Futures Settlement Times	Impact on CME Procedures
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.

**Brazil adopts Daylight Saving Time (DST) on Sunday, October 16, 2011. Therefore, first effective shift of the CME BRL/USD futures & options settlement times begin on Monday, October 17th, when the regular BRL/USD futures & options settlement time shifts from 2:00 PM to 1:00 PM DST for Chicago.

Thus, CME now adjusts its BRL/USD futures and options daily close and settlement times during the year and these times are either the current 2:00 PM Central Time (CT) for a total of 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. However, please note that on the expiring BRL/USD futures and options termination of trading dates, the expiring BRL/USD futures and options contracts only cease trading at 9:15 AM Central Time. For these expiring contract months only, the CME Settlements Team will determine the day's settlement price shortly after the 9:15 AM CT termination of trading time based upon normal procedures and market activity at that time.

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