



Special Executive Report

S-6154

March 8, 2012

Reminder Regarding CME Brazilian Real/U.S. Dollar Futures and Options Daily Settlement Price Determination Times Synchronized with BM&FBOVESPA U.S. Dollar/Brazilian Real Futures

On Monday, March 12, 2012, the daily settlement price determination time for the CME Brazilian real (BRL) / U.S. dollar (USD) futures will shift to 2:00 PM Central Time (CT) from 1:00 PM CT due to the U.S. beginning Daylight Saving Time (DST) observance on Sunday, March 11, 2012. CME synchronizes its BRL/USD futures and options on futures contract daily settlement determination times to coincide with those of the BM&FBOVESPA USD/BRL futures contract (4:00 PM São Paulo time). Date changes from DST to ST and ST to DST in Brazil and the United States impact the CME BRL/USD product daily settlement determination times throughout the year.

You were also notified previously of these changes in CME Group Special Executive Report, S-6123, dated Friday, February 17, 2012, in advance of Brazil shifting to Standard Time (ST) on Saturday, February 25, 2012. Therefore, as the table on page 2 shows, the CME BRL/USD futures settlement determination time becomes 2:00 PM CT on Monday, March 12, 2012. This notice also clarifies that only the daily "settlement price determination" is synchronized with the time of BM&FBOVESPA's determination of the daily USD/BRL futures settlement prices, not the daily close of either open outcry or CME Globex trading.¹ The trading hours for CME BRL/USD futures & options on futures contracts remain as follows:

Open Outcry Trading on CME Trading Floor: 7:20 AM to 2:00 PM Central Time (CT)

CME Globex Electronic Trading: 5:00 PM to 4:00 PM CT next day.

BACKGROUND: CME BRL/USD futures & options contracts daily settlement price determination times now correspond to the times at which BM&FBOVESPA settles its USD/BRL futures contracts daily at 4:00 PM São Paulo time. Due to different schedules for implementation of DST in Brazil and the U.S., CME adjusts its daily settlement price determination times throughout the year and these times are either 2:00 PM CT for 32 continuous weeks or 1:00 PM CT for 3 continuous weeks on two separate occasions or 12:00 noon CT for 15 continuous weeks. 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 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.

¹ Please note there is one exception to the daily BRL/USD products trading floor regular closing time of 2:00 PM CT and CME Globex trading closing time of 4:00 PM CT: expiring BRL/USD futures and options contract months only terminate trading at 9:15 AM CT on their last day of trading (see CME Group SER, S-5938, dated Monday, September, 19, 2011).

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Prospective electronic market makers for the CME BRL/USD futures contract wanted to utilize the liquidity in the BM&FBOVESPA USD/BRL 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).

CME has implemented variable CME BRL/USD futures & options 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 changes the determination time for daily CME BRL/USD futures & options settlement prices according to the following schedule:

Illustration of Settlement Times for CME BRL/USD Futures & Options Synchronized with the BM&FBOVESPA USD/BRL Futures & Options (Coincides with 4:00 PM São 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	Change Relative to Prior Period Settlement Time
11/6/11 to 2/26/12	16 weeks	BM&F = DST	CME = ST	4	12 Noon*	1 hr. earlier
2/26/12 to 3/11/12	2 weeks	BM&F = ST	CME = ST	3	1:00 PM*	1 hr. later
3/11/12 to 10/21/12	32 weeks	BM&F = ST	CME = DST	2	2:00 PM**	1 hr. later
10/21/12 to 11/4/12	2 weeks	BM&F = DST	CME = DST	3	1:00 PM***	1 hr. earlier
11/4/12 to 2/17/13	15 weeks	BM&F = DST	CME = ST	4	12 Noon****	1 hr. earlier
2/17/13 to 3/10/13	3 weeks	BM&F = ST	CME = ST	3	1:00 PM	1 hr. later
3/10/13 to 10/20/13	32 weeks	BM&F = ST	CME = DST	2	2:00 PM**	1 hr. later

Double lined box indicates impact over the next one-year period.

*Carnival started on Sunday, February 19, 2012, delaying Brazil's switch to DST one week until 2/25/12.

**CME BRL/USD product daily settlement determination times are at 2:00 PM CT when BM&F is on ST and CME is on DST.

***Brazil adopts DST on Sunday, October 21, 2012 and U.S. still on DST until 11/4/12.

****The U.S. ends DST for ST on Sunday, November 4, 2012, and Brazil remains on DST.

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