

11-240

TO: Clearing Member Firms; Back Office Managers;

FROM: CME Clearing

DATE: Originally published July 13, 2011
Updated August 19, 2011

RE: **Clearing Processing for USD Renminbi (CNY) Futures with USD Banking**

UPDATE #1:

The launch of this product has been pushed back to **Monday, October 17, 2011**.

This change is at the request of clearing firms and customers, to provide additional time to prepare for handling the unique features of the product.

CME will also provide (a) a daily price history datafile and (b) a simple PC application, the “USDRMB Bookkeeping Calculator”. Together, these will allow firms to automatically generate the standard adjustments which will allow the products to be supported in existing bookkeeping systems without systems modifications.

This advisory describes CME’s new cash-settled FX futures on the exchange rate between the US Dollar (USD) and the Chinese Renminbi Yuan (CNY). These are referred to as **USD Renminbi (CNY) Futures**, and also as **USD/RMB (CNY) Futures**.

For more information, please see:

- The main web page for these new products, at:
<http://www.cmegroup.com/trading/fx/usd-renminbi-futures.html>.
- Special Executive Report S-5816, published July 11, at:
http://www.cmegroup.com/rulebook/files/S_5816.pdf
- Clearing New Product Notice 11-42, published July 13, at:
<http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/NPadv11-42.pdf>

There will be two futures contracts – one with a contract size of 100,000 USD (product code **CNY**) and a micro contract with a size of 10,000 USD (product code **MNY**). Prices will be quoted as a specified amount of CNY

per one USD, with a minimum price fluctuation at final settlement on the full-size contract of 0.0001 CNY per USD. Futures will be cash-settled to the daily fixing price (the “SAFE Rate”) published by the People’s Bank of China (PBOC). Options will be listed at a later date.

As with any CME FX futures, these will be listed on CME Globex, and blocks and EFP’s may be submitted for clearing via CME Clearport.

In most respects these behave exactly like any other future or option. The difference is that **each day’s net variation amount, denominated in CNY, will be converted to USD for banking, using that day’s exchange rate. This will happen each day, not just at final settlement.** Note that in the future, CME may introduce more products with this feature, where the cash is banked in a currency different from that in which the money amounts are denominated when they are calculated.

Here’s an example:

- Buy 10 contracts at trade price of 6.5120 CNY per USD.
- End-of-day settlement price = 6.5190 CNY per USD.
- Settlement variation = $(6.5190 - 6.5120) * 10 * 100,000 = 7,000$ CNY

Now convert to USD:

- Today’s spot exchange rate = 6.5036 CNY per USD
- Convert to USD: $7,000 \text{ CNY} / 6.5036 \text{ CNY per USD} = 1,076.327$ USD
- Which is then rounded normally to the penny, yielding 1,076.33 USD

From a clearing and bookkeeping point of view, there are no systems changes to trade or position processing. On the Trade Register file and report, for example, the products will appear exactly like any other future, with variation amounts denominated in CNY. It is only in the settlement banking process that the money will be converted to USD.

The products will be margined in SPAN normally. The margin currency as defined in SPAN will be CNY. As with any initial margin (performance bond) requirement, it may be met with any assets, denominated in any currency, which CME Clearing accepts.

Datafile showing the results of the variation conversion

To assist clearing firms and customers with their reconciliation and point-balancing process, a CSV-format datafile will be made available each day. For each product, this will show the total variation or premium denominated in CNY, the exchange rate, and the USD equivalent value which was banked. Here’s the layout:

Bus_Date	Business Date in mm/dd/yyyy format
Cycle	Settlement Cycle – always EOD
CO	Clearing organization – CME
CMF	Clearing Member Firm ID
TMF	Trading Member Firm ID
PA	Position Account ID

Seg	Position Segregation Type – CUST or HOUS
Exch	Product Exchange – CME for these products
PF_Code	Product Code
Prod_Type	Product Type – FUT or OOF
Rqmnt_Type	Requirement Type – SV for settlement variation, or OP for option premium
From_Cur	From Currency
From_Amt	From Amount
To_Cur	To Currency
To_Amt	To Amount
Ex_Rate	Currency Exchange Rate
Div_Mult	Divide or Multiply Flag – DIV for Divide or MULT for Multiply

The Divide or Multiply flag specifies whether you divide or multiply by the rate to convert the value from the “from currency” to the “to currency”. For these products, the value will be set to DIV for Divide.

The production filename will be **USDRMB.nnn.ccymmdd.csv** where **nnn** is the clearing firm ID and **ccymmdd** identifies the clearing business date. The New Release filename will be analogous: **USDRMB.NR.nnn.ccymmdd.csv**. Files will be published daily to the firm’s **Outgoing** directory on the Firm FTP Server.

An example datafile is named **USDRMB.sample.csv** and is located at <ftp.cmegroup.com/pub/span/util>.

Price History Datafile

To facilitate bookkeeping processing, a special CSV-format Price History Datafile will be made available each business day. For each currently eligible contract, it will contain a record for each day since the contract become eligible, with the contract’s settlement price and exchange rate on that day. Here’s the layout:

Bus_Date	Current clearing processing date as mm/dd/yyyy
Exch	CME
PF_Code	CNY or MNY
Prod_Type	FUT
Period	201212
SDT	Clearing settlement date – date of final settlement
CVF	Contract Value Factor
Price_Date	Date to which the price pertains, as mm/dd/yyyy
Setl_Px	End-of-day settlement price
Exch_Rate	Exchange rate as the number of CNY per one USD

The production filename will be **USDRMB.Prices.ccymmdd.csv** where **ccymmdd** identifies the clearing business date. The New Release filename will be analogous: **USDRMB.NR.Prices.ccymmdd.csv**. Files will be published daily to the firm’s **pub/settle** directory on the Firm FTP Server and on <ftp.cmegroup.com>.

USDRMB Bookkeeping Calculator

CME will make available a simple PC application called the **USDRMB Bookkeeping Calculator**. This will generate the cash adjustments which will allow the program to be supported in existing bookkeeping systems, in an automated manner, without systems modifications.

To use the application, you export from your bookkeeping system into one or more files, data about (a) open positions, and (b) positions closed today. Using these files and the price history datafile, the system will calculate cash adjustments, which can then be imported into your bookkeeping system and automatically applied.

The effect of the cash adjustments is to offset the Open Trade Equity and Realized P&L calculated by your bookkeeping system in CNY, and to substitute the actual cash movements in USD.

Testing opportunities

The products are available now in the New Release testing environment. Product and price data also will shortly be available in the production SPAN and settlement price files.

For more information, or to receive a copy of the USDRMB Bookkeeping Calculator program, contact CME Clearing at 312-207-2525.

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