

12-319

DATE: July 26, 2012

TO: Clearing Member Firms

FROM: CME Clearing

SUBJECT: **Trade Register Improvement for CME's USDRMB Futures Contract**

On Monday, October 15, 2012, CME will introduce an important enhancement to the clearing processing for its USDRMB futures contract – the USD Renminbi future with USD banking.

This is the **CNY** contract where the contract size is 100,000 USD, the price is quoted in CNY (Chinese Renminbi Yuan) per US dollar, and the settlement variation amounts are converted from CNY back to USD by dividing by the current spot exchange rate between CNY and USD.

Currently, the trade register report and datafile for this product provide values in CNY. With the change, the values will be provided in USD, and attributes will be provided to drive the conversion of the variation amounts from one currency to another.

The goal is of this enhancement is to simplify bookkeeping processing and reconciliation for clearing firms. **This methodology will be applied to other products in the future.**

A new value **FUTI** ("Futures Inverse") will be introduced for the **valuation method** attribute. This can be used to drive the processing that includes the divisor by the exchange rate when calculating mark-to-market. A new valuation method of **EQTYI** would drive the corresponding calculation for option premium.

For example, suppose you are calculating the mark-to-market on a trade which is a sell of five contracts at a trade price of 6.1234 CNY per USD. Suppose further that the end-of-day settlement price for the contract is 6.5678 CNY per USD, and that the end-of-day exchange rate is set by CME Clearing at 6.9012 CNY per USD. The mark-to-market in USD would be calculated as:

Settlement price of 6.5678 less Trade Price of 6.1234
Times quantity of -3
Times contract value factor of 100,000
Divided by the exchange rate of 6.9012
Yielding an unrounded value of -19,318.37941 USD
Which is then rounded normally to -19,318.38.

Values on the FIXML Trade Register report can be used to drive these calculations, for futures in a manner analogous to that for FX non-deliverable forwards. The difference is that the FX forwards use settlement price for the conversion, whereas the futures use today's exchange rate.

The variation amounts are converted to USD for banking at today's exchange rate:

ValMeth="FUTI"

The contract size is specified as 100,000 USD:

UOM="Ccy"

UOMCcy="USD"

UOMQty="100000"

The price is quoted as a specified amount of CNY per one USD:

PxUOM="Ccy"

PxUOMCcy="USD"

PxUOMQty="1"

PxQteCcy="CNY"

The currency to which the CNY variation amounts are converted, is USD. It is USD that is banked:

FnlSettlCcy="USD"

The exchange rate is also provided:

SettlCurrFxRt="6.9012"

The currency code will be added to the **Amt** elements on each **PosRpt** and **TrdCaptRpt** message, to eliminate any ambiguity about the currency in which the value is denominated. For example:

<Amt Typ="FMTM" Amt="-19318.38" Ccy="USD"/>

Here's an example of a FIXML Position Report message:

```
<PosRpt
  RptID="13376099152"
  ReqID="C020EOD20120712"
  SetSesID="EOD"
  MtchStat="0"
  PriSetPx="6.5123"
  SetPx="6.5678"
  SetPxTyp="1"
  SettlCcy="USD"
  SettlCurrFxRt="6.1234"
  ReqTyp="1"
  MsgEvtSrc="REG"
  BizDt="2012-07-12"
  SettlDt="2013-03-14">
<Pty ID="CME" R="21"></Pty>
<Pty ID="999" R="4"></Pty>
<Pty ID="CME" R="22"></Pty>
<Pty ID="999B" R="38"><Sub ID="1" Typ="26"/></Pty>
<Pty ID="999" R="1"></Pty>
<Instrmt
  ID="CNY"
  Desc="USDRMB FUTURES"
  SecTyp="FUT"
```

Src="H"
MMY="201303"
MatDt="2013-03-14"
Mult="100000"
Exch="CME"
UOM="Ccy"
UOMCcy="USD"
UOMQty="100000"
ValMeth="FUT1"
Fctr="1"
PxUOM="Ccy"
PxUOMCcy="USD"
PxUOMQty="1"
PxQteCcy="CNY"
FnlSettlCcy="USD">
</Instrmt>
<Qty Long="10" Short="0" Typ="SOD"/>
<Qty Long="10" Short="0" Typ="FIN"/>
<Qty Long="10" Short="0" Typ="IES"/>
<Amt Typ="SMTM" Amt="600" Ccy="USD"/>
<Amt Typ="TVAR" Amt="0" Ccy="USD"/>
<Amt Typ="FMTM" Amt="600" Ccy="USD"/>
</PosRpt>