

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

DATE: September 19, 2012

ADVISORY #: 12-400

SUBJECT: **Clearing Processing for USD Offshore Chinese Renminbi (CNH) Futures and E-Micro USD/Offshore Chinese Renminbi (MNH) Futures to Launch Sunday, November 18, 2012**

This advisory describes CME's new physically delivered FX futures on the exchange rate between the US Dollar and the Offshore Chinese Renminbi. These are referred to as **Standard USD Offshore Renminbi (USD/CNH) Futures** and **E-micro USD Offshore Renminbi (USD/MNH) Futures**. The Globex and clearing product codes for the two new futures are **CNH** and **MNH**, respectively.

Effective on Sunday, November 18, 2012, for the trade date of Monday, November 19, 2012, CME is launching new Standard-size and E-micro-size U.S. Dollar/Offshore Chinese Renminbi (USD/CNH) Futures contracts on CME Globex and CME ClearPort. These futures contracts feature physical delivery of Offshore Chinese Renminbi (CNH), priced in interbank terms of Offshore Chinese Renminbi per U.S. dollar with associated daily settlement variation banked in Offshore Chinese Renminbi, and fungible (offsetting) on a 10 to 1 basis between the micro and the full-sized contracts.

These two new contracts are in addition to CME's other currently listed U.S. dollar vs. Chinese Renminbi products: Chinese Renminbi/U.S. Dollar futures and options priced in American-terms of U.S. dollars per Chinese Renminbi with daily pays and collects in U.S. dollars (product code = RMB), and Standard-size and E-micro-size U.S. Dollar/Chinese Renminbi futures (product codes, respectively, CNY and MNY) priced in interbank terms of Chinese Renminbi per U.S. dollar, but with daily implied pays and collects in RMB converted and banked into U.S. dollars. These currently listed dollar/Renminbi products are unchanged and continue to be listed for trading after introduction of the new contracts.

From a clearing and bookkeeping point of view, there are no systems changes to trade, position or settlement processing associated with the two new products. On the Trade Register file and report, for example, the products will appear exactly like any other future, with variation amounts denominated in CNH. Additionally, in the daily settlement banking process, the money will be in CNH, the offshore Chinese Renminbi.

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

Settlement Banking

Firms which will clear these new products must establish accounts at CME-approved settlement banks for banking of settlement variation amounts denominated in Offshore Renminbi. Note that CME also accepts Offshore Renminbi cash as performance bond collateral.

CNH-denominated settlement variation amounts will be banked on a T+2 value-date convention. Normal “combined cash flow” processing will be used to minimize banking transactions. In other words, for firms receiving CNH (“variation collects”), the currency will be deposited as performance bond collateral rather than paid to the firm; and for firms owing CNH (“variation pays”), the cash will be taken from CNH collateral on deposit to the extent possible.

Delivery Processing

The CNH and MNH contracts’ delivery will occur on the business day following the third Wednesday of the contract month. For each contract, trading will cease at 11:00 a.m. Hong Kong time on the first Hong Kong business day preceding the third Wednesday of the contract month. This corresponds to 9:00pm Chicago time (or 10:00pm Chicago time when daylight savings time is in effect).

Delivery commitments are due to the Clearing House by 10:00am Chicago time on Tuesday. Wire transfers denominated in USD and orders-to-pay denominated in USD or CNH will be due to CME’s US agent bank by 1:00pm Chicago time on Wednesday. Wire transfers denominated in CNH are due to CME’s agent bank by 12 midnight on Tuesday. Delivery will occur on Thursday.

Note that these new contracts are not CLS eligible. Any firm involved in a delivery will be required to submit wire transfer instructions or orders-to-pay to satisfy the delivery. Sellers must deliver the CNH from an offshore Chinese Renminbi account at a commercial bank in Hong Kong, and buyers must similarly take delivery at such an account.

Testing opportunities: These new products will be available in the New Release testing environment starting October 22, 2012.

For more information: For more information, contact CME Clearing at 312-207-2525, and please see:

CME’s web pages on the new Offshore Renminbi contracts, at:

www.cmegroup.com/trading/fx/usd-renminbi-futures.html

The CME Globex notice about the new contracts, at:

<http://www.cmegroup.com/tools-information/lookups/advisories/electronic-trading/20120914.html>

Clearing Advisory 12-185, published April 30, 2012, regarding Offshore Renminbi as performance bond collateral, at:

www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv12-185.pdf

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