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2004 JUN -4 PM 12: 45 Chicago Mercantile Exchange

June 3, 2004

Ms. Jean A. Webb
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: Section 5c(c) and Regulation §40.6(a) Submission, Exchange Certification Delivery Rule Changes to Eliminate the Sell-Side Order-To-Pay for CME South African Rand Futures Deliveries. CME Submission 04-48.

Dear Ms. Webb:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commission under the exchange certification procedure, that the CME Board of Directors, on Wednesday, June 2, 2004, approved amendments to CME Chapter 7 – DELIVERY FACILITIES AND PROCEDURES to eliminate the sell-side order-to-pay (OTP) requirement for CME South African rand futures contract deliveries. This delivery provision for our market participants is no longer needed now that the South African real-time gross settlement (RTGS) system called SAMOS has same day finality of South African rand payments. CME will implement this change in the currency delivery procedure for the July 2004 South African rand futures deliveries, pending notification to members/shareholders. Members/shareholders will be notified of the amendments to CME rules described above in CME Update 04-06, dated Monday, June 7, 2004.

CME confirmed with the South African Reserve Bank (SARB) and with the Exchange's South African rand delivery agent bank, Citibank – Johannesburg, that the South African real time payments system, known as the South Africa Multiple Option Settlement System (SAMOS) now has same day finality of rand payments (as opposed to the former next day finality of rand payments). This change in the South African rand payments system allows elimination of the sell-side OTP for rand deliveries. This change will lower delivery costs for CME South African rand futures market participants.

Please note also that SARB confirmed CME's understanding that South African rand payments are proposed for Continuous Linked Settlement (CLS) in late 2004, which when incorporated as a delivery option for our market participants, will result in further cost savings for customers going through the physical delivery process. As Commission staff is aware, CME rolls out additional currencies for the CME CLS delivery option as feasible and notifies market participants of applicability of the CLS delivery option for a new currency via *Clearing House Advisory Notices*.

20 South Wacker Drive, Chicago IL 60606-7499, Tel. 312-930-1000

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The amendments for the Chapter 7 rules appear in attached Appendix 1 with deletions bracketed and lined out and additions underlined. The rule changes eliminate the sell-side OTP for CME South African rand futures deliveries. Please note that like all of CME's current physical delivery U.S. dollar-based currency futures contracts, the buy-side OTP for South African rand futures deliveries is retained and is now covered by CME Rule 731.A. Appendix 2 provides clean copies of the revised rules.

If you require any additional information regarding this action, please do not hesitate to contact Mr. Steven Youngren at 312-930-4583 or via e-mail at syoungre@cme.com. Please reference our CME Submission 04-48 on all future correspondence regarding this notification.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Labuszezski", with a stylized flourish at the end.

John W. Labuszezski
Director, Research & Product Development

Attachments

Appendix 1: Amended Rules

(Deletions are bracketed and lined out, and additions are underlined.)

CHAPTER 7 DELIVERY FACILITIES AND PROCEDURES GENERAL

(Rules 700 through 729 are unchanged.)

NON-CLS (LEGACY) CURRENCY DELIVERIES ¹

730. REGISTERED BANKS AND OTHER FACILITIES

The Board shall establish such requirements and preconditions for registration as a facility for the delivery of currencies as it deems necessary.

731. FOREIGN CURRENCY BUYER'S DUTIES ²

731.A. Currency Contracts and Rolling Spot™ Currency Contracts

A clearing member representing a customer that intends to accept delivery of a foreign currency in liquidation of his net long position in that foreign currency shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Delivery Commitment. In addition, the clearing member shall either deposit, or present a bank Order to Pay, an amount equal to the net U.S. dollar value of such customer's positions. Values for positions in contracts with minimum fluctuations denominated in U.S. dollars shall be the contract value based on the settlement price on the last day of trading. Values for positions in contracts with minimum fluctuations in foreign currency shall be the contract size. If the buyer elects to pay by deposit, the deposit shall be made by 1:00 p.m.: (a) on the last day of trading in the case of the ECU; and (b) on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks for all other currencies. Such deposit shall be in the form of a wire transfer of same-day funds to an account at a bank designated by the Clearing House. If the buyer elects to pay by bank Order to Pay, an Order to Pay from an Exchange-approved bank shall be presented to a bank designated by the Clearing House by 1:00 p.m.: (a) on the last day of trading in the case of the ECU; and (b) on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks for all other currencies. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

If the Buyer's Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the following day, the buyer's clearing member shall be assessed a fine on a per contract basis, the amount to be determined by the Board. Any papers received subsequent to 8:00 a.m. on the day following the last day of trading shall be deemed a default and acted upon in accordance with Rule 737.B. The buyer shall have made all provisions necessary to receive delivery within the country of issuance. ³

731.B. Physical Delivery Currency Cross-Rate [~~and South African Rand~~] Contracts ⁴

A clearing member representing a customer that intends to accept delivery of a Physical Delivery Currency Cross-Rate [~~or South African Rand~~] Contract in liquidation of his position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Delivery Commitment. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount in the minimum-fluctuation currency equal to the contract value based on the settlement price on the last day of trading. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

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¹ Effective with June 1978 deliveries. Revised June 2003.

² Revised June 1980; November 1980; June 1984; December 1984; August 1985; January 1986; January 1992; June 1993.

³ Revised December 1984.

⁴ Adopted January 1992. Revised February 1992; May 1997.

(Rules 731.C. and D. are unchanged.)

732. FOREIGN CURRENCY SELLER'S DUTIES ⁵

(Rule 732.A. is unchanged.)

732.B. Physical Delivery Currency Cross-Rate [~~and South African Rand~~] Contracts ⁶

The clearing member representing a customer making delivery of a Physical Delivery Currency Cross-Rate Contract, except for cross-rate contracts referenced in Rule 732.A., [~~or South African Rand Contract~~] in liquidation of his position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Seller's Delivery Commitment. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount equal to the trading unit. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

If the Seller's Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the day following the last day of trading, the seller's clearing member shall be assessed a fine on a per-contract basis, the amount to be determined by the Board. Any papers received subsequent to 8:00 a.m. on the day following the last day of trading, shall be deemed a default and acted upon in accordance with Rule 737.B. The seller shall have made all provisions necessary to receive delivery of the minimum-fluctuation currency within the country of issuance.

The Seller's clearing member shall be responsible for delivering the foreign currency on the delivery date to a bank designated by the Clearing House.

(Rules 733 through 749 are unchanged.)

⁵ Revised January 1986; January 1992; June 1993.

⁶ Adopted January 1992. Revised February 1992; May 1997.

Appendix 2: Clean Copy of Amended Rules

CHAPTER 7 DELIVERY FACILITIES AND PROCEDURES GENERAL

(Rules 700 through 729 are unchanged.)

NON-CLS (LEGACY) CURRENCY DELIVERIES ⁷

730. REGISTERED BANKS AND OTHER FACILITIES

The Board shall establish such requirements and preconditions for registration as a facility for the delivery of currencies as it deems necessary.

731. FOREIGN CURRENCY BUYER'S DUTIES ⁸

731.A. Currency Contracts and Rolling Spot™ Currency Contracts

A clearing member representing a customer that intends to accept delivery of a foreign currency in liquidation of his net long position in that foreign currency shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Delivery Commitment. In addition, the clearing member shall either deposit, or present a bank Order to Pay, an amount equal to the net U.S. dollar value of such customer's positions. Values for positions in contracts with minimum fluctuations denominated in U.S. dollars shall be the contract value based on the settlement price on the last day of trading. Values for positions in contracts with minimum fluctuations in foreign currency shall be the contract size. If the buyer elects to pay by deposit, the deposit shall be made by 1:00 p.m.: (a) on the last day of trading in the case of the ECU; and (b) on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks for all other currencies. Such deposit shall be in the form of a wire transfer of same-day funds to an account at a bank designated by the Clearing House. If the buyer elects to pay by bank Order to Pay, an Order to Pay from an Exchange-approved bank shall be presented to a bank designated by the Clearing House by 1:00 p.m.: (a) on the last day of trading in the case of the ECU; and (b) on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks for all other currencies. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

If the Buyer's Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the following day, the buyer's clearing member shall be assessed a fine on a per contract basis, the amount to be determined by the Board. Any papers received subsequent to 8:00 a.m. on the day following the last day of trading shall be deemed a default and acted upon in accordance with Rule 737.B. The buyer shall have made all provisions necessary to receive delivery within the country of issuance. ⁹

731.B. Physical Delivery Currency Cross-Rate Contracts ¹⁰

A clearing member representing a customer that intends to accept delivery of a Physical Delivery Currency Cross-Rate Contract in liquidation of his position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Delivery Commitment. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount in the minimum-fluctuation currency equal to the contract value based on the settlement price on the last day of trading. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

If the Buyer's Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the following day, the buyer's clearing member shall be assessed a fine on a per-contract basis, the amount to be determined by the Board. Any papers received subsequent to 8:00 a.m. on the day following the last day of trading shall be deemed a default and acted upon in accordance with Rule 737.B. The buyer shall have made all provisions necessary to receive delivery of the trading-unit currency within the country of issuance.

(Rules 731.C. and D. are unchanged.)

⁷ Effective with June 1978 deliveries. Revised June 2003.

⁸ Revised June 1980; November 1980; June 1984; December 1984; August 1985; January 1986; January 1992; June 1993.

⁹ Revised December 1984.

¹⁰ Adopted January 1992. Revised February 1992; May 1997.

732. FOREIGN CURRENCY SELLER'S DUTIES ¹¹

(Rule 732.A. is unchanged.)

732.B. Physical Delivery Currency Cross-Rate Contracts ¹²

The clearing member representing a customer making delivery of a Physical Delivery Currency Cross-Rate Contract, except for cross-rate contracts referenced in Rule 732.A., in liquidation of his position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Seller's Delivery Commitment. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount equal to the trading unit. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

If the Seller's Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the day following the last day of trading, the seller's clearing member shall be assessed a fine on a per-contract basis, the amount to be determined by the Board. Any papers received subsequent to 8:00 a.m. on the day following the last day of trading, shall be deemed a default and acted upon in accordance with Rule 737.B. The seller shall have made all provisions necessary to receive delivery of the minimum-fluctuation currency within the country of issuance.

The Seller's clearing member shall be responsible for delivering the foreign currency on the delivery date to a bank designated by the Clearing House.

(Rules 733 through 749 are unchanged.)

¹¹ Revised January 1986; January 1992; June 1993.

¹² Adopted January 1992. Revised February 1992; May 1997.