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May 6, 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 for Delivery Rule Changes and Revisions to the Interpretation for CME Rule 813 – SETTLEMENT PRICE for Currency Contracts. CME Submission 04-37.

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, May 5, 2004, approved amendments to CME Chapter 7 – DELIVERY FACILITIES AND PROCEDURES to facilitate deliveries of CME's East European foreign exchange futures contracts. Existing CME currency cross-rate futures physical delivery procedures specify that both buyers and sellers post orders to pay ("OTP") in the delivery process. However, Citibank, the chosen delivery agent bank for the six East European currency futures contracts, preferred procedures utilizing buy side OTPs for Euros only, given that all currencies in the CME East European currency futures delivery transactions are in the same time zone. Payments of zloty, forint and koruna will be secured by Euro deposits and transfers of Euro to sellers will be delivery versus payment when zloty, forint and koruna transfers are received. New Rule 731.C., re-lettered Rule 731.C. to D. and amended Rules 732.A. and 732.B. provide for the new delivery procedures.

Also on Wednesday, May 5, 2004, the CME Board of Directors approved amendments to the Interpretation to Rule 813 – SETTLEMENT PRICE, to broaden its use to all CME currency futures contracts (including the new East European currency contracts), rather than just New Zealand dollar, South African rand, Brazilian real and Russian ruble futures. Where there is not a liquid market on the close for any CME currency or currency cross-rate futures contract, the Interpretation allows CME staff to reference GLOBEX trading, contact cash market participants and/or use foreign exchange market quotation services for input to determine daily settlement prices.

The amendments for the Chapter 7 rules and the Interpretation to Rule 813 appears in attached Appendix 1 with deletions bracketed and lined out and additions underlined. Appendix 2 provides clean copies of the revised rules and Interpretation.

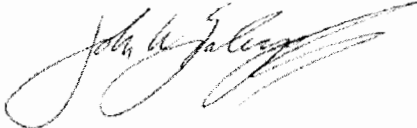
Member/shareholders will be notified of the amendments to CME rules described above in CME Update 04-05, dated Monday, May 10, 2004.

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

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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](mailto:syoungre@cme.com). Please reference our CME Submission 04-37 on all future correspondence regarding this notification.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Labuszewski". The signature is fluid and cursive, with a large, sweeping flourish at the end.

John W. Labuszewski  
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 <sup>1</sup>

##### 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 <sup>2</sup>

###### 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. <sup>3</sup>

###### 731.B. Physical Delivery Currency Cross-Rate and South African Rand Contracts <sup>4</sup>

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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<sup>1</sup> Effective with June 1978 deliveries. Revised June 2003.

<sup>2</sup> Revised June 1980; November 1980; June 1984; December 1984; August 1985; January 1986; January 1992; June 1993.

<sup>3</sup> Revised December 1984.

<sup>4</sup> Adopted January 1992. Revised February 1992; May 1997.

**731.C. Physical Delivery Euro versus Polish Zloty, Hungarian Forint and Czech Koruna Cross-Rate Contracts**

A clearing member representing a customer that intends to accept delivery of Polish zloty, Hungarian forint or Czech koruna 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 Euro value of such customer's positions. Values for positions in contracts with minimum fluctuations denominated in Euros shall be the contract value based on the settlement price on the last day of trading multiplied by the trading unit. If the buyer elects to pay by deposit, the deposit shall be made by 9:00 a.m. on the first business day preceding the delivery day that is a business day common to the Exchange, Chicago banks, New York City banks and banks for the Euro ("Target system banks"). 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. on the first business day preceding the delivery day that is a business day common to the Exchange, Chicago banks, New York City banks and banks for the Euro ("Target system banks"). 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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**731.[C]D. Restrictions**

Note: From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, non-interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit, restrictions on the period of time such deposits may be maintained, etc. It is the buyer's responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which he desired to accept delivery.

**732. FOREIGN CURRENCY SELLER'S DUTIES <sup>6</sup>**

**732.A. U.S. Dollar-Based Currency Contracts, Euro versus Polish Zloty, Hungarian Forint, Czech Koruna Cross-Rate Contracts and Rolling Spot™ Currency Contracts**

The clearing member representing a customer delivering foreign currency in liquidation of his net short 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. If such 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 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.

**732.B. Physical Delivery Currency Cross-Rate and South African Rand Contracts <sup>7</sup>**

The clearing member representing a customer making delivery of a Physical Delivery Currency Cross-Rate, 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.

<sup>5</sup> Revised December 1984.

<sup>6</sup> Revised January 1986; January 1992; June 1993.

<sup>7</sup> Adopted January 1992. Revised February 1992; May 1997.

(Rules 733 through 749 are unchanged.)

#### INTERPRETATION OF RULE 813

#### **ADDITIONAL DAILY SETTLEMENT PRICE PROCEDURES FOR CURRENCY FUTURES CONTRACTS [NEW ZEALAND DOLLAR, SOUTH AFRICAN RAND, BRAZILIAN REAL AND RUSSIAN RUBLE FUTURES CONTRACTS]**

In applying the provisions of CME Rule 813 - **SETTLEMENT PRICE**, if there is not a liquid market on the close for any CME currency or currency cross-rate [New Zealand dollar, South African rand, Brazilian real or Russian ruble] futures contracts, CME staff may reference current GLOBEX<sup>®</sup> trading, contact cash market participants and/or use foreign exchange market quotation services for input to determine daily settlement prices.

Please note that CME staff will use the best information that is available at the time of determination of the settlement prices. CME staff will ask all market participants present in the respective trading pits for their input in determining settlement prices. If cash market quotations are used as the basis for determining settlement prices, then the midpoint of the cash market bid and ask rates will be used. It is the intention of CME staff, when setting settlement prices for ~~these~~ less-liquid contract months, not to violate any customer order that is received for execution in the trading pit prior to the close of Regular Trading Hours. The procedures described in this Interpretation are not intended to override those specified in CME Rule 813. These are simply additional procedures that may be utilized by CME staff in determining settlement prices pursuant to Rule 813 for less liquid foreign exchange product contract months.

(End of Interpretation of Rule 813.)

## 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 <sup>8</sup>

#### 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 <sup>9</sup>

##### 731.A. Currency Contracts and Rolling Spot<sup>™</sup> 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.

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<sup>8</sup> Effective with June 1978 deliveries. Revised June 2003.

<sup>9</sup> Revised June 1980; November 1980; June 1984; December 1984; August 1985; January 1986; January 1992; June 1993.

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.<sup>10</sup>

**731.B. Physical Delivery Currency Cross-Rate and South African Rand Contracts<sup>11</sup>**

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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**731.D. Restrictions**

Note: From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, non-interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit, restrictions on the period of time such deposits may be maintained, etc. It is the buyer's responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which he desired to accept delivery.

**732. FOREIGN CURRENCY SELLER'S DUTIES<sup>13</sup>**

**732.A. U.S. Dollar-Based Currency Contracts, Euro versus Polish Zloty, Hungarian Forint, Czech Koruna Cross-Rate Contracts and Rolling Spot™ Currency Contracts**

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<sup>10</sup> Revised December 1984.

<sup>11</sup> Adopted January 1992. Revised February 1992; May 1997.

<sup>12</sup> Revised December 1984.

<sup>13</sup> Revised January 1986; January 1992; June 1993.

**732.B. Physical Delivery Currency Cross-Rate and South African Rand Contracts**<sup>14</sup>

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**INTERPRETATION OF RULE 813**

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(End of Interpretation of Rule 813.)

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<sup>14</sup> Adopted January 1992. Revised February 1992; May 1997.