



Timothy R. Elliott  
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Legal Department

February 13, 2013

**Via E-Mail**

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

**Re: Rule 40.6(a) Certification of Proposed Rule Changes to the Tick Size, Termination of Trading, and Final Cash Settlement Procedures of U.S. Dollar/Chinese Renminbi (USD/RMB or CNY) Futures with U.S. Dollar Banking and E-Micro U.S. Dollar/Chinese Renminbi (USD/RMB or CNY) Futures with U.S. Dollar Banking Contracts**

**CME Submission No. 13-042**

Dear Ms. Jurgens:

The Chicago Mercantile Exchange, Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC") that it is self-certifying proposed rule changes to the tick size, termination of trading, and final cash settlement procedures for the cash settled, **U.S. Dollar/Chinese Renminbi (USD/RMB or CNY) Futures with U.S. Dollar Banking ("standard-sized U.S. Dollar/Onshore Chinese Renminbi ("USD/CNY")) and E-Micro U.S. Dollar/Chinese Renminbi (USD/RMB or CNY) Futures with U.S. Dollar Banking contracts ("e-micro U.S. Dollar/Onshore Chinese Renminbi ("USD/CNY"))** futures contracts. These changes will become effective **Monday, March 4, 2013**, beginning with the April 2013 expiry, which is the first expiry going forward with zero open interest.

In the following, Section 1 summarizes the proposed rule changes. Section 2 addresses compliance with the pertinent Core Principles for Designated Contract Markets ("Core Principles") as set forth in the Commodity Exchange Act ("Act" or "CEA"). Appendix A contains the proposed rule changes for the standard-sized Onshore USD/CNY futures contract. Appendix B contains the proposed rule changes for the e-micro Onshore USD/CNY futures contract.

**Section 1 — Proposed Rule Changes for Standard-Sized and E-Micro Onshore USD/CNY Futures**  
CME seeks to amend the tick sizes of standard-sized and e-micro Onshore USD/CNY futures contracts. Currently, the tick sizes of these two contracts are quoted in increments of 0.001 for outright transactions. For the standard-sized contract only, spread transactions are quoted in increments of 0.0005. The Exchange seeks to amend these tick sizes to 0.0001 for outrights and 0.00005 for spreads in both contracts.

Secondly, CME seeks to change the last trading days of standard-sized and e-micro Onshore USD/CNY futures from the first Beijing business day prior to the third Wednesday of the contract month to the second Beijing business day prior to the third Wednesday of the contract month.

Lastly, CME wishes to harmonize the time that standard-sized and e-micro Onshore USD/CNY futures terminate on the last trading day as well as the time that the official fixing rate is published for the final cash settlement of standard-sized and e-micro Onshore USD/CNY futures following the cessation of trading on the last trading day based on U.S. Central Time during the winter and the summer.

Appendices A and B summarize the proposed rule changes to the tick size, termination of trading, and final cash settlement procedures for standard-sized and e-micro Onshore USD/CNY futures, respectively.

**Section 2 – Compliance with Core Principles**

The Exchange's Research Department and Legal Department have determined that the proposed rule changes to the tick size, termination of trading, and final cash settlement procedures for standard-sized and e-micro Onshore USD/CNY futures herein bear upon on the following Core Principles:

**Core Principle 2 – Compliance with Rules**

CME shall establish, monitor, and enforce compliance with the rules of the contract markets for standard-sized and e-micro Onshore USD/CNY futures. Since the Exchange is implementing new contract changes to standard-sized and e-micro Onshore USD/CNY futures, the Exchange will enforce compliance of these new rule changes by market participants as well.

**Core Principle 4 – Prevention of Market Disruption**

Trading in amended standard-sized and e-micro Onshore USD/CNY futures shall be subject to the rulebook of the CME designated contract market, which includes prohibitions on manipulation, price distortion, and disruption to the cash settlement and physical delivery process. As with any amended product listed for trading on a CME Group designated contract market, trading activity in standard-sized and e-micro Onshore USD/CNY futures proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.

**Core Principle 7 – Availability of General Information**

CME shall publish on its website and in its rulebook, as well as through clearing house notices, Globex notices, and special executive reports, the terms and conditions of the amended standard-sized and e-micro Onshore USD/CNY futures to market authorities, market participants, and the public.

**Core Principle 11 – Financial Integrity of Transactions**

With respect to amended standard-sized and e-micro Onshore USD/CNY futures, which are cash settled contracts, CME has rules and procedures for ensuring the financial integrity of transactions entered into these contracts, which are cleared and settled through the CME Clearing House, which is registered with the CFTC as a derivatives clearing organization, and which is subject to all CFTC regulations related thereto.

The Exchange certifies that these contract changes in the terms and conditions of standard-sized and e-micro Onshore USD/CNY futures comply with the Act and rules thereunder, with no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at: <http://www.cmegroup.com/market-regulation/rule-fillings.html>.

If you require any additional information regarding this submission, please do not hesitate to contact me at (312) 466-7478. Please reference CME Submission No. 13-042 in any related correspondence.

Sincerely,

/s/ Tim Elliott  
Executive Director and Associate General Counsel

Attachments: Appendix A  
Appendix B

# Appendix A

## Chapter 270J U.S. Dollar/Chinese Renminbi (USD/RMB or CNY) Futures with U.S. Dollar Banking

(Additions are underlined; deletions are ~~struck through~~.)

### 270J01.C. Price Increments

Minimum price fluctuations shall be in multiples of ~~0.00010-0010~~ Chinese renminbi per U.S. dollar, equivalent to ~~10400~~ RMB per contract, where the implied RMB pays and collects are converted into U.S. dollars at that day's "Chinese renminbi per U.S. dollar" fixing (or "midpoint") rate published by the People's Bank of China (PBC) and representing spot trading of Chinese renminbi per U.S. dollar.<sup>1</sup> Trades may also occur in multiples of ~~0.000050-0005~~ Chinese renminbi per U.S. dollar, commonly referred to as one-half tick (~~550~~ RMB/contract converted to USDs daily) for U.S. dollar/Chinese renminbi futures intra-currency spreads executed as simultaneous transactions on CME Globex<sup>®</sup> pursuant to Rule 542.F.

### 270J01.E. Termination of Trading

Futures trading shall terminate at 9:00 a.m. Beijing time (7:00 p.m. Central ~~Standard~~ Time in the winter or 8:00 p.m. Central ~~Daylight~~ Time in the summer)<sup>2</sup> on the ~~second~~<sup>first</sup> Beijing Business Day immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is an Exchange holiday, futures trading shall terminate on the next preceding common Beijing and Exchange Business Day.

### 270J02.B. Cash Settlement

The Final Settlement Price shall be the "Chinese renminbi per U.S. dollar" fixing (or "midpoint") rate published by the People's Bank of China (PBC) and representing spot trading of Chinese renminbi per U.S. dollar on the futures contract termination of trading day. Normally, this fixing rate is published at 9:15 a.m. Beijing time (7:15 p.m. Central Time in the winter~~CST~~ or 8:15 p.m. Central Time in the summer~~CDT~~)<sup>3</sup> on each Beijing business day for foreign exchange trading. The fixing rate may be found on the Reuters SAEC page opposite symbol "USDCNY=". The Final Settlement Price calculation shall be rounded to four (4) decimal places. Open positions on the Business Day following the termination of trading day will be marked to market to the Final Settlement Price. For example, a SAEC published rate of 8.0245 Chinese renminbi per U.S. dollar becomes the Final Settlement Price.

However, in the event that the Exchange President determines that the Clearing House is not able to determine a Final Settlement Price pursuant to the preceding section, then Rule 812 shall apply to determine the Final Settlement Price.

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<sup>1</sup> Note that this process implies the possibility that the cumulative USD denominated pays and collects may not sum to zero even where trade is "scratched." *I.e.*, a customer may buy (sell) and subsequently sell (buy) a contract at the same price quoted in terms of RMB per USD. However, contingent upon the path taken by exchange rates while the trade is open, these USD denominated cash flows, in total, may diverge somewhat from zero.

<sup>2</sup> Beijing is 14 hours ahead of Chicago in the winter and 13 hours ahead of Chicago in the summer. Beijing does not observe daylight saving time.

<sup>3</sup> Beijing is 14 hours ahead of Chicago in the winter and 13 hours ahead of Chicago in the summer. Beijing does not observe daylight saving time.

# Appendix B

## Chapter 343J

### E-Micro U.S. Dollar/Chinese Renminbi (USD/RMB or CNY) Futures with U.S. Dollar Banking

(Additions are underlined; deletions are ~~struck through~~.)

#### 343J01.C. Price Increments

Minimum price fluctuations shall be in multiples of 0.00010-0010 Chinese renminbi per U.S. dollar, equivalent to 140 RMB per contract, where the implied RMB pays and collects are converted into U.S. dollars at that day's "Chinese renminbi per U.S. dollar" fixing (or "midpoint") rate published by the People's Bank of China (PBC) and representing spot trading of Chinese renminbi per U.S. dollar.<sup>4</sup> Trades may also occur in multiples of 0.00005 Chinese renminbi per U.S. dollar, commonly referred to as one-half tick (0.50 RMB/contract converted to USDs daily) for U.S. dollar/Chinese renminbi futures intra-currency spreads executed as simultaneous transactions on CME Globex<sup>®</sup> pursuant to Rule 542.F.

#### 343J01.E. Termination of Trading

Futures trading shall terminate at 9:00 a.m. Beijing time (7:00 p.m. Central ~~Standard~~Time in the winter or 8:00 p.m. Central ~~Daylight~~Time in the summer)<sup>5</sup> on the ~~second~~first Beijing Business Day immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is an Exchange holiday, futures trading shall terminate on the next preceding common Beijing and Exchange Business Day.

#### 343J02.B. Cash Settlement

The Final Settlement Price shall be the "Chinese renminbi per U.S. dollar" fixing (or "midpoint") rate published by the People's Bank of China (PBC) and representing spot trading of Chinese renminbi per U.S. dollar on the futures contract termination of Trading Day. Normally, this fixing rate is published at 9:15 a.m. Beijing time (7:15 p.m. Central Time in the winter~~CST~~ or 8:15 p.m. Central Time in the summer~~CDT~~)<sup>6</sup> on each Beijing business day for foreign exchange trading. The fixing rate may be found on the Reuters SAEC page opposite symbol "USDCNY=". The Final Settlement Price calculation shall be rounded to four (4) decimal places. Open positions on the Business Day following the termination of Trading Day will be marked to market to the Final Settlement Price. For example, a SAEC published rate of 8.0245 Chinese renminbi per U.S. dollar becomes the Final Settlement Price.

However, in the event that the Exchange determines that the Clearing House is not able to determine a Final Settlement Price pursuant to the preceding section, then Rule 812 shall apply to determine the Final Settlement Price.

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<sup>4</sup> Note that this process implies the possibility that the cumulative USD denominated pays and collects may not sum to zero even where trade is "scratched." *I.e.*, a customer may buy (sell) and subsequently sell (buy) a contract at the same price quoted in terms of RMB per USD. However, contingent upon the path taken by exchange rates while the trade is open, these USD denominated cash flows, in total, may diverge somewhat from zero.

<sup>5</sup> Beijing is 14 hours ahead of Chicago in the winter and 13 hours ahead of Chicago in the summer. Beijing does not observe daylight saving time.

<sup>6</sup> Beijing is 14 hours ahead of Chicago in the winter and 13 hours ahead of Chicago in the summer. Beijing does not observe daylight saving time.