

June 14, 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: Certification of Changes to CME Rule 559. on Position Limits and Exemptions for Brazilian Real, Mexican Peso, and South African Rand Futures**

**CME Submission 13-245**

Dear Ms. Jurgens:

The Chicago Mercantile Exchange, Inc. ("CME" or "Exchange"), pursuant to Commodity Futures Trading Commission ("Commission") Regulation 40.6 (a), hereby notifies the Commission that it is self-certifying amendments to CME Rule 559. on Position Limits and Exemptions for Brazilian Real, Mexican Peso, and South African Rand futures.

The CME specifically seeks to amend the position limits of these three futures as follows:

1. For Brazilian Real futures, increase the single month position limit from 24,000 contracts to 30,000 contracts and the all months position limit from 40,000 contracts to 60,000 contracts.
2. For Mexican Peso futures, increase the spot month position limit from 20,000 contracts to 45,000 contracts.
3. For South African Rand futures, increase the spot month position limit from 5,000 contracts to 20,000 contracts.

These modifications will become effective on Sunday, June 30, 2013 for **trade date Monday, July 1, 2013**. The CME will apply these amendments to all futures expiries as of the effective date. Since the Exchange proposes in all cases to increase position limits, timely implementation of these revisions is unlikely to disrupt trading in futures delivery months with existing open interest.

Attachment 1, attached under a separate cover, summarizes the proposed amendments to CME Rule 559.

The Research and Product Development Department, the Market Regulation Department, and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act"). During the review, staff identified the following Core Principles as being potentially impacted:

- **Compliance with Rules:** Increasing the position limits of the Brazilian Real, Mexican Peso, and South African Rand futures contracts will not have any appreciable impact on CME's ability to enforce compliance with Exchange rules. The Exchange shall continue its normal practice to establish, monitor, and enforce compliance with the rules of these three contract markets. The Exchange's Market Regulation Department has the capacity to detect and investigate rules violations and will apply appropriate sanctions to any violation of position limits in these futures contracts. The Market Regulation Department has the ability and authority to collect any relevant data to perform its regulatory functions with respect to any violation of position limits in these contracts.
- **Contracts Not Readily Subject to Manipulation:** Increasing the position limits of the Brazilian Real, Mexican Peso, and South African Rand futures contracts will not make the contracts susceptible to market manipulation. CME defines the deliverable grade for these three contracts as equal to the M1 money supply of each respective country. In general terms, M1 money supply consists of currency in circulation plus demand deposits, such as checking and savings accounts. M1 is the narrowest and most conservative definition of a country's deliverable currency stock available on a spot market basis and data on M1 is readily available from each country's central bank. The money supply underlying the Brazilian Real, Mexican Peso, and South African Rand futures contracts is vast and growing. These currencies are among the most actively traded currencies in today's world markets. The peso and the rand are only two of 17 currencies that are included in CLS, a global multicurrency cash settlement system that mitigates settlement risk for foreign currency transactions on a payment-versus-payment basis for CLS members and their clients through central bank accounts. Given the size, growth, and activity in the underlying cash markets, CME has concluded that the Brazilian Real, Mexican Peso, and South African Rand futures contracts are not readily susceptible to market manipulation.
- **Prevention of Market Disruption:** CME has the capacity to prevent manipulation, price distortion, and disruptions of the cash-settlement process in the case of Brazilian Real futures or the physical delivery process in the case of Mexican Peso and South African Rand futures through existing market surveillance, compliance, and enforcement procedures. The Exchange's Market Regulation Department is able to monitor trading activity in these three futures and maintain comprehensive and accurate trade reconstructions in these futures. Increasing the position limits in these three contracts will not inhibit nor deter the Market Regulation Department from carrying out its regulatory mandate.
- **Position Limitations or Accountability:** CME has adopted necessary and appropriate increases in the position limits of the Brazilian Real, Mexican Peso, and South African Rand futures contracts based on a detailed market analysis of the underlying cash markets of each contract, including the size, growth, and trading activity in the underlying currencies of these futures contracts. The Exchange has set the increased position limits at levels that are significantly below position limitation thresholds established by the Commission in the CEA.
- **Availability of General Information:** CME intends to make the increases in the position limits of the Brazilian Real, Mexican Peso, and South African Rand futures contracts available to market authorities, market participants, and the public so that they

have accurate, up-to-date information regarding the rules, regulations, and mechanisms for executing transactions in these three futures.

- **Trade Information**: CME records and stores all trade information — including open positions of each market participant in Brazilian Real, Mexican Peso, and South African Rand futures — that enables the Exchange to prevent customer and market abuses resulting from violations of the Exchange’s position limit regulations.
- **Protection of Market Participants**: CME has established rules for the protection of market participants in all its contract markets. The Exchange’s Market Regulation Department is charged with the responsibility of investigating rules violations and enforcing rules that protect markets and market participants from abusive trade practices committed by any party.
- **Disciplinary Procedures**: CME has established disciplinary procedures that authorize the Exchange’s Market Regulation Department to discipline, suspend, or expel members or market participants that violate Exchange rules, including violations by market participants of position limits in CME futures and option contracts.
- **Record Keeping**: CME maintains accurate records of trading activities in its futures and option markets, including open positions. This record keeping is in compliance with Commission standards.

CME certifies that these changes comply with the CEA and regulations thereunder. There were no substantive opposing views to this proposal.

CME certifies that this submission has been concurrently posted on the Exchange’s website at: [www.cmegroup.com/market-regulation/rule-filings.html](http://www.cmegroup.com/market-regulation/rule-filings.html).

Please direct inquiries regarding this submission to Daniel Grombacher at 312.634.1583 or via e-mail at [daniel.grombacher@cmegroup.com](mailto:daniel.grombacher@cmegroup.com). Alternatively, you may contact me at (312) 466-7478 or [tim.elliott@cmegroup.com](mailto:tim.elliott@cmegroup.com). Please reference CME Submission No. 13-245 in any related correspondence.

Sincerely,

/s/ Tim Elliott  
Executive Director and Associate General Counsel

Attachment (under separate cover)

Contract Name	Rule Chapter	Commodity	
		Code	Contract Size
Brazilian Real/U.S. Dollar (BRL/USD)	257 & 257A	BR	100,000
Brazilian Real week 1	257A	1R	1
Brazilian Real week 2	257A	2R	1
Brazilian Real week 3	257A	3R	1
Brazilian Real week 4	257A	4R	1
Brazilian Real week 5	257A	5R	1
Mexican Peso/U.S. Dollar (MXN/USD)	256 & 256A	MP	500,000
Mexican Peso week 1	256A	1M	1
Mexican Peso week 2	256A	2M	1
Mexican Peso week 3	256A	3M	1
Mexican Peso week 4	256A	4M	1
Mexican Peso week 5	256A	5M	1
South African Rand/U.S. Dollar (ZAR/USD)	259 & 259A	RA	500,000
South African Rand week 1	259A	1N	1
South African Rand week 2	259A	2N	1
South African Rand week 3	259A	3N	1
South African Rand week 4	259A	4N	1
South African Rand week 5	259A	5N	1

Contract Units	Type
Brazilian real	Futures/Am option
Brazilian real futures	Am option
Brazilian real futures	Am option
Brazilian real futures	Am option
Brazilian real futures	Am option
Brazilian real futures	Am option
Mexican peso	Futures/Am option
Mexican peso futures	Am option
Mexican peso futures	Am option
Mexican peso futures	Am option
Mexican peso futures	Am option
Mexican peso futures	Am option
South African Rand	Futures/Am option
South African Rand futures	Am option
South African Rand futures	Am option
South African Rand futures	Am option
South African Rand futures	Am option
South African Rand futures	Am option









Spot-Month Limit (In Contract Units)	Second Spot- Month Limit (In Net Futures Equivalents)	Second Spot- Month Limit Effective Date	Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Aggregate Into Futures Equivalent Leg (2)	Single Month Aggregate Ratio Into Leg (1)	Single Month Aggregate Ratio Into Leg (2)
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