

September 16, 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: CFTC Regulation 40.2(a). Certification of Terms and Conditions for U.S. Dollar/South African Rand (USD/ZAR) Futures as well as Related Changes to CME Rule 5.C. on Position Limit and Reportable Levels and Rule 588.H. on Globex® Non-Reviewable Trading Ranges**

**CME Submission No. 13-354**

Dear Ms. Jurgens:

The Chicago Mercantile Exchange Inc. (CME or Exchange) hereby notifies the Commodity Futures Trading Commission (CFTC or Commission) that it is self-certifying terms and conditions for U.S. Dollar/South African Rand (USD/ZAR) futures, to be listed for trading beginning **Monday, September 23, 2013** on CME Globex® and CME ClearPort®.

In the following, Section 1 summarizes the contract terms and conditions. Sections 2 and 3 set forth the requisite changes to CME Rulebook Chapter 5 in regard, respectively, to position accountability and reportable positions and to non-reviewable trading ranges on the CME Globex® electronic trading system (Globex®). Section 4 addresses compliance with pertinent Core Principles for Designated Contract Markets (Core Principles) as set forth in the Commodity Exchange Act (Act or CEA). Appendix A contains the product factsheet for USD/ZAR futures. Appendix B sets forth the CME rulebook chapter for USD/ZAR futures. Finally, Appendix C spells out the requisite amendments to CME Rulebook Chapter 5.

***Section 1 — Terms and Conditions of USD/ZAR Futures***

Attachment 1 summarizes the terms and conditions for U.S. Dollar/South African Rand (USD/ZAR) futures. The new USD/ZAR futures contract calls for the physical delivery of 100,000 U.S. dollars for South African rand and will feature daily pays and collects calculated and banked in South African rand. USD/ZAR futures will trade in a minimum tick size of 0.0001 South African rand per U.S. dollar for outright transactions and in a minimum tick size of 0.00005 South African rand per U.S. dollar for calendar spreads. USD/ZAR futures will be available for trading on CME Globex® Sunday through Friday between 5:00 p.m. and 4:00 p.m., Central time (CT) and on CME ClearPort® Sunday through Friday between 5:00 p.m. and 4:15 p.m., CT. USD/ZAR futures will have an expiry schedule that covers two years (i.e., 13 consecutive calendar months plus four expiries in the March quarterly cycle). At contract launch, USD/ZAR futures will initially offer trading in the November 2013 through November 2014 serial expiries in addition to the December 2014 through September 2015 quarterly expiries. USD/ZAR futures will cease trading at 9:16 a.m. CT on the second business day

immediately preceding the third Wednesday of the contract month. USD/ZAR futures will be available for block, exchange for related positions, and all-or-non (AON) transactions. USD/ZAR futures will have a spot month limit of 10,000 contracts, single month position accountability of 3,000 contracts, and all months position accountability of 3,000 contracts. USD/ZAR futures will also have a reportable level of 25 contracts. Finally, USD/ZAR futures will be cleared and guaranteed by CME Clearing. The CME rulebook chapter that codifies the proposed terms and conditions of USD/ZAR futures is contained in Appendix B.

### ***Section 2 – Reportable Positions and Position Accountability***

As shown in Appendix C, spot month position limits and single month and all months position accountability thresholds for USD/ZAR futures will resemble those that apply to the extant CME ZAR/USD futures contract. Since the new and extant contracts are essentially one and the same product because they are based on the same currency pair, spot month position limits and single month/all months position accountability for USD/ZAR futures and the extant ZAR/USD contract will be aggregated. Specifically, after adjusting for the differences in the two contracts' notional values and currency denominations, the position limits for USD/ZAR futures will be aggregated with the positions limits of the extant ZAR/USD futures in a two-to-one ratio with two extant ZAR/USD futures being equivalent to one USD/ZAR futures. USD/ZAR futures will thus have spot month position limits of 10,000 contracts, single month position accountability of 3,000 contracts, and all months position accountability of 3,000 contracts. In addition, USD/ZAR futures will have a reportable position level of 25 contracts, which is typical for CME foreign exchange futures contracts.

### ***Section 3 – Globex® Non-Reviewable Trading Ranges***

Also shown in Appendix C, the non-reviewable trading ranges that apply to trading in USD/ZAR futures on Globex® will resemble, in the main, those that apply to CME standard-sized foreign currency futures.

### ***Section 4 – Compliance with Core Principles***

CME Group's Research and Legal Departments have determined that the new product terms and conditions certified herein bear upon on the following Core Principles:

#### ***Core Principle 2 – Compliance with Rules***

Trading in USD/ZAR futures will be subject to CME Rulebook Chapter 4, which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices. Additionally, trading in these contracts will be subject to the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the CME Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in USD/ZAR futures will be subject to monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

#### ***Core Principle 3 – Contracts Not Readily Subject to Manipulation***

USD/ZAR futures calls for the physical delivery of 100,000 U.S. dollars for South African rand and will feature daily pays and collects calculated and banked in South African rand. There is no basis on which the proposed contract would be subject to manipulation, squeezes, or congestion at final settlement for three reasons. First, there is no physical limitation on the available supply of U.S. dollars or South African rand. As of July 2013, U.S. M1 money supply, which consists of currency in circulation plus demand deposits such as checking and savings accounts, exceeds \$2.5 trillion while South African M1 money supply exceeds one trillion rand. Second, the U.S. dollar ranks first in spot cash market trading volume with average daily volume

(ADV) in excess of \$1.1 trillion, while the South African rand ranks 19th with ADV in excess of \$9.1 billion. Third, both the U.S. dollar and the South African rand are just two of only 17 currencies included in CLS (i.e., Continuous Linked System), 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.

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

Trading in USD/ZAR futures shall be subject to the rulebook of the Chicago Mercantile Exchange designated contract market, which includes prohibitions on manipulation, price distortion, and disruption to the physical delivery process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the futures contracts proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.

***Core Principle 5 – Position Limits or Accountability***

Spot month position limits and single month/all months position accountability thresholds for USD/ZAR futures will resemble those that apply to the extant ZAR/USD futures. Since the new and extant contracts are essentially one and the same product because they are based on the same currency pair, spot month position limits and single month/all months position accountability for USD/ZAR futures and the extant ZAR/USD contract will be aggregated. Specifically, after adjusting for the differences in the two contracts' notional values and currency denominations, the position limits for USD/ZAR futures will be aggregated with the positions limits of the extant ZAR/USD futures in a two-to-one ratio with two extant ZAR/USD futures being equivalent to one USD/ZAR futures. USD/ZAR futures will thus have spot month position limits of 10,000 contracts, single month position accountability of 3,000 contracts, and all months position accountability of 3,000 contracts. In addition, USD/ZAR futures will have a reportable position level of 25 contracts, which is typical for CME foreign exchange futures contracts.

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

The Exchange shall publish on its website information in regard to futures contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information for USD/ZAR futures.

***Core Principle 8 – Daily Publication of Trading Information***

The Exchange shall publish contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for USD/ZAR futures.

***Core Principle 9 – Execution of Transactions***

USD/ZAR futures will be listed for trading on the CME Globex® electronic trading platform only. This trading venue provides for competitive and open execution of transactions. Globex® affords, moreover, the benefits of reliability and global connectivity.

Globex® non-reviewable trading ranges for USD/ZAR futures will be as follows:

USD/ZAR Futures:                    800 ticks                    (800 minimum price increments)

***Core Principle 10 – Trade Information***

All requisite trade information for USD/ZAR futures shall be included in the audit trail and will suffice for the Market Regulation Department to monitor for market abuse.

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

USD/ZAR futures will be cleared by CME Clearing, which is registered with the Commodity Futures Trading Commission as a derivatives clearing organization, and which is subject to all CFTC regulations related thereto.

**Core Principle 12 – Protection of Markets and Market Participants**

CME Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues and will apply to transactions in USD/ZAR futures.

**Core Principle 13 – Disciplinary Procedures**

CME Rulebook Chapter 4 provides for the Exchange to discipline, suspend, or expel members or market participants who violate the rules of the Exchange. Trading in USD/ZAR futures will be subject to these provisions. The Market Regulation Department has the authority to exercise its powers of enforcement, in the event that rule violations in these products are identified.

**Core Principle 14 – Dispute Resolution**

Disputes with respect to USD/ZAR futures will be subject to the arbitration provisions set forth in CME Rulebook Chapter 6, which allow all nonmembers to submit claims for financial losses resulting from transactions on the Exchange to arbitration. Pursuant to these provisions, any member named as a respondent in any such claim submitted by a nonmember is required to participate in arbitration proceedings. Additionally, the Exchange requires members to resolve via arbitration all disputes concerning transactions on the Exchange.

The Exchange certifies that USD/ZAR 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 212.299.2200 or via email at Christopher.Bowen@cmegroup.com. Please reference CME Submission No. 13-354 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments

Appendix A – Factsheet

Appendix B – Rulebook Chapter for USD/ZAR futures

Appendix C – Rulebook Changes to CME Rule 5.C. Position Limit and Reportable Level Table and CME Rule 588.H. Globex® Non-Reviewable Trading Ranges

## Appendix A

### U.S. Dollar/South African Rand (USD/ZAR) Futures Contract

|  |   |
|--|---|
| <b>Contract Size</b>                             | USD 100,000   |
| <b>Price Quote</b>                               | ZAR per 1 USD (e.g., 9.0775 / 9.0779 ZAR per 1 USD)   |
| <b>Tick Size</b>                                 | Outrights quoted in 0.0001 ZAR per USD (10 ZAR); calendar spreads in 0.00005 ZAR per USD (5 ZAR).   |
| <b>ZAR-Denominated Margin</b>                    | Daily pays and collects calculated and banked in ZAR.   |
| <b>CME Globex® Trading Hours</b>                 | Sundays – Fridays: 5:00 p.m. to 4:00 p.m. Central Time (CT) the next day. On Friday CME Globex® platform closes at 4:00 p.m. CT and reopens Sunday at 5:00 p.m. CT.   |
| <b>CME ClearPort® Hours</b>                      | Sundays – Fridays: 5:00 p.m. to 4:15 p.m. Central Time (CT) the next day with a 45-minute break each day beginning at 4:15 p.m. CT.   |
| <b>Months</b>                                    | 13 consecutive calendar months (Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec) plus 4 quarterly months (2-year maturity range).  |
| <b>Last Trading Day</b>                          | Trading ceases at 9:16 a.m. Central Time (CT) on the second business day immediately preceding the third Wednesday of the contract month.   |
| <b>Delivery Process/ Delivery Day</b>            | CLS eligible currency. Final settlement on the 3rd Wednesday of the contract month.   |
| <b>Position Limits / Position Accountability</b> | Spot month limit of 10,000 contracts, single month position accountability of 3,000 contracts, and all months position accountability of 3,000 contracts. Limit in the spot month on or after the day one week prior to the termination of trading day. Positions for the same account holder will be aggregated across USD/ZAR futures, ZAR/USD futures, options on ZAR/USD futures, and U.S. dollar/South African rand cleared over-the-counter (“OTC”) equivalent contracts. |
| <b>CME Globex® Error Trade Policy</b>            | 800 ticks or less “no bust range”   |
| <b>CME Globex® Price Banding<sup>1</sup></b>     | 1,200 ticks for outright trades   |
| <b>Block Trade Minimum Threshold</b>             | 50 contracts  |
| <b>EFRP Eligibility</b>                          | Yes   |
| <b>Reportable Positions</b>                      | 25 contracts  |
| <b>CME Globex® Codes</b>                         | ZAR   |

<sup>1</sup> For CME Globex® trading, automated price banding prevents execution of orders at prices falling outside of 1200 ticks for outright trades from the last sale, best bid or best offer. Price banding prevents the entry of limit orders more than a pre-determined amount above the last price in the case of bids and more than the same pre-determined amount below the last price in the case of offers. The band “shadows” the currency futures price as it reacts to new transactions, higher bids and lower offers.

## **Appendix B**

### **Chapter 259L: U.S. Dollar/South African Rand (USD/ZAR) Futures**

#### **259L00. SCOPE OF CHAPTER**

This chapter is limited in application to U.S. dollar/South African rand futures. In addition to this chapter, U.S. dollar/South African rand futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

#### **259L01. TRADING SPECIFICATIONS**

##### **259L01.A. Trading Schedule**

Futures contracts shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Exchange.

##### **259L01.B. Trading Unit**

The unit of trading shall be 100,000 U.S. dollars.

##### **259L01.C. Price Increments**

Minimum price fluctuations shall be in multiples of 0.0001 South African rand per U.S. dollar, equivalent to 10 South African rand per contract. Trades may also occur in multiples of 0.00005 South African rand per U.S. dollar (equivalent to 5 South African rand per contract), commonly referred to as a one-half tick, for U.S. dollar/South African rand futures intra-currency spreads executed as simultaneous transactions on GLOBEX® pursuant to Rule 542.F.

##### **284L.01.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

##### **259L01.E. [Reserved]**

##### **259L01.F. [Reserved]**

##### **259L01.G. Termination of Trading**

Futures trading shall terminate on the second Business Day immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a bank holiday in Chicago or New York City, futures trading shall terminate on the next preceding Business Day common to Chicago and New York City banks and the Exchange.

##### **259L01.H. [Reserved]**

**Appendix B (continued)**

**259L02. SETTLEMENT PROCEDURES**

**259L02.A. Physical Delivery**

1. Procedures

In addition to the procedures and requirements contained in this chapter, delivery procedures shall be governed by the rules set forth in Chapter 7.

2. Delivery Days

Delivery shall be made on the third Wednesday of the contract month. If that day is not a Business Day in the country of delivery or is a bank holiday in either Chicago or New York City, then delivery shall be made on the next day which is a Business Day in the country of delivery and is not a bank holiday in Chicago or New York City.

**259L02.B. [Reserved]**

**259L03. [RESERVED]**

(End Chapter 259L)

## Appendix C

### CME Rule 5.C. Position Limit and Reportable Level Table

(Additions are underlined.)

| CONTRACT NAME              | OPTIONS | FIRST SCALE-DOWN SPOT MONTH | SECOND SCALE-DOWN SPOT MONTH | SPOT MONTH LIMIT | SINGLE MONTH POSITION ACCOUNTABILITY | ALL MONTHS COMBINED | ALL MONTHS POSITION ACCOUNTABILITY | REPORTABLE FUTURES LEVEL | REPORTABLE OPTIONS LEVEL |
|----------------------------|---------|-----------------------------|------------------------------|------------------|--------------------------------------|---------------------|------------------------------------|--------------------------|--------------------------|
| <u>USD/ZAR Futures****</u> |         |                             |                              | <u>10,000</u>    | <u>3,000</u>                         |                     | <u>3,000</u>                       | <u>25</u>                |                          |

\*\*\*\*For purposes of spot month position limits and single month and all months position accountability, the Exchange will aggregate positions in USD/ZAR futures, ZAR/USD futures, options on ZAR/USD futures, and U.S. dollar/South African rand cleared over-the-counter (OTC) equivalents by converting positions into contract units whereby one contract will equal 500,000 South African Rand in notional value.

### CME Rule 588.H. Globex® Non-Reviewable Trading Ranges

(Additions are underlined.)

| Instrument             | Non-Reviewable Range (NRR) in Globex® Format | NRR including Unit of Measure | NRR Ticks  |
|------------------------|--|-------------------------------|------------|
| <u>USD/ZAR Futures</u> | <u>800</u>                                   | <u>800 ticks</u>              | <u>800</u> |