

December 17, 2012

**Via E-Mail**

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

**Re: Revisions to Certification of Terms and Conditions for Standard-Sized and E-Micro Indian Rupee/U.S. Dollar ("INR/USD") Futures as well as Related Changes to CME Rule 5.C. on Position Limit and Reportable Levels, Rule 588.H. on Globex Non-Reviewable Trading Ranges, and Rule 855. on Offsetting Different Sized Futures Positions.**

**CME Submission No 12- 469R**

Dear Ms. Warfield:

The Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC") that it is self-certifying terms and conditions for Standard-Sized and E-Micro Indian Rupee/U.S. Dollar ("INR/USD") futures, to be listed for trading beginning **Monday, January 28, 2013** on CME Globex and CME ClearPort.

Please note that CME is revising CME Submission No. 12-469 to amend the pricing basis and final cash settlement procedures for the Standard-Sized and E-Micro INR/USD futures contracts in order to make these contract rules consistent on a technical basis from front-end trading on CME Globex to back-end trade processing, clearing and variation payments at CME Clearing. In addition, this revised submission makes clear that at contract launch, the standard contract will initially offer trading in the February 2013 through January 2014 serial expiries in addition to the March 2014 through December 2014 quarterly expiries. By contrast, the e-micro contract will initially feature trading in the February 2013 through January 2014 serial expiries only.

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 details the requisite changes to CME Rulebook Chapter 8 in regard to offsetting different sized futures positions. Section 5 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 Standard-Sized and E-Micro INR/USD futures. Appendices B and C set forth CME rulebook chapters for Standard-Sized and E-Micro INR/USD futures, respectively. Appendix D spells out the requisite amendments to CME Rulebook Chapter 5. Finally, Appendix E covers the requisite amendments to CME Rulebook Chapter 8.

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

Attachment 1 summarizes the terms and conditions for a new suite of Indian Rupee/U.S. Dollar ("INR/USD") futures contracts. The standard-sized INR/USD futures contract will have a notional size of INR 5 million. The e-micro version will have a notional size of INR 1 million. Both futures will be U.S. dollar denominated and will thus feature daily pays and collects calculated and banked in U.S. dollars. Both contracts will trade in minimum tick sizes of \$0.01 per Indian rupee for outright transactions and in minimum tick sizes of \$0.005 per Indian rupee for calendar spreads. At contract launch, the standard contract will initially offer trading in the February 2013 through January 2014 serial expiries in addition to the March 2014 through December 2014 quarterly expiries. By contrast, the e-micro contract will initially feature trading in the February 2013 through January 2014 serial expiries only. Both futures will be available for trading on CME Globex Sunday through Friday between 5:00 p.m. and 4:00 p.m., Chicago time. The standard contract will have an expiry schedule that covers two years (*i.e.*, 12 consecutive calendar months plus four expiries in the March quarterly cycle), while the e-micro contract will have an expiry schedule consisting of 12 consecutive calendar months. Both futures will cease trading at 12:00 noon Mumbai time two Indian business days immediately preceding the last Indian business day of the contract month. Both contracts will be cash settled on the last trading day following expiry based on the reciprocal of the spot exchange rate of the Indian rupee per U.S. dollar

as calculated and published by the Reserve Bank of India (“RBI”), rounded to two decimal places. Both futures will have a spot month position limit of 20,000 contracts, a position accountability level of 6,000 contracts, and a reportable level of 25 contracts. Finally, both futures will be cleared and guaranteed by CME Clearing. The CME rulebook chapters that codify the proposed terms and conditions of the Standard-Sized and E-Micro INR/USD futures are contained in Attachments 2 and 3, respectively.

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

As shown in Attachment 4, spot month position limits and position accountability thresholds for the Standard-Sized and E-Micro INR/USD futures will resemble those that apply to the extant CME over-the-counter (“OTC”) cleared only U.S. dollar/Indian rupee contract. Since the new and extant contracts are essentially one and the same product since they are based on the same currency pair, spot month position limits and position accountability for the new standard-sized and e-micro INR/USD futures will be aggregated with the spot month position limits and position accountability of the Exchange’s extant OTC cleared contract. Specifically, aggregate spot month position limits will be 20,000 contracts and aggregate position accountability will be 6,000 contracts for the INR/USD product grouping as a whole, based upon a \$100,000 notional contract equivalent. In addition, both the new standard-sized and e-micro INR/USD futures will have individual reportable position levels of 25 contracts, which is typical for CME foreign exchange futures contracts.

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

As shown in Attachment 5, the non-reviewable trading ranges that apply to trading in Standard-Sized and E-Micro INR/USD futures on Globex will resemble, in the main, those that apply to CME standard-sized and e-micro foreign currency futures.

### ***Section 4 – Offsetting Different Sized Futures Positions***

As shown in Attachment 6, offsetting different sized futures positions that apply to trading in Standard-Sized and E-Micro INR/USD futures will resemble, in the main, those that apply to CME standard-sized and e-micro equity index futures and foreign currency futures. Positions for the same account holder in Standard-Sized and E-Micro INR/USD futures may be aggregated on the basis of five E-Micro INR/USD futures contracts equaling one Standard-Sized INR/USD futures contract.

### ***Section 5 – Compliance with Core Principles***

The Exchange’s Research Department and Legal Department 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 Standard-Sized and E-Micro INR/USD 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 Standard-Sized and E-Micro INR/USD 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***

The Standard-Sized and E-Micro INR/USD futures are cash settled at final expiry on the last trading day in U.S. dollars based upon the reciprocal of the spot INR/USD exchange rate as calculated and published by the Reserve Bank of India, India’s central reserve bank. There is no basis on which the proposed contracts would be subject to manipulation, squeezes, or congestion at final settlement for two reasons. First, there is no physical limitation on the available supply of U.S. dollars. Second, the Reserve Bank of India’s spot INR/USD exchange rate is a key central bank rate which is highly transparent, scrutinized, and subject to rigid calculation procedures to insure that the rate remains a true reflection of market activity. As such, this rate serves as the principal global benchmark for spot INR/USD and is thus used widely as the key reference rate by the global interbank foreign exchange market to cash settle non-deliverable forward contracts between the Indian rupee and U.S. dollar.

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

Trading in the proposed new Standard-Sized and E-Micro INR/USD futures contracts 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 cash settlement 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 position accountability for the new Standard-Sized and E-Micro INR/USD futures will be tethered to the spot month position limits and position accountability of the Exchange's extant over-the-counter ("OTC") cleared only U.S. dollar/Indian rupee contract. Specifically, aggregate spot month position limits will be 20,000 contracts and aggregate position accountability will be 6,000 contracts for the INR/USD product grouping as a whole, based upon a \$100,000 notional contract equivalent. In addition, both the new Standard-Sized and E-Micro INR/USD futures will have individual reportable position levels of 25 contracts, which is typical for the Exchange's foreign exchange futures contracts. Spot month position limits and position accountability for the two new INR/USD futures need to be linked to the extant OTC cleared only USD/INR product. Since the new and extant contracts are essentially one and the same product, combining the spot month position limits and position accountability for all three contracts will eliminate potential trading disruptions in this currency pair. As such, all positions in the new and extant contracts in accounts for which a person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading will be included with the positions held by such person. Furthermore, all positions in the new and extant contracts that are held by two or more persons acting pursuant to an expressed or implied agreement or understanding will be treated the same as if the positions were held by a single person. With respect to reportable position levels, the Exchange maintains that it is not necessary to link the two proposed futures contracts with the companion OTC product since the thresholds for both futures contracts have been established at considerably low levels.

***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 the proposed new Standard-Sized and E-Micro INR/USD futures contracts.

***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 the proposed new standard-sized and e-micro INR/USD futures contracts.

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

The proposed new Standard-Sized and E-Micro INR/USD futures contracts will be listed for trading on the CME Globex electronic trading platform only. This trading venue provides for competitive and open execution of transactions. CME Globex affords, moreover, the benefits of reliability and global connectivity.

The Globex non-reviewable trading ranges for these contracts will be as follows:

Standard-sized INR/USD futures:	40 ticks	(40 minimum price increments)
E-micro INR/USD futures:	40 ticks	(40 minimum price increments)

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

All requisite trade information for the proposed new Standard-Sized and E-Micro INR/USD futures contracts 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***

The proposed new Standard-Sized and E-Micro INR/USD futures contracts will be cleared by the CME Clearing House, 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 the proposed new Standard-Sized and E-Micro INR/USD futures contracts.

***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 the proposed new Standard-Sized and E-Micro INR/USD futures contracts 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 the proposed new Standard-Sized and E-Micro INR/USD futures contracts 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 Standard-Sized and E-Micro INR/USD 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. 12-469R in any related correspondence.

Sincerely,

/s/ Tim Elliott  
Executive Director and Associate General Counsel

Attachments: Appendix A – Factsheet (black-lined)  
Appendix B – Rulebook Chapter for Standard-Sized INR/USD Futures (black-lined)  
Appendix C – Rulebook Chapter for E-Micro INR/USD Futures (black-lined)  
Appendix D – Rulebook Changes to CME Rule 5.C. Position Limit and Reportable Level Table and  
CME Rule 588.H. Globex Non-Reviewable Trading Ranges (black-lined)  
Appendix E – Rulebook Changes to CME Rule 855. Offsetting Different Sized Futures Positions  
(black-lined)  
Appendix F – CME Submission No. 12-469 (black-lined)

## Attachment 4 Appendix A

### Standard-Sized and E-Micro INR/USD Futures Factsheet

<b>Contract Sizes</b>	<p><u>Standard:</u> 5,000,000 INR (≈ USD 89,775 @ Nov 28th)</p> <p><u>E-micro:</u> 1,000,000 INR (≈ USD 17,955 @ Nov 28th)</p>
<b>Tick Size</b>	<p><u>Standard:</u> 0.01 U.S. Cents per 100 INR increments (\$5.00/tick). Also, trades can occur in 0.005 U.S. Cents per 100 INR increments (\$2.50/contract) for INR futures intra-currency spreads executed on CME Globex®. \$0.000001 per INR increments (\$5.00/tick). Also, trades can occur in \$0.000005 per INR increments (\$2.50/contract) for INR futures intra-currency spreads executed on CME Globex®.</p> <p><u>E-micro:</u> 0.01 U.S. Cents per INR increments (\$1.00/tick). Also, trades can occur in 0.005 U.S. Cents per INR increments (\$0.50 /contract) for INR futures intra-currency spreads executed on CME Globex®. \$0.000001 per INR increments (\$1.00/tick). Also, trades can occur in \$0.000005 per INR increments (\$0.50 /contract) for INR futures intra-currency spreads executed on CME Globex®.</p>
<b>USD-Denominated</b>	Daily pays and collects calculated in USD, banked in USD
<b>Trading Hours</b>	<p><u>Sunday through Friday:</u> 5:00 p.m.-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</p> <p><u>Sundays through Fridays:</u> 5:00 p.m.-4:00 p.m. (Central Time, CT) the next day. On Friday CME Globex® platform closes at 4:00 p.m. and reopens Sunday at 5:00 p.m.</p>
<b>Months</b>	<p><u>Standard:</u> 12 consecutive calendar months (Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec) plus 4 March quarterly months (2-year maturity range)</p> <p><u>E-micro:</u> 12 consecutive calendar months (Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec)</p>
<b>Last Trading Day</b>	Trading ceases at 12:00 noon Mumbai time two Indian business days immediately preceding the last Indian business day of contract month
<b>Cash Settlement</b>	<p><u>Final Settlement Price is based on the reciprocal of Reserve Bank of India's (RBI's) spot exchange rate of Indian Rupee per U.S. Dollar as published by RBI and rounded to two (2) decimal places. The RBI spot exchange rate is published usually between 12:15 and 12:30 p.m. Mumbai Time (between 12:45 and 1:00 a.m. CT in the winter and between 1:45 and 2:00 a.m. CT in the summer). This same rate used widely by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Indian Rupee versus U.S. Dollars. Reuters quotes this rate on its page RBIB. All open positions at the termination of trading will be cash settled to the reciprocal of this rate when it is available.</u></p> <p><del>Final Settlement Price is based on the reciprocal of Reserve Bank of India's (RBI's) spot exchange rate of Indian-rupee per U.S. Dollar as published by RBI and rounded to seven decimal places. The RBI spot exchange rate is published usually between 12:15 and 12:30 p.m. Mumbai Time (between 12:45 and 1:00 a.m. Central Time in the winter and between 1:45 and 2:00 a.m. Central Time in the summer). This same rate used widely by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Indian Rupee versus U.S. Dollars. Reuters quotes this rate on its page RBIB. All open positions at the termination of trading will be cash settled to the reciprocal of this rate when it is available.</del></p>
<b>Position Limits / Accountability</b>	<p>INR futures converted to notional equivalents of 6,000 CME full-sized INR futures contracts (=600 million USD) for Position Accountability trigger level; and no more than 20,000 full-sized INR futures contracts (=2 billion USD) for Position Limit in the spot month on or after the day one week prior to the termination of trading day.</p> <p>Positions for the same account holder will be aggregated across standard-sized and E-micros futures with 5 E-micros equaling 1 standard-sized contract.</p>
<b>Tickers</b>	<p><u>Standard:</u> SIR</p> <p><u>E-micro:</u> MIR</p>

## Attachment 2 [Appendix B](#)

### Chapter XXXL Indian Rupee/U.S. Dollar (INR/USD) Futures

#### XXXL00. SCOPE OF CHAPTER

This chapter is limited in application to Indian rupee/U.S. dollar futures. In addition to this chapter, Indian rupee/U.S. dollar 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.

#### XXXL01. TRADING SPECIFICATIONS

##### XXXL01.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.

##### XXXL01.B. Trading Unit

The unit of trading shall be 5,000,000 Indian rupees.

##### XXXL01.C. Price Increments

Minimum price fluctuations shall be in multiples of 0.01 U.S. cents per 100 Indian rupees, equivalent to 5 U.S. dollars per contract. Trades may also occur in multiples of 0.005 U.S. cents per 100 Indian rupees (equivalent to 2.50 U.S. dollars per contract), commonly referred to as a one-half tick, for Indian rupee/U.S. dollar futures intra-currency spreads executed as simultaneous transactions on GLOBEX® pursuant to Rule 542.F. ~~Minimum price fluctuations shall be in multiples of 0.000001 U.S. dollars per Indian rupee, equivalent to 5 Indian rupees per contract. Trades may also occur in multiples of 0.000005 U.S. dollars per Indian rupee (equivalent to 2.50 Indian rupees per contract), commonly referred to as a one-half tick, for Indian rupee/U.S. dollar futures intra-currency spreads executed as simultaneous transactions on GLOBEX® pursuant to Rule 542.F.~~

##### XXXL01.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.

##### XXXL01.E. [Reserved]

##### XXXL01.F. [Reserved]

##### XXXL01.G. Termination of Trading

Futures trading shall terminate at 12:00 noon Mumbai time (12:30 a.m. Central Time in the winter and 1:30 a.m. Central Time in the summer)<sup>1</sup> two Indian business days immediately preceding the last Indian business day of the contract month. If the foregoing date for termination is an Exchange holiday, futures trading shall terminate on the next preceding common Exchange and Indian business day.

##### XXXL01.H. [Reserved]

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<sup>1</sup> Mumbai time is 11.5 hours ahead of Chicago (Central time) in the winter and 10.5 hours ahead of Chicago in the summer. India does not observe Daylight Saving Time.

**Attachment 2 Appendix B (continued)**

**XXXL02. SETTLEMENT PROCEDURES**

**XXXL02.A. [Reserved]**

**XXXL02.B. Cash Settlement**

The Final Settlement Price shall be equal to the reciprocal of "INR RBIB (INR01)," which is the "Indian rupee per U.S. dollar" spot exchange rate published by the Reserve Bank of India (RBI) at approximately 12:30 p.m. Mumbai time (about 1:00 a.m. Central Time in the winter and 2:00 a.m. Central Time in the summer). This rate is widely used by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Indian rupee versus U.S. dollars. Reuters quotes this RBI USD/INR spot rate on its page RBIB. The Final Settlement Price shall be rounded to two (2) decimal places. Open positions on the business day following the termination of trading day will be marked to the Final Settlement Price. For example, the Final Settlement Price based upon the reciprocal of a RBI INR/USD rate of 54.8473 Indian rupees per one U.S. dollar is 182.32 U.S. cents per 100 Indian rupees.

~~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. The Final Settlement Price shall be equal to the reciprocal of "INR RBIB (INR01)," which is the "Indian rupee per U.S. dollar" spot exchange rate published by the Reserve Bank of India (RBI) at approximately 12:30 p.m. Mumbai time (about 1:00 a.m. Central Time in the winter and 2:00 a.m. Central Time in the summer). This rate is widely used by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Indian rupee versus U.S. dollars. Reuters quotes this RBI USD/INR spot rate on its page RBIB. The Final Settlement Price shall be rounded to seven (7) decimal places. Open positions on the business day following the termination of trading day will be marked to the Final Settlement Price. For example, a RBI INR/USD rate of 0.0184496 U.S. dollars per Indian rupee 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.~~

**XXXL03. [RESERVED]**

(End Chapter XXXL)



## ~~Attachment 3~~ Appendix C

### Chapter XXXM E-Micro Indian Rupee/U.S. Dollar (INR/USD) Futures

#### XXXM00. SCOPE OF CHAPTER

This chapter is limited in application to E-micro Indian rupee/U.S. dollar futures. In addition to this chapter, E-micro Indian rupee/U.S. dollar 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.

#### XXXM01. TRADING SPECIFICATIONS

##### XXXM01.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.

##### XXXM01.B. Trading Unit

The unit of trading shall be 1,000,000 Indian rupees.

##### XXXM01.C. Price Increments

Minimum price fluctuations shall be in multiples of 0.01 U.S. cents per 100 Indian rupees, equivalent to 1 U.S. dollar per contract. Trades may also occur in multiples of 0.005 U.S. cents per 100 Indian rupees (equivalent to 0.50 U.S. dollars per contract), commonly referred to as a one-half tick, for Indian rupee/U.S. dollar futures intra-currency spreads executed as simultaneous transactions on GLOBEX® pursuant to Rule 542.F. ~~Minimum price fluctuations shall be in multiples of 0.000001 U.S. dollars per Indian rupee, equivalent to 1 Indian rupee per contract. Trades may also occur in multiples of 0.0000005 U.S. dollars per Indian rupee (equivalent to 0.50 Indian rupees per contract), commonly referred to as a one-half tick, for E-micro Indian rupee/U.S. dollar futures intra-currency spreads executed as simultaneous transactions on GLOBEX® pursuant to Rule 542.F.~~

##### XXXM01.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.

##### XXXM01.E. [Reserved]

##### XXXM01.F. [Reserved]

##### XXXM01.G. Termination of Trading

Futures trading shall terminate at 12:00 noon Mumbai time (12:30 a.m. Central Time in the winter and 1:30 a.m. Central Time in the summer)<sup>2</sup> two Indian business days immediately preceding the last Indian business day of the contract month. If the foregoing date for termination is an Exchange holiday, futures trading shall terminate on the next preceding common Exchange and Indian business day.

##### XXXM01.H. [Reserved]

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<sup>2</sup> Mumbai time is 11.5 hours ahead of Chicago (Central time) in the winter and 10.5 hours ahead of Chicago in the summer. India does not observe Daylight Saving Time.



**Attachment 3 Appendix C (continued)**

**XXXM02. SETTLEMENT PROCEDURES**

**XXXM02.A. [Reserved]**

**XXXM02.B. Cash Settlement**

The Final Settlement Price shall be equal to the reciprocal of "INR RBIB (INR01)," which is the "Indian rupee per U.S. dollar" spot exchange rate published by the Reserve Bank of India (RBI) at approximately 12:30 p.m. Mumbai time (about 1:00 a.m. Central Time in the winter and 2:00 a.m. Central Time in the summer). This rate is widely used by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Indian rupee versus U.S. dollars. Reuters quotes this RBI USD/INR spot rate on its page RBIB. The Final Settlement Price shall be rounded to two (2) decimal places. Open positions on the business day following the termination of trading day will be marked to the Final Settlement Price. For example, the Final Settlement Price based upon the reciprocal of a RBI INR/USD rate of 54.8473 Indian rupees per one U.S. dollar is 182.32 U.S. cents per 100 Indian rupees.

~~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. The Final Settlement Price shall be equal to the reciprocal of "INR RBIB (INR01)," which is the "Indian rupee per U.S. dollar" spot exchange rate published by the Reserve Bank of India (RBI) at approximately 12:30 p.m. Mumbai time (about 1:00 a.m. Central Time in the winter and 2:00 a.m. Central Time in the summer). This rate is widely used by the interbank foreign exchange market to cash settle non-deliverable forward contracts for Indian rupee versus U.S. dollars. Reuters quotes this RBI USD/INR spot rate on its page RBIB. The Final Settlement Price shall be rounded to seven (7) decimal places. Open positions on the business day following the termination of trading day will be marked to the Final Settlement Price. For example, a RBI INR/USD rate of 0.0184496 U.S. dollars per Indian rupee 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.~~

**XXXM03. [RESERVED]**

(End Chapter XXXM)

**Attachment 4** [Appendix D](#)

**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	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNTABILITY	REPORTABLE FUTURES LEVEL	REPORTABLE OPTIONS LEVEL
USD/INR (Cleared OTC Equivalents) *****				20,000			6,000	NA	
<u>Standard-Sized INR/USD Futures*****</u>				<u>20,000</u>			<u>6,000</u>	<u>25</u>	
<u>E-Micro INR/USD Futures*****</u>				<u>20,000</u>			<u>6,000</u>	<u>25</u>	

\*\*\*\*\*For purposes of Spot Month Position Limits and Position Accountability, the Exchange will aggregate positions in cleared OTC equivalents, standard-sized futures, and e-micro futures by converting positions into contract units whereby one contract will equal 100,000 U.S. dollars 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>Standard-Sized INR/USD Futures</u>	<u>40</u>	<u>40 ticks</u>	<u>40</u>
<u>E-Micro INR/USD Futures</u>	<u>40</u>	<u>40 ticks</u>	<u>40</u>

~~Attachment 6~~ [Appendix E](#)

**CME Rule 855. Offsetting Different Sized Futures Positions**

(Additions are underlined.)

With the consent of the account controller, a clearing member may offset and liquidate long E-Mini or E-Micro futures positions against short regular futures positions, or short E-Mini or E-Micro futures positions against long regular futures positions, held in the same account in the following ratios of E-Mini or E-Micro to regular futures contracts:

E-Mini S&P 500 to regular S&P 500:	5:1
E-Mini Nasdaq 100 Index to regular Nasdaq 100 Index:	5:1
E-Mini S&P Midcap 400 to regular S&P Midcap 400:	5:1
E-Mini Currency to regular Currency:	2:1
E-Mini S&P CNX Nifty Index Futures to E-micro S&P CNX Nifty Index Futures:	5:1
E-Mini Nikkei 225 (Yen) to regular Nikkei 225 (Yen):	5:1
E-Micro GBP/USD, EUR/USD, AUD/USD, CAD/USD, JPY/USD, CHF/USD, USD/RMB or CNY to regular Currency	10:1
<b><u>E-Micro INR/USD to regular INR/USD:</u></b>	<b><u>5:1</u></b>

The clearing member shall notify the Clearing House of offsetting positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement price.

The positions being offset shall be transferred to a CME holding account. Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract.



## APPENDIX F

Timothy R. Elliott  
Executive Director and Associate General Counsel  
Legal Department

December 17, 2012

### Via E-Mail

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

Re: [Revisions to Certification of Terms and Conditions for Standard-Sized and E-Micro Indian Rupee/U.S. Dollar \("INR/USD"\) Futures as well as Related Changes to CME Rule 5.C. on Position Limit and Reportable Levels, Rule 588.H. on Globex Non-Reviewable Trading Ranges, and Rule 855. on Offsetting Different Sized Futures Positions.](#)

**CME Submission No 12- 469R**

Dear Ms. Warfield:

The Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC") that it is self-certifying terms and conditions for Standard-Sized and E-Micro Indian Rupee/U.S. Dollar ("INR/USD") futures, to be listed for trading beginning **Monday, January 28, 2013** [on CME Globex and CME ClearPort.](#)

[Please note that CME is revising CME Submission No. 12-469 to amend the pricing basis and final cash settlement procedures for the Standard-Sized and E-Micro INR/USD futures contracts in order to make these contract rules consistent on a technical basis from front-end trading on CME Globex to back-end trade processing, clearing and variation payments at CME Clearing. In addition, this revised submission makes clear that at contract launch, the standard contract will initially offer trading in the February 2013 through January 2014 serial expiries in addition to the March 2014 through December 2014 quarterly expiries. By contrast, the e-micro contract will initially feature trading in the February 2013 through January 2014 serial expiries only.](#)

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 details the requisite changes to CME Rulebook Chapter 8 in regard to offsetting different sized futures positions. Section 5 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 Standard-Sized and E-Micro INR/USD futures. Appendices B and C set forth CME rulebook chapters for Standard-Sized and E-Micro INR/USD futures, respectively. Appendix D spells out the requisite amendments to CME Rulebook Chapter 5. Finally, Appendix E covers the requisite amendments to CME Rulebook Chapter 8.

### **Section 1 — Terms and Conditions of INR/USD Futures**

Attachment 1 summarizes the terms and conditions for a new suite of Indian Rupee/U.S. Dollar ("INR/USD") futures contracts. The standard-sized INR/USD futures contract will have a notional size of INR 5 million. The e-micro version will have a notional size of INR 1 million. Both futures will be U.S. dollar denominated and will thus feature daily pays and collects calculated and banked in U.S. dollars. Both contracts will trade in minimum tick sizes of \$0.~~0000~~01 per Indian rupee for outright transactions and in minimum tick sizes of \$0.~~0000~~005 per Indian rupee for calendar spreads. [At contract launch, the standard contract will initially offer trading in the February 2013 through January 2014 serial expiries in addition to the March 2014 through December 2014 quarterly expiries. By contrast, the e-micro contract will initially feature trading in the February 2013 through January 2014 serial expiries only.](#) Both

futures will be available for trading on [CME](#) Globex Sunday through Friday between 5:00 p.m. and 4:00 p.m., Chicago time. The standard contract will have an expiry schedule that covers two years (i.e., 12 consecutive calendar months plus four expiries in the March quarterly cycle), while the e-micro contract will have an expiry schedule consisting of 12 consecutive calendar months. Both futures will cease trading at 12:00 noon Mumbai time two Indian business days immediately preceding the last Indian business day of the contract month. Both contracts will be cash settled on the last trading day following expiry based on the reciprocal of the spot exchange rate of the Indian rupee per U.S. dollar as calculated and published by the Reserve Bank of India (“RBI”), rounded to ~~two~~~~seven~~ decimal places. Both futures will have a spot month position limit of 20,000 contracts, a position accountability level of 6,000 contracts, and a reportable level of 25 contracts. Finally, both futures will be cleared and guaranteed by CME Clearing. The CME rulebook chapters that codify the proposed terms and conditions of the Standard-Sized and E-Micro INR/USD futures are contained in Attachments 2 and 3, respectively.

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

As shown in Attachment 4, spot month position limits and position accountability thresholds for the Standard-Sized and E-Micro INR/USD futures will resemble those that apply to the extant CME over-the-counter (“OTC”) cleared only U.S. dollar/Indian rupee contract. Since the new and extant contracts are essentially one and the same product since they are based on the same currency pair, spot month position limits and position accountability for the new standard-sized and e-micro INR/USD futures will be aggregated with the spot month position limits and position accountability of the Exchange’s extant OTC cleared contract. Specifically, aggregate spot month position limits will be 20,000 contracts and aggregate position accountability will be 6,000 contracts for the INR/USD product grouping as a whole, based upon a \$100,000 notional contract equivalent. In addition, both the new standard-sized and e-micro INR/USD futures will have individual reportable position levels of 25 contracts, which is typical for CME foreign exchange futures contracts.

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

As shown in Attachment 5, the non-reviewable trading ranges that apply to trading in Standard-Sized and E-Micro INR/USD futures on Globex will resemble, in the main, those that apply to CME standard-sized and e-micro foreign currency futures.

### ***Section 4 – Offsetting Different Sized Futures Positions***

As shown in Attachment 6, offsetting different sized futures positions that apply to trading in Standard-Sized and E-Micro INR/USD futures will resemble, in the main, those that apply to CME standard-sized and e-micro equity index futures and foreign currency futures. Positions for the same account holder in Standard-Sized and E-Micro INR/USD futures may be aggregated on the basis of five E-Micro INR/USD futures contracts equaling one Standard-Sized INR/USD futures contract.

### ***Section 5 – Compliance with Core Principles***

The Exchange’s Research Department and Legal Department 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 Standard-Sized and E-Micro INR/USD 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 Standard-Sized and E-Micro INR/USD 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***

The Standard-Sized and E-Micro INR/USD futures are cash settled at final expiry on the last trading day in U.S. dollars based upon the reciprocal of the spot INR/USD exchange rate as calculated and published by the Reserve Bank of India, India’s central reserve bank. There is no basis on which the proposed contracts would be subject to manipulation, squeezes, or congestion at final settlement for two reasons. First, there is no physical limitation on the available supply of U.S. dollars. Second, the Reserve Bank of India’s spot INR/USD exchange rate is a key central bank rate which is highly transparent, scrutinized, and subject to rigid calculation procedures to insure that the rate remains a true reflection of market activity. As such, this rate serves as the principal global benchmark for spot INR/USD and is thus used widely as the key reference rate by the global interbank foreign exchange market to cash settle non-deliverable forward contracts between the Indian rupee and U.S. dollar.

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

Trading in the proposed new Standard-Sized and E-Micro INR/USD futures contracts 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 cash settlement 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 position accountability for the new Standard-Sized and E-Micro INR/USD futures will be tethered to the spot month position limits and position accountability of the Exchange’s extant over-the-counter (“OTC”) cleared only U.S. dollar/Indian rupee contract. Specifically, aggregate spot month position limits will be 20,000 contracts and aggregate position accountability will be 6,000 contracts for the INR/USD product grouping as a whole, based upon a \$100,000 notional contract equivalent. In addition, both the new Standard-Sized and E-Micro INR/USD futures will have individual reportable position levels of 25 contracts, which is typical for the Exchange’s foreign exchange futures contracts. Spot month position limits and position accountability for the two new INR/USD futures need to be linked to the extant OTC cleared only USD/INR product. Since the new and extant contracts are essentially one and the same product, combining the spot month position limits and position accountability for all three contracts will eliminate potential trading disruptions in this currency pair. As such, all positions in the new and extant contracts in accounts for which a person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading will be included with the positions held by such person. Furthermore, all positions in the new and extant contracts that are held by two or more persons acting pursuant to an expressed or implied agreement or understanding will be treated the same as if the positions were held by a single person. With respect to reportable position levels, the Exchange maintains that it is not necessary to link the two proposed futures contracts with the companion OTC product since the thresholds for both futures contracts have been established at considerably low levels.

**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 the proposed new Standard-Sized and E-Micro INR/USD futures contracts.

**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 the proposed new standard-sized and e-micro INR/USD futures contracts.

**Core Principle 9 – Execution of Transactions**

The proposed new Standard-Sized and E-Micro INR/USD futures contracts will be listed for trading on the CME Globex electronic trading platform only. This trading venue provides for competitive and open execution of transactions. CME Globex affords, moreover, the benefits of reliability and global connectivity.

The Globex non-reviewable trading ranges for these contracts will be as follows:

Standard-sized INR/USD futures:	40 ticks	(40 minimum price increments)
E-micro INR/USD futures:	40 ticks	(40 minimum price increments)

**Core Principle 10 – Trade Information**

All requisite trade information for the proposed new Standard-Sized and E-Micro INR/USD futures contracts 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**

The proposed new Standard-Sized and E-Micro INR/USD futures contracts will be cleared by the CME Clearing House, 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 the proposed new Standard-Sized and E-Micro INR/USD futures contracts.

**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 the proposed new Standard-Sized and E-Micro INR/USD futures contracts 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 the proposed new Standard-Sized and E-Micro INR/USD futures contracts 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 Standard-Sized and E-Micro INR/USD 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. 12-469R in any related correspondence.

Sincerely,

/s/ Tim Elliott  
Executive Director and Associate General Counsel

Attachments: [Appendix A – Factsheet \(black-lined\)](#)  
[Appendix B – Rulebook Chapter for Standard-Sized INR/USD Futures \(black-lined\)](#)  
[Appendix C – Rulebook Chapter for E-Micro INR/USD Futures \(black-lined\)](#)  
[Appendix D – Rulebook Changes to CME Rule 5.C. Position Limit and Reportable Level Table and CME Rule 588.H. Globex Non-Reviewable Trading Ranges \(black-lined\)](#)  
[Appendix E – Rulebook Changes to CME Rule 855. Offsetting Different Sized Futures Positions \(black-lined\)](#)  
[Appendix F – CME Submission No. 12-469 \(black-lined\)](#)