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Ms. Jean A. Webb
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: **Amendments to NYCE Rules 4.06-B, 4.07-B and 4.11-B through 4.16-B -
Submission Pursuant to Regulation 1.41(b) - Fast Track Review**

Dear Ms. Webb:

Pursuant to Section 5a(a)(12)(A) of the Commodity Exchange Act and Commission Regulation 1.41(b) - Fast Track Review, the New York Cotton Exchange (the "Exchange") submits amendments to Rules 4.06-B, 4.07-B and 4.11-B through 4.16-B, attached as Exhibit A.

The amendments convert the delivery process for the US Dollar Index ("USD^X") from cash-settled to physical delivery. Currently, USD^X futures are cash settled using a settlement price calculated by Reuters USA. During the last one-half hour of trading, Reuters collects indicative bids and offers for the currencies making up the USD^X from its bank contributors. It takes the last five bids/offers for each currency, drops the high and low and averages the remaining three for input into the USD^X formula. Over time, there has been a deterioration of the quality of the indications and a decline in the number of bank contributors. Therefore, in order to improve the quality of the delivery process, the Exchange has converted that process from a cash-settled to a physical delivery.

Under the proposed final settlement system, A long position in the USD^X will receive US dollars and pay the component currencies, and, conversely, a short position in the USD^X will receive the component currencies and pay US dollars.

The rule amendments also provide for the following: (1) the USD^X to stop trading at the

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same time as most of the other currency contracts; (2) a procedure for determining the final settlement price; (3) a procedure to determine the deliverable amount of each of the underlying currencies; (4) a delivery procedure that is similar to the procedure used for existing currency contracts; and (5) netting of the USDX component currencies against other currency futures contracts traded at the Exchange.

The Exchange's Board of Managers approved the amendments at its meeting on April 12, 2000. No substantive opposing views were expressed by members or others with respect to the Rule.

The Exchange intends to make the amendments effective when such amendments may be made effective under Regulation 1.41(b) for all delivery months with no open interest and all delivery months listed thereafter.

If you have any questions, please contact me at 212-742-6247.

Sincerely,



Jill S. Fassler
Vice President
Associate General Counsel

Enc.

cc: David Van Wagner
CFTC, Division of Trading and Markets
Thomas Leahy,
CFTC, Division of Economic Analysis
Allen Cooper
CFTC, Eastern Regional Office

(In the text of the amendments below, additions are underlined and deletions are bracketed and lined out.)

U.S. DOLLAR INDEX® FUTURES

RULE 4.06-B HOURS OF TRADING

* * *

- (b) On last trading day, trading in an expiring futures contract month shall cease at ~~[10:00]~~10:16 a.m.

RULE 4.07-B LAST DAY OF TRADING

The last day of trading in Dollar Index futures contracts deliverable in the current contract month shall be the second Business Day prior to the third Wednesday of that month. If that day is a bank holiday in New York, New York or, if the following Business Day (i.e., the first Business Day prior to the third Wednesday) is a bank holiday in one of the countries whose currency is in the Index, then the last day of trading in Dollar Index futures contracts deliverable in the current delivery month shall be the ~~[following business day which is not a bank holiday in all of the countries whose currencies are in the Index and in New York City]~~the preceding Exchange business day.

RULE 4.11-B [APPROVED SOURCES FOR SETTLEMENT

The President shall approve major banks and brokers in the interbank foreign exchange market who have pages in the Reuter Monitor System and who provide bids and offers for one or more of the currencies in the index as sources whose quotes may be used for settlement. In addition the President shall approve other major banks and brokers in the interbank foreign exchange market who will provide bids and offers for one or more of the currencies to the Exchange for use in calculation of the settlement index. A list of these approved sources is in Appendix A. (Appendix A is available from the Office of the Secretary). RESERVED

RULE 4.12-B SETTLEMENT PROCEDURES

- (a) Daily Settlements (See Rule 4.199(b))
 (b) Final Settlement Price

~~[Delivery under the Dollar Index futures contract shall be by cash settlement.~~

- (1) ~~For each currency, only quotes from independent sources shall be used to compute the final settlement index.~~
 (2) ~~The final settlement price for an expiring contract shall be determined by Reuters Ltd. using the Index specified under Rule 4.01-B.~~

The final settlement price shall be determined as follows:

For each currency, Reuters Ltd. shall record the latest quote of each contributing source made between 9:30 a.m. and 10:00 a.m. New York time on the last day of trading. Reuters will timestamp each quote to the nearest second. If more than one quote is recorded per contributing source from 9:30 a.m. to 10:00 a.m. only the latest quote per contributing source shall be used.

Then for each currency, these quotes shall be ranked in time sequential order. Reuters shall take quotes from five sources nearest in time to 10:00 a.m. If there are other quotes with the same timestamp as the fifth quote, then these quotes shall be used also.

For each currency, the bids and offers shall be sorted in numerical order. The highest and the lowest bid and the highest and the lowest offer shall be dropped. The remaining bids shall be averaged and the remaining offers shall be averaged for each currency.

The resulting average bids shall be used to compute a Bid Index using the formula specified under Rule 4.01-B and the resulting average offers shall be used to compute an Offer Index using the formula specified under Rule 4.01-B. The final settlement price shall be an average of the Bid Index and the Offer Index, rounded to 0.005 of a Dollar Index point.

To insure a minimum of five quotes per currency, the Exchange shall do the following on the last day of trading between 9:30 a.m. and 10:00 a.m.:

- (1) Call Reuters contributors to remind them to enter their quotes.
- (2) Survey by telephone or telex non-Reuters contributor banks and brokers to obtain quotes. These quotes must be confirmed in writing by telex before they are accepted as official. These official quotes shall then be entered by Exchange staff onto a Reuters contributor page.

Clearing Members holding open positions in Dollar Index futures contracts at the time of termination of trading shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation margin procedures based on the final settlement price.

Upon final settlement as provided in this Regulation, the parties shall have no further obligations hereinafter.]

The final settlement price of the expiring USDX Futures Contract shall be calculated using the formula in Rule 4.01-B and, to the extent possible, the final settlement prices of futures contracts of the underlying component currencies traded on the Exchange that expire simultaneously with the USDX.

In the event that the expiring USDX Futures Contract ceases to trade on a different day or at a different time from futures contracts on any of the component currencies traded on the Exchange, the rate of each of the missing component currencies shall be determined by the Settlement Committee taking into account cash and futures prices of the underlying currency component and any other information that the Committee may deem appropriate.

(c) Final Settlement

- (1) For each Settlement Currency, the Exchange shall designate a delivery bank (Appendix 1). The short Clearing Member shall deposit the U.S. Dollars and the long Clearing Member shall deposit the Settlement Currencies into the account of the Clearing Corporation at the delivery bank. Upon instructions from the Clearing Corporation on the delivery day, the delivery bank shall transfer to the account of the short Clearing Member the Settlement Currency funds previously deposited by the long Clearing Member and shall transfer to the account of the long Clearing Member the U.S. Dollar funds previously deposited by the short Clearing Member.
- (2) Determination of the U.S. Dollar and the Settlement Currency Amounts for Physical Delivery.
- (i) The U.S. Dollar Amount for physical delivery is determined by multiplying the final settlement price as determined in subparagraph (b) above by \$1,000.
- (ii) The Settlement Currency Amounts shall be determined by:
- (a) Using the weight of each currency as specified in Rule 4.01-B, multiply the weight by the final U.S. Dollar amount determined in accordance with subparagraph (i) above to obtain the U.S. Dollar Amounts for each currency.
- (b) If the price is in European terms, multiply the U.S. Dollar Amount for each currency by the currency price used to compute the final settlement price calculated in Rule 4.12-B(b).
- (c) If the price is in American terms, divide the U.S. Dollar Amount for each currency by the currency price used to compute the final settlement price calculated in Rule 4.12-B(b).

~~[RULES 4.13-B AND 4.14-B RESERVED]~~

RULE 4.13-B DELIVERY PROCEDURES

(A) Delivery day (Value Date) -

Delivery of the components of USDX futures contracts shall be made on the third Wednesday of the contract month. If that day is not a Business Day or is a bank holiday in New York, NY, then the delivery day shall be the next day that is a Business Day; provided, however, that, if it is a bank holiday in the country of any component currency in the Index, then, delivery of that currency and the U.S. Dollar Amount attributable to that currency shall occur on the next Business Day that is not a bank holiday in New York, NY and the country of the component currency.

(B) Netting of Positions

(1) Netting of Positions Within an Individual Contract - A Clearing Member may net his delivery obligations to the extent that such Clearing Member (for itself or for customers) is both long and short in USDX futures contracts and, if a customer account is involved, has a written request from the customer to net the customer's account against other accounts and provided further, that the Clearing Member has a written agreement respecting delivery and receipt other than as set forth in the Rules. If the Clearing Member chooses to net, it shall indicate its net position on the Delivery Netting Request form. The netting shall be performed in the following sequence: (i) within each account, (ii) eligible customer account versus eligible customer account and (iii) eligible customer account against firm account. The netting of positions by a Clearing Member shall relieve the Clearing Corporation of any further obligations with respect to any USDX contract involved. Such Clearing Member shall indemnify the Exchange, the Clearing Corporation and NYBOT against any liability, cost or expense that either may incur for any reason as a result of the Clearing Member's netting positions.

(2) Netting Currency Positions Across Contracts - A Clearing Member may net his delivery obligations to the extent that such Clearing Member (for it or for customers) hold positions that create offsetting currency payment obligations in USDX futures contracts and different Currency Pairs. If a customer account is involved, the Clearing member must have a written request from the customer to net the customer's account against other accounts and a written agreement respecting delivery and receipt other than as set forth in the Rules. If the Clearing Member chooses to net positions, it shall indicate the net position on its Delivery Netting Request Form. The netting shall be performed in the following sequence: (i) within each account, (ii) eligible customer account versus eligible customer account and (iii) eligible customer account against firm account. The netting of positions by a Clearing Member shall relieve the Clearing Corporation of any further obligations with respect to any USDX and other currency futures contracts involved. Such Clearing Member shall indemnify the Exchange, the Clearing Corporation and NYBOT against any liability, cost or expense that either may incur for any reason as a result of the Clearing Member's netting positions.

(C) Guarantee of Payment - If a guarantee of payment is needed it may be met in either of two (2) ways:

(1) posting a directive-to-pay; or

(2) depositing the currency into the Clearing Corporation's account one (1) business day prior to the delivery day.

(D) Long Clearing Member's Duties -

Holders of long USDX futures contract shall receive delivery of U.S. dollars and shall pay the Settlement Currencies equivalent.

It is the responsibility of the long Clearing Member to transfer the correct total amount of the Settlement Currency funds into the account of the Clearing Corporation at the delivery bank designated by the Exchange and to provide complete information for the timely transfer of the U.S. dollars into the long Clearing Member's account as specified in the procedure below:

- (1) In order for a Clearing Member with a long futures position to accept delivery for itself or for customers it represents, it shall, no later than 1:30 p.m. on the last day of trading, present long Clearing Member's Delivery Commitments to the Clearing Corporation. The Clearing Member shall include the following information in each Commitment:
 - (a) the name of the Exchange specified delivery bank (See Appendix 1);
 - (b) the Clearing Corporation's account number at the delivery bank in which it will deliver the Settlement Currency funds for each outstanding long USDX futures contract;
 - (c) the name of the bank along with the account number at such bank at which it will receive delivery of the U.S. dollars for each outstanding long contract; and
 - (d) all necessary transfer information such as the name of the correspondent.

If such Commitments are received later than 1:30 p.m. on the last day of trading, the Clearing Member shall be assessed a fine, the amount of which shall be determined by the Board or a committee appointed by the Board.

- (2) The long Clearing Member shall make arrangements for the timely transfer of the Settlement Currencies.
- (3) For each Currency, the chart below shows whether a guarantee of payment is needed and the appropriate deadlines:

<u>Currency</u>	<u>Guarantee of Payment</u>	<u>Deadline</u>
<u>Canadian Dollar</u>	<u>Needed</u>	<u>5:00 PM NYT on NY banking business day prior to delivery - i.e. the last day of trading</u>
<u>Swiss Franc</u>	<u>Not Needed</u>	
<u>Japanese yen</u>	<u>Not Needed</u>	
<u>Euro</u>	<u>Not Needed</u>	
<u>Sterling</u>	<u>Not Needed</u>	
<u>Swedish krona</u>	<u>Not Needed</u>	

(4) If a guarantee of payment is required and a Clearing Member chooses to submit a directive-to-pay, then, by the deadline listed in subparagraph D(3) of this Rule, the bank of the long Clearing Member shall submit to the delivery bank a directive-to-pay by swift message, telex, or other format acceptable to the delivery bank. The directive-to-pay shall include the following:

- (a) Clearing Member's name;
- (b) the name and address of the bank which will transfer the Settlement Currencies into the account of the Clearing Corporation;
- (c) the name and number of the account from which the Settlement Currencies will be transferred into the account of the Clearing Corporation;
- (d) the amount of Settlement Currencies to be transferred into the Clearing Corporation's account; and
- (e) the delivery day (value date) which is specified in subparagraph (A) of this Rule above.

If a Clearing Member submits a Settlement Currency directive-to-pay then by 10:00 a.m. local time on the delivery day (value date) specified in subparagraph (A) of this Rule above, the Clearing Member shall deposit the Settlement Currencies in an amount sufficient to cover the number of contracts for which delivery is being made into the account of the Clearing Corporation at the delivery bank. All payment advises from the remitting bank or from its correspondent must be received by the delivery bank no later than 10:00 a.m. local time on such day.

(5) If a guarantee of payment is required and a Clearing Member chooses not to submit a Settlement Currency directive-to-pay, the Clearing Member shall deposit into the account of the Clearing Corporation at the delivery bank designated by the Exchange an amount of the Settlement Currency funds that is sufficient to pay for the delivery of the number of contracts for which delivery is being made and that is for value on the business day immediately preceding delivery day. All payment advises from the remitting bank or its correspondent must be received by the delivery bank no later than 12:00 p.m. local time on the New York banking business day immediately preceding delivery day.

The amount of the directive-to-pay or the amount of the Settlement Currency deposit shall equal the value of the number of contracts for which delivery is being made based on the settlement price on the last day of trading. Deposit of the Settlement Currencies shall be made as an international bank wire transfer of immediately available funds.

If a guarantee of payment is needed, any directives-to-pay or deposits of the Settlement Currencies received subsequent to the deadlines established in this Rule 4.13-B shall be deemed a default and acted upon in accordance with Rule 4.14-B.

(6) Where no guarantee of payment is required to take delivery, the following procedures shall apply:

By 10:00 a.m. local time on the delivery day (value date) specified in subparagraph (A) of the Rule above, the Clearing Member shall deposit the Settlement Currencies in an amount sufficient to cover the number of contracts for which delivery is being made into the account of the Clearing Corporation at the delivery bank. All payment advises from the remitting bank or from its correspondent must be received by the delivery bank no later than 10:00 a.m. local time on such day.

The amount of the Settlement Currency deposit shall equal the value of the number of contracts for which delivery is being made based on the settlement price on the last day of trading. Deposit of the Settlement Currencies shall be made as an international bank wire transfer of immediately available funds.

- (7) It is the responsibility of the Clearing member and the beneficial owner of the long contracts to be familiar with, and in conformance with, all the regulations pertaining to the holding of non-resident bank accounts in the country of the bank through which delivery of the U.S. dollars will be made.

(E) Short Clearing Member's Duties -

Holders of short USDX futures contracts shall make delivery of the U.S. dollars and shall receive payment in the appropriate Settlement Currencies.

The short Clearing Member is responsible for assuring the timely delivery of the U.S. dollars into the appropriate Clearing Corporation account at the Exchange approved delivery bank and to provide complete information for the timely transfer of the appropriate Settlement Currencies into the short Clearing member's account as specified by the procedure below:

- (1) A Clearing Member with a short futures position in order to make delivery for itself or for a customer it represents shall, no later than 1:30 p.m. on the last day of trading, present to the Clearing Corporation short Clearing Member's Delivery Commitments. The Clearing member shall include the following information in each Commitment:
- a) the name of the Exchange specified delivery bank (See Appendix 1);
 - b) the Clearing Corporation's account number at the delivery bank in which the U.S. dollars will be delivered for each outstanding short USDX futures contract; and
 - (c) the name and address of the bank to which the appropriate Settlement Currencies payment should be sent along with the name of the account number to which the Settlement Currencies payment should be credited.

If such Commitment is received later than 1:30 p.m. on the last day of trading, the Clearing Member shall be assessed a fine, the amount of which shall be assessed a fine, the amount of which shall be determined by the Board or a committee appointed by the Board.

- (2) If a Clearing Member chooses to submit a directive-to-pay, then, by 10:00 a.m. NYT on the banking business day immediately preceding delivery day, the Clearing Member's

bank shall send to the delivery bank specified by the Exchange a directive-to-pay by swift message, telex or other format acceptable to the delivery bank. The directive-to-pay shall include the following:

- a) Clearing Member's name;
- b) the name and address of the bank which will transfer U.S. dollars into the account of the Clearing Corporation;
- c) the name and number of the account from which U.S. dollars will be transferred into the account of the Clearing Corporation;
- d) the amount of US dollars to be delivered into the Clearing Corporation's account; and
- e) the delivery day (value date) which is specified in subparagraph (A) of this Rule above.

If a Clearing Member submits a U.S. dollars denominated directive-to-pay, then by 10:00 a.m. local time on the delivery day (value date) specified in subparagraph (A) of this Rule 4.13-B, the Clearing Member shall deposit U.S. dollars in an amount sufficient to cover the number of contracts for which delivery is being made into the account of the Clearing Corporation at the delivery bank. All payment advises from the remitting bank or its correspondent must be received by the delivery bank no later than 10:00 a.m. local time on such day.

- (3) If guarantee of payment is required and a Clearing Member chooses not to submit a U.S. dollars directive-to-pay, the Clearing Member shall deposit into the account of the Clearing Corporation at the delivery bank designated by the Exchange, an amount of U.S. dollars that is sufficient to cover the number of contracts for which delivery is being made and that is for value on the New York banking business day immediately preceding delivery day. All payment advises from the remitting bank or its correspondent must be received by the delivery bank no later than 3:00 p.m. local time on the New York banking business day immediately preceding delivery day.

The amount of the directive-to-pay and/or the amounts of the U.S. dollars deposit shall equal the U.S. Dollar Amount specified in Rule 4.12-B(c)(2)(i) or (ii) for each outstanding short futures contract.

Deposit of U.S. dollars shall be made in the form of an international bank wire transfer of immediately available funds.

Any directives-to-pay or deposits of the U.S. dollars received subsequent to the deadlines established in this Rule shall be deemed a default and acted upon in accordance with Rule 4.14-B.

- (4) The short Clearing Member shall make arrangements for the timely transfer of U.S. dollars to the Exchange approved delivery bank.

By 10:00 a.m. local time on the delivery day (value date), the Clearing Member shall deposit the U.S. dollars in an amount sufficient to cover the number of contracts for which delivery is being made into the account of the Clearing Corporation at the delivery bank. All payment advises from the remitting bank or from its correspondent must be received by the delivery bank no later than 10:00 a.m. local time on this day.

Deposit of the U.S. dollars shall be made as an international bank wire transfer of immediately available funds.

- (5) It is the responsibility of the Clearing Member and the beneficial owner of the short contracts to be familiar with, and in conformance with, all the regulations pertaining to the holding of non-resident bank accounts in the country of the bank through which payment of the Settlement Currencies will be accepted.

(F) Costs of Delivery -

The seller (short) shall bear the costs of transferring the U.S. dollars into the delivery bank specified by the Exchange and the costs of transferring the Settlement Currencies out of the delivery bank. The buyer (long) shall bear the costs of transferring the U.S. dollars out of the delivery bank specified by the Exchange and the costs of transferring the Settlement Currencies into the delivery bank. Such costs may include, but are not limited to, wire transfer charges, directives-to-pay charges, swift message charges, interest charges and transaction fees.

RULE 4.14-B **DELINQUENCY IN PERFORMANCE**

- (a) If a Clearing Member with a commitment to deposit currency funds pursuant to Rule 4.13-B fails to deposit such funds by the deadline specified in Rule 4.13-B, then the Clearing Member shall be deemed in default, and the matter shall be acted upon pursuant to subparagraph (c) of this Rule.
- (b) If the information contained in either the Long's Delivery Commitment or the Short's Delivery Commitment is so inaccurate that delivery cannot be accomplished in a timely manner, fines or damages may be assessed pursuant to subparagraph (c) of this Rule.
- (c) If a Clearing Member fails to perform all the acts required by this Chapter, or is deemed to be in default, or is unduly enriched, it shall be liable to the Clearing Corporation and to the opposite Clearing Member for any loss sustained and may be subject to disciplinary and/or member responsibility action.

RULE 4.15-B **APPROVAL OF DIRECTIVE-TO-PAY-BANKS**

Upon application, the Exchange shall approve Directive-to-Pay banks provided, however, that each such bank shall be able to issue a directive-to-pay that is acceptable to the delivery bank.

If a bank is approved no longer meets the above requirement, the Exchange shall remove it from the approved list of Directive-to-Pay banks.

RULE 4.16-B APPROVAL OF DELIVERY

Upon application, the President shall approve delivery banks that must be able to do the following:

(1) handle accounts denominated in U.S. dollars and/or the appropriate Settlement Currencies; and

(2) demonstrate an ability to handle transfers in U.S. dollars and/or the appropriate Settlement Currencies in a timely manner;

provided, however, that the Exchange may from time to time establish such additional requirements as it deems necessary to be a delivery bank.

APPENDIX A

The formula in Rule 4.01-B is based on the original USDX formula and the fixed conversion rates established between the Euro and the currencies that became part of the euro.

(1) The original USDX formula was:

$$100 \cdot \exp \left[\sum_{i=1}^{10} (w_i \cdot \ln R_{it}) \right]$$

Where R_{it} = Base period exchange rate of currency i divided by exchange rate of currency i at time t with all exchange rates expressed in cents per unit of Foreign Currency.

and w_i = Trade weight for currency i.

The 10 currencies, their base rates and their trade weights are:

<u>Country</u>	<u>Base Rate</u>	<u>Weight</u>
<u>W. Germany</u>	<u>35,548 cents/mark</u>	<u>.208</u>
<u>Japan</u>	<u>0.3819 cents/yen</u>	<u>.136</u>
<u>France</u>	<u>22.191 cents/franc</u>	<u>.131</u>
<u>United Kingdom</u>	<u>247.24 cents/pound</u>	<u>.119</u>
<u>Canada</u>	<u>100.33 cents/dollars</u>	<u>.091</u>
<u>Italy</u>	<u>0.176 cents/lira</u>	<u>.090</u>
<u>Netherlands</u>	<u>34.834 cents/guilder</u>	<u>.083</u>
<u>Belgium</u>	<u>2.5377 cents/krona</u>	<u>.064</u>
<u>Sweden</u>	<u>22.582 cents/krona</u>	<u>.042</u>
<u>Switzerland</u>	<u>31.084 cents/frank</u>	<u>.036</u>

2. On January 1, 1999 the currencies of Germany, France, Italy, Netherlands and Belgium were replaced by the euro. The fixed conversion rates between these currencies and the euro are

- 1 EURO=1.95583 Deutsche marks
- 1 EURO=6.55957 French francs
- 1 EURO=1936.27 Italian lira
- 1 EURO=2.20371 Dutch guilders
- 1 EURO=40.3399 Belgian francs

APPENDIX 1

EXCHANGE APPROVED DELIVERY BANKS

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