

# SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 13-194

Date: May 30, 2013

**IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.**

## ORGANIZATION

Chicago Mercantile Exchange Inc.

## FILING AS A:

DCM

SEF

DCO

SDR

ECM/SPDC

## TYPE OF FILING

### • Rules and Rule Amendments

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

### • Products

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

## RULE NUMBERS

CME Chapter 204A, CME Chapter 5 Position Limit, Position Accountability and Reportable Level Table

## DESCRIPTION

Acceptance for clearing of USD Malaysian Crude Palm Oil Calendar Swaps



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

May 30, 2013

**VIA E-MAIL**

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

**RE: Rule 39.5(b) Certification: Notification of the Acceptance of USD  
Malaysian Crude Palm Oil Calendar Swaps  
CME Submission No. 13-194**

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. ("CME" or the "Exchange"), pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 39.5(b), hereby notifies the Commission of the acceptance of a new US dollar-denominated cleared-only Malaysian crude palm oil calendar swap ("Palm Oil Calendar Swap") for clearing through CME ClearPort beginning at 5 p.m. Central Time on Sunday, June 2, 2013 for trading date June 3, 2013.

In accordance with the acceptance of the Palm Oil Calendar Swap for clearing, CME Rule 204A is being adopted as set forth in Appendix 1.

Pursuant to Regulation 39.5(b)(3)(i), CME states that it is eligible to accept the Palm Oil Calendar Swap for clearing as such swaps are in a group, category type or class of swaps that is already cleared. Specifically, the Palm Oil Calendar Swap is of the same type as the existing Board of Trade of the City of Chicago, Inc. ("CBOT") Grain Calendar Swaps, which CME accepts for clearing pursuant to the analysis of eligibility contained in CME/CBOT/NYMEX Submission No. 12-053 (Mandatory Clearing Determination for Pre-Enactment Swaps and Swaps Cleared as of February 1, 2012) ("Submission No. 12-053"), attached under separate cover as Appendix 2. Should the Commission determine that the Palm Oil Calendar Swap is required to be cleared, CME will be able to maintain compliance with the DCO core principles set forth in Section 5b(c)(2) of the Commodity Exchange Act ("CEA") and the regulations promulgated thereunder.

This filing supplements Submission No. 12-053, which included information for CBOT Grain Calendar Swaps ("Grain Calendar Swaps") pursuant to Commission Regulation 39.5(b)(3), and which is incorporated herein by reference. Pursuant to Commission Regulation 39.5(b)(3)(ii)-(ix) and as a supplement to Submission No. 12-053, this Submission No. 13-194 provides information concerning the eligibility of CME to accept the Palm Oil Calendar Swap for clearing.

### **39.5(b)(3)(ii)(A): Outstanding Notional Exposure, Trading Liquidity and Pricing Data**

#### **Outstanding Notional Exposure:**

As a new product there is no current notional exposure in Palm Oil Calendar Swaps; however, an analysis of the underlying Malaysian crude palm oil export market is the best available indicator of potential notional exposure. Because trading in crude palm oil OTC markets has no mandatory reporting requirements, the exact size of the market is unknown. The primary risk management and price discovery tool is the Bursa Malaysia Derivatives Berhad FPCO futures contract (the "BMDB Contract"), upon which this swap is based. The BMDB Contract, however, is traded in Malaysian Ringgit while the international crude palm oil market is traded in U.S. Dollars. Many multinational commercial firms have no natural exposure to Ringgit, and prefer to trade crude palm oil in U.S. Dollars in the OTC market. Thus, a good way to estimate the maximum commercial OTC market in Malaysian palm oil is to measure the size of the Malaysian crude palm oil export market, which is traded in U.S. Dollars.

Below are monthly Malaysian crude palm oil exports (1,000,000 metric tons) over the past three calendar years (Source: Malaysian Palm Oil Board: <http://bepi.mpob.gov.my/index.php/statistics/export.html>).

	2010	2011	2012	<b>AVERAGE</b>
Jan	1.462	1.222	1.391	<b>1.358</b>
Feb	1.295	1.115	1.224	<b>1.211</b>
Mar	1.397	1.235	1.330	<b>1.321</b>
Apr	1.295	1.350	1.334	<b>1.326</b>
May	1.373	1.411	1.412	<b>1.399</b>
Jun	1.444	1.585	1.547	<b>1.525</b>
Jul	1.460	1.736	1.292	<b>1.496</b>
Aug	1.211	1.693	1.443	<b>1.449</b>
Sep	1.469	1.546	1.514	<b>1.510</b>
Oct	1.461	1.844	1.777	<b>1.694</b>
Nov	1.506	1.666	1.662	<b>1.611</b>
Dec	1.291	1.591	1.650	<b>1.511</b>
<b>AVERAGE</b>	<b>1.389</b>	<b>1.500</b>	<b>1.465</b>	<b>1.451</b>

With average monthly Malaysian exports at 1.451 million metric tons and with an average price of \$968 per ton over the past three years, the upper end of the monthly commercial Malaysian crude palm oil OTC market is around \$1.405 billion.

#### **Trading Liquidity:**

The Palm Oil Calendar Swap is settled based on the BMDB Contract, the world benchmark for palm oil price discovery and risk management. The BMDB Contract is a liquid, physically-delivered futures contract and is the same size (25 metric tons) as the Palm Oil Calendar Swap. Final settlement is the cumulative average of the settlement prices for the third-forward month BMDB Contract for each trading day in the swap contract month converted to USD and rounded

to the nearest \$0.25 using the Association of Banks in Singapore 11:00 am (Singapore time) MYR spot fixing<sup>1</sup>.

Below is the total monthly BMDB Contract volume over the past three calendar years:

	2010	2011	2012	Average
Jan	345,326	438,250	377,593	<b>387,056</b>
Feb	218,715	435,418	422,491	<b>358,875</b>
Mar	340,451	610,807	486,327	<b>479,195</b>
Apr	302,699	470,940	502,123	<b>425,254</b>
May	245,977	465,464	747,014	<b>486,152</b>
Jun	292,329	502,176	631,463	<b>475,323</b>
Jul	352,638	480,362	682,740	<b>505,247</b>
Aug	402,609	472,031	588,069	<b>487,570</b>
Sep	296,109	433,606	771,103	<b>500,273</b>
Oct	364,205	526,746	823,045	<b>571,332</b>
Nov	443,392	561,768	677,865	<b>561,008</b>
Dec	386,933	392,173	679,707	<b>486,271</b>

Over the past three calendar years average monthly volume in the BMDB Contract has been nearly 477,000 contracts, with the least active month, February, averaging 358,875 contracts.

The front-month Palm Oil Calendar Swap prices the third-forward BMDB Contract, and below are the monthly volume figures for only the third-forward contract month at BMDB:

	2010	2011	2012	Average
Jan	145,428	170,923	120,491	<b>145,614</b>
Feb	81,441	202,336	177,877	<b>153,885</b>
Mar	150,168	266,754	201,523	<b>206,148</b>
Apr	124,916	179,595	219,191	<b>174,567</b>
May	92,397	183,323	321,542	<b>199,087</b>
Jun	107,909	216,854	266,208	<b>196,990</b>
Jul	145,281	184,157	295,647	<b>208,362</b>

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<sup>1</sup> The referencing futures contract for Palm Oil Calendar Swaps during most of its life is the BMDB Contract that expires two months after the Swap contract month. During the final month of clearing, the Rules for Palm Oil Calendar Swaps specify the third-forward BMDB Contract, which allows the Palm Oil Calendar Swap to reference two BMDB Contract expirations for final settlement, consistent with palm oil swaps traded in the OTC market. For example, for daily settlement, a September Palm Oil Calendar Swap would receive settlement based on the November BMDB Contract (i.e., the BMDB Contract that expires two months after the Swap contract month). When a September Palm Oil Calendar Swap becomes the nearby or front-month contract, the BMDB would have listed contract expirations for September, October, November, December, etc.). So at the start of September, the third-forward BMDB Contract is still the November contract. BMDB Contracts expire mid-month, so in Mid-September, the third-forward BMDB Contract becomes the December contract. Thus, final settlement for a September Palm Oil Calendar Swap will be made up from settlements from the November BMDB Contract during the first half of September and the December BMDB Contract during the second half of September.

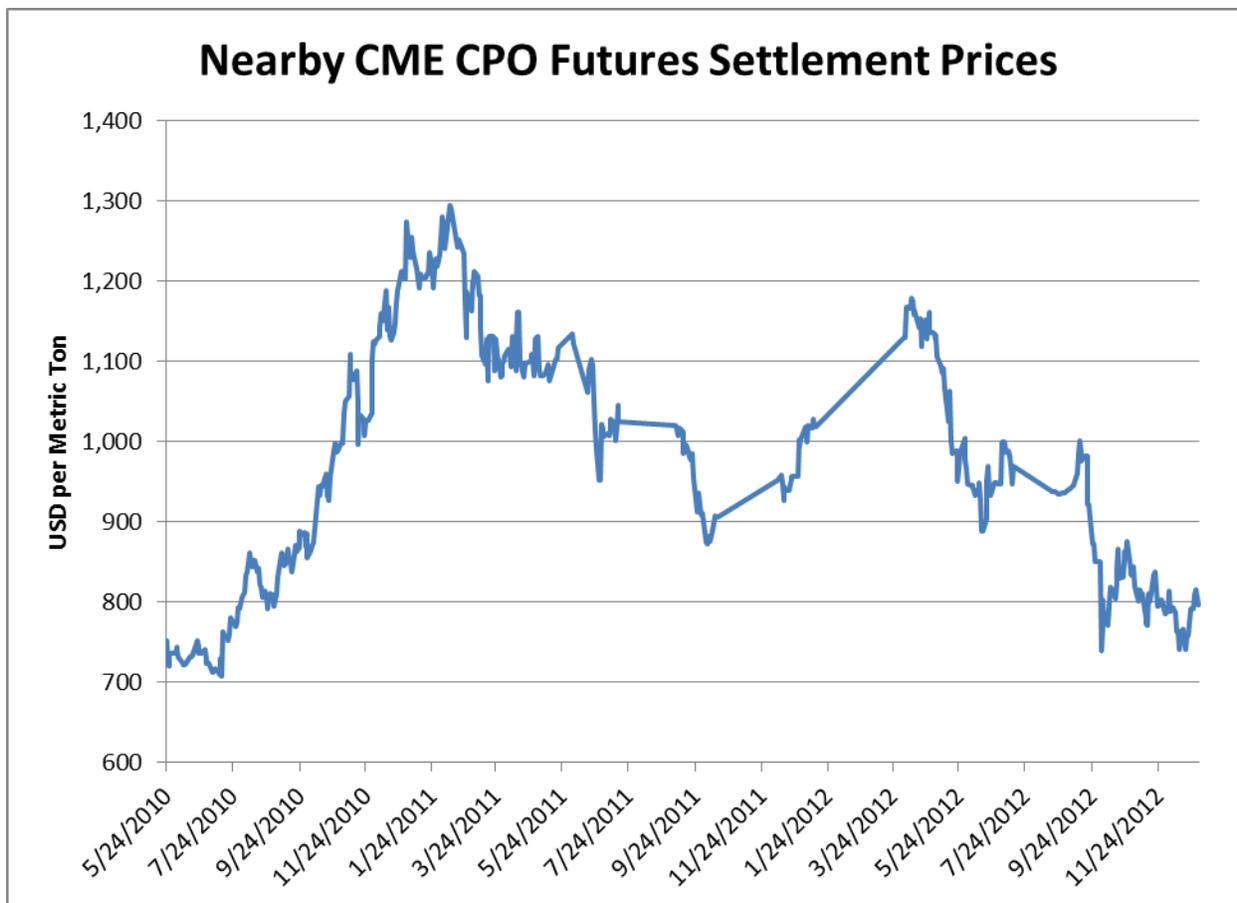
<b>Aug</b>	193,431	172,938	248,555	<b>204,975</b>
<b>Sep</b>	142,330	186,492	312,572	<b>213,798</b>
<b>Oct</b>	151,819	204,703	327,496	<b>228,006</b>
<b>Nov</b>	202,330	222,084	241,679	<b>222,031</b>
<b>Dec</b>	156,952	143,633	218,898	<b>173,161</b>

Over the past three calendar years average monthly volume in the third-forward BMDB Contract has been nearly 194,000 contracts, with the least active month, January, averaging 145,614 contracts.

As these volume statistics indicate, trading in the underlying core referencing futures is liquid.

### **Pricing Data:**

Price data for the Palm Oil Calendar Swap is readily available since it references the BMDB Contract for its settlement values. Recent daily price data for all BMDB Contracts are available for free from the Bursa Malaysia website at <http://www.bursamalaysia.com/market/derivatives/market-statistics/historical-data/>. Exchange staff obtains BMDB Contract price data from Bloomberg (available at KO <commdy> <go>). CME has a listed futures contract with very similar product specifications to the Palm Oil Calendar Swap; it is a U.S. Dollar Cash Settled Crude Palm Oil Futures contract ("CME CPO Contract") which, like the Palm Oil Calendar Swap, references during its settlement period the third-forward BMDB Contract. Thus, the nearby CME CPO Contract is a very good U.S. Dollar reference for the nearby Palm Oil Calendar Swap. Pricing data for CME CPO Contract is readily available on the CME Group Website with data over the past seven days free and older data available for a modest fee (<http://www.cmegroup.com/market-data/settlements/>). Below is a price chart for the nearby CME CPO Contract:



**39.5(b)(3)(ii)(B): Rule Framework, Capacity, Operational Expertise and Resources, Credit Support Infrastructure**

Please see Appendix 1 for the Palm Oil Calendar Swap rule chapter. Submission 12-053 contains additional information related to the clearing house rule framework and information regarding its capacity, operational expertise and resources, and credit support information.

**39.5(b)(3)(ii)(C): Effect on Mitigation of Systemic Risk**

Please see Exchange Submission No. 12-053 at Appendix 2. With regard to the size of the OTC market for this product, the Exchange estimates the maximum commercial OTC market to be \$1.405 billion per month on average as noted above in the analysis of Outstanding Notional Exposure.

**39.5(b)(3)(ii)(D): Effect on Competition – Fees and Charges**

**FEE SCHEDULE**

Membership Type	Clearing Fee <sup>1</sup>	Globex Fee	All In Fee
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Individual Equity Members/Clearing Members/Rule 106.J Equity Member Firms/Rule 106.I Members/Rule 106.S Member Approved Funds	\$2.00	n/a	\$2.00
Rule 106.D Lessees / Rule 106.F Employees	\$2.25	n/a	\$2.25
Rule 106.R Electronic Corporate Member - Holding Member	\$2.50	n/a	\$2.50
Rule 106.R Electronic Corporate Member - Volume Incentive Program	\$2.50	n/a	\$2.50
Rule 106.H and 106.N Firms	\$2.50	n/a	\$2.50
Asian Incentive Program (AIP) Participants	\$2.50	n/a	\$2.50
International Incentive Program (IIP) Participants	\$2.50	n/a	\$2.50
South American Incentive Program (SAIP) Participants, also known as Latin American Bank Incentive Program (LABIP)	\$2.50	n/a	\$2.50
Latin American Commercial Incentive Program (LACIP) Participants	\$2.50	n/a	\$2.50
Latin American Fund Manager Incentive Program (FMIP) Participants	\$2.50	n/a	\$2.50
CTA/Hedge Fund Incentive Program Participants	\$2.50	n/a	\$2.50
CBOE Members (reduced for S&P Index & E-mini S&P only)	\$2.50	n/a	\$2.50
Customers of Member Firms	\$2.50	n/a	\$2.50

1 Clearing Fee includes Pit Trades, Pit Spreads, Give Ups, Electronic Trades, Electronic Spreads, Exercise, Assignment and Delivery transaction types.

<b>Other CME Processing Fees</b>	
EFP Surcharge	n/a
Block Trade Surcharge	n/a
106.D Lessee/106.H Brokerage	n/a
106.F Employee Brokerage	n/a
Floor / "New" Brokerage	n/a
Position Transfers /Position Adjustments	\$0.10
Give-Up Surcharge	\$0.05
Facilitation Desk Fee	\$0.20
Exercise & Assignment Surcharge	n/a

<b>Current Fee Programs</b>	<b>(Inclusion/Exclusion)</b>
New Product Access Program	<b>Exclusion</b>
Ag Volume Discount	<b>Exclusion</b>
Market Maker/Targeted Participant Program	<b>Exclusion</b>
NTIP	<b>Exclusion</b>
Please ensure to refer to the most recent CME fee schedule for the following:	
<ul style="list-style-type: none"> <li>o Current Market Maker/Targeted Participant Programs refer</li> <li>o Rules for Existing Fee Discount Programs</li> <li>o Exceptions to Rates for Specific Membership Types</li> </ul>	

**Product Eligibility**

**Exchange CME**

<b>Product Eligibility</b> (Seat Division)	CME	IMM	IOM	GEM
	X			

Product Name	Seat Division Eligibility
USD Malaysian Crude Palm Oil Calendar Swap	CME

The swap will also be included in the CME Extended Access Program with CBOT Members receiving CME Member rates and CBOT Lessees receiving CME Lessee rates.

**39.5(b)(3)(ii)(E): Reasonable Legal Certainty in DCO or Clearing Member Insolvency**

Please see Exchange Submission No. 12-053 at Appendix 2 regarding DCO insolvency protections.

**39.5(b)(3)(iii): Product Specifications**

The product specifications for Palm Oil Calendar Swaps are as follows:

- **Contract Title:** USD Malaysian Crude Palm Oil Calendar Swap
- **Commodity Code:** CPC
- **Contract Size:** 25 Metric Tons
- **Prices and Fluctuations:** Minimum price fluctuations shall be in multiples of USD \$0.25 per metric ton which shall equal USD \$6.25 per contract.
- **Termination of Clearing:** Last business day of the contract month.
- **Listing Schedule:** 24 consecutive months
- **First Listed Month:** July 2013
- **Rule Chapter:** 204A
- **Exchange Hours:** CME ClearPort Sunday – Friday 5:00 p.m. – 4:15 p.m. Chicago Time (CT) with a 45-minute break each day beginning at 4:15 p.m. CT.

**39.5(b)(3)(iv): Participant Eligibility Standards**

Please see Exchange Submission No. 12-053 at Appendix 2 describing participant eligibility standards.

**39.5(b)(3)(v): Pricing Sources, Models, and Procedures**

The Palm Oil Calendar Swap, like CBOT Grain Calendar Swaps, is settled daily to its core reference futures contract. Also, like the current CBOT Grain Calendar Swaps, final settlement is based on the monthly average of the core reference futures contract.

As noted above, the referenced BMDB Contract is a liquid futures contract that acts as the world benchmark for palm oil price discovery and price risk management.

Bursa Malaysia changed its settlement procedures for the BMDB Contract on December 3, 2012. Prior to that date, daily settlement was based on the last traded price within the final one-minute interval prior to market close provided that the last traded price fell within the bid-ask spread.

On December 3, Bursa Malaysia adopted a Volume Weighted Average Price (VWAP) settlement process, similar to the process CME Group staff uses to settle agricultural products. Now, settlement of the third-forward BMDB Contract is a VWAP of trades executed on CME Globex between 17:59:00 – 18:00:00 Malaysia Time.

<http://www.bursamalaysia.com/misc/system/assets/3889/circular-updates-271112.pdf>

#### **39.5(b)(3)(vi): Risk Management Procedures**

Please see Exchange Submission No. 12-053 at Appendix 2 for information concerning CME Clearing's risk management procedures.

#### **39.5(b)(3)(vii): Applicable Rules, Manuals, Policies and Procedures**

Please see the Palm Oil Calendar Swap rule chapter attached as Appendix 1 and Exchange Submission No. 12-053 at Appendix 2 for rules, manuals, policies and procedures applicable to the clearing of Palm Oil Calendar Swaps.

#### **39.5(b)(3)(viii): Notice of Submission**

The Exchange certifies that the clearing of this swap complies with the CEA and regulations thereunder. The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

#### **39.5(b)(3)(ix): Additional Information**

##### **Speculative Position Limits**

In addition to the listing of Crude Palm Oil calendar swaps, the Exchange is notifying the CFTC that it is self-certifying the insertion of speculative position limits into the Position Limit, Position Accountability and Reportable Level Table located in the Interpretations and Special Notices Section of Chapter 5 of the CME Rulebook in relation to the listing of the new contract. The speculative position limits establish single- and all-month speculative position limits and establish reportable levels for USD Malaysian Crude Palm Oil calendar swaps.

As noted above, the core referencing futures contract for the nearby USD Malaysian Crude Palm Oil calendar swap is the third-forward month BMDB Contract. For single- and all-month speculative position limits, average month-end open interest was calculated for the third-forward BMDB Contract through 2012. The average month-end open interest calculated in this manner was just over 40,000 contracts. Applying the formula at Commission Regulation 150.5 (c) that takes ten percent of the first 25,000 of average month-end open interest and adding two and

one-half percent of the remaining open interest results in a maximum possible single- and all-month speculative position limit of 2,875 contracts<sup>2</sup>. The Exchange plans to implement single- and all-month speculative position limits of 2,800 contracts for the Palm Oil Calendar Swaps.

The Palm Oil Calendar Swap does not trade into its referencing futures contract's spot month. Additionally, estimated deliverable supply readily supports the recommended single-month position limit, so the Exchange does not plan to implement a spot-month limit for the Palm Oil Calendar Swap.<sup>3</sup> Estimates of deliverable supply underlying the crude palm oil market and the calculation of position limits are included in Appendix 3, and the proposed modifications to the CME Rulebook Chapter 5 Position Limit, Position Accountability and Reportable Level Table are listed in Appendix 4.

If you require any additional information regarding this action, please contact me at 212-299-2200 or [Christopher.Bowen@cmegroup.com](mailto:Christopher.Bowen@cmegroup.com), or John McKinlay at [John.McKinlay@cmegroup.com](mailto:John.McKinlay@cmegroup.com) and reference CME Submission No. 13-194 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix 1: CME Rule 204A  
Appendix 2: CME/CBOT/NYMEX Submission No. 12-053 (attached under separate cover)  
Appendix 3: Deliverable Supply and Position Limits Analysis  
Appendix 4: CME Chapter 5 Position Limit, Position Accountability and Reportable Level Table (attached under separate cover)

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<sup>2</sup> Bursa Malaysia FCPO futures contracts have single-month speculative position limits of 10,000 contracts and all-month speculative position limits of 15,000 contracts.

<sup>3</sup> For physically delivered markets, the CFTC does not allow spot-month limits to exceed 25 percent of deliverable supply. Twenty-five percent of the month with the lowest estimated deliverable supply (June - 34,600 contracts) results in 8,650 contracts. Thus, the recommended level of 2,800 contracts falls significantly below 25 percent of estimated deliverable supply, and the Exchange does not plan to implement a separate spot-month limit beyond the single- and all-month limit.

# APPENDIX 1

## Chapter 204A USD Malaysian Crude Palm Oil Calendar Swap (Cleared Only)

### 204A00. SCOPE OF CHAPTER

This chapter is limited in application to the clearing of USD Malaysian Crude Palm Oil Calendar Swaps, where the parties to the transaction are “Eligible Contract Participants” as defined in Commodity Exchange Act Section 1a(18). Transactions in USD Malaysian Crude Palm Oil Calendar Swaps shall also be subject to the general rules of the Exchange insofar as applicable. The clearing and settlement of transactions in USD Malaysian Crude Palm Oil Calendar Swaps shall also be subject to the provisions of Chapter 8-F of the CME Rulebook.

### 204A01. CONTRACT SPECIFICATIONS

#### 204A01.A. Unit of Clearing

The unit of clearing shall be 25 metric tons.

#### 204A01.B. Hours for Clearing Entry

The Exchange shall determine the hours during which USD Malaysian Crude Palm Oil Calendar Swaps may be submitted to the Clearing House. Positions shall be initiated or closed out using off-exchange transactions.

#### 204A01.C. Minimum Price Increments

Minimum price fluctuations shall be in multiples of USD \$0.25 per metric ton which shall equal USD \$6.25 per contract. Contracts shall not be made on any other price basis.

#### 204A01.D. Months Cleared

Clearing of USD Malaysian Crude Palm Oil Calendar Swaps is regularly conducted in all 12 months, but shall be permitted in the current delivery month and any succeeding months. The number of months in which clearing may occur shall be at the discretion of the Exchange.

#### 204A01.E. 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.

#### 204A01.F. Last Day of Clearing

The last day of clearing of USD Malaysian Crude Palm Oil Calendar Swaps deliverable in the current delivery month shall be the final settlement day as prescribed in Rule 204A05.

**204A01.G. Liquidation during the Delivery Month**

After clearing of USD Malaysian Crude Palm Oil Calendar Swaps in the current delivery month has ceased, in accordance with Rule 204A01.F. of this chapter, outstanding contracts for such delivery shall be liquidated by cash settlement as prescribed in Rule 204A02.

**204A02. CASH SETTLEMENT**

Final settlement under these rules shall be on the final settlement day (as described in Rule 204A05) and shall be accomplished by cash settlement. Clearing members holding open positions in USD Malaysian Crude Palm Oil Calendar Swaps at the time of termination of clearing shall make payment to and receive payment through the Clearing House in accordance with normal variation settlement procedures based on a settlement price equal to the final settlement price (as described in Rule 204A03.).

**204A03. FINAL SETTLEMENT PRICE AND DAILY SETTLEMENT DURING THE LAST MONTH OF TRADING**

The final settlement price shall be determined on the final settlement day. The final settlement price shall be the cumulative average of the settlement prices for the third-forward month FCPO contract traded on the Bursa Malaysia Derivatives Berhad for each trading day in the swap contract month converted to USD and rounded to the nearest \$0.25 using the Association of Banks in Singapore (ABS) 11:00 am (Singapore time) MYR spot fixing.

For example, final settlement for a January USD Malaysian Crude Palm Oil Calendar Swap would be the cumulative average of the daily settlement prices for the third forward FCPO contract listed on the Bursa Malaysia Derivatives Berhad contract during the month of January, which in this example will comprise half of the March futures contract and half of the April futures contract, with the month roll determined by the Bursa Malaysia Derivatives Berhad listing and expiration cycle. These daily settlement prices are converted to USD and rounded to the nearest \$0.25 using the Association of Banks in Singapore's 11:00 am (Singapore time) MYR spot fixing.

Daily settlement during the last month of clearing shall be the cumulative average of each settlement price of the corresponding Bursa Malaysia Derivatives Berhad FCPO futures contract and converted to USD and rounded to the nearest \$0.25 weighting the current day's settlement price across each remaining clearing day.

Settlement prices shall be generated each CME business day using the most recent available values from Bursa Malaysia Derivatives Berhad and the most recent ABS spot fixing. However, any settlement prices generated on a CME business day that is not also a Bursa Malaysia Derivatives Berhad business day will not be counted toward final settlement. Additionally, there will be no daily settlement prices generated on non-CME business days that are Bursa Malaysia Derivatives Berhad business days, but the Bursa Malaysia Derivatives Berhad settlement prices generated on such days will count toward final settlement and daily settlement during the last month of clearing.

#### **204A04. DAILY SETTLEMENT PRICE**

Daily settlement other than settlement on the final settlement day or during the last month of clearing (as described in Rule 204A03) shall be the settlement price of the Bursa Malaysia Derivatives Berhad FCPO futures contract that is the second forward month from the swap month converted to USD using the Association of Banks in Singapore's 11:00 am (Singapore time) MYR spot fixing and rounded to the nearest \$0.25. Daily settlement prices shall be generated each business day the CME is open using the most recent available Bursa Malaysia Derivatives Berhad FCPO futures prices and the latest available Association of Banks in Singapore's 11:00 am MYR spot fixing.

The Exchange may list USD Malaysian Crude Palm Oil Calendar Swaps before corresponding Bursa Malaysia Derivatives Berhad FCPO futures contracts are listed. In such cases, daily settlements will be based on interpolation between contracts that are listed.

#### **204A05. FINAL SETTLEMENT DAY**

The final settlement day shall be on the last CME business day of the swap contract month. However, should there be a Bursa Malaysia Derivatives Berhad business day during the swap contract month that follows the last CME business day of the swap contract month, then final settlement shall be on the first CME business day of the month following the swap contract month.

#### **204A06. DISPUTES**

All disputes between interested parties may be settled by arbitration as provided in the Rules.

## **APPENDIX 2**

CME/CBOT/NYMEX Submission No. 12-053  
(attached under separate cover)

## APPENDIX 3

### Deliverable Supply Analysis

Palm oil is an edible vegetable oil derived from the pulp of the fruit of oil palms. It is naturally reddish in color due to high beta-carotene content, and should not be confused with palm kernel oil, which is derived from the kernel of the same fruit.

Palm oil is one of the few highly saturated vegetable fats and is semi-solid at room temperature. This is an important component, as many U.S. and Global food companies are moving away from partially hydrogenated trans fats. Palm oil is a reasonable replacement for trans fats and is also attractive to the commercial food industry due to its relative low cost.

USDA estimates Global palm oil production at 54.322 million metric tons in 2012. Malaysian palm oil production is estimated at 19.000 million metric tons or almost 35 percent of Global production.

Palm oil is produced from the fruit of palm trees. Palm trees continually bear fruit, so palm oil production is continuous. Malaysia is one of the world's major palm oil producers. Below is Malaysian crude palm oil production over the past three calendar years (in millions of metric tons):

	2010	2011	2012	<b>AVERAGE</b>
Jan	1.321	1.058	1.288	<b>1.222</b>
Feb	1.157	1.094	1.188	<b>1.146</b>
Mar	1.387	1.416	1.211	<b>1.338</b>
Apr	1.306	1.530	1.273	<b>1.370</b>
May	1.386	1.742	1.384	<b>1.504</b>
Jun	1.420	1.753	1.471	<b>1.548</b>
Jul	1.519	1.751	1.692	<b>1.654</b>
Aug	1.606	1.667	1.664	<b>1.646</b>
Sep	1.563	1.869	2.004	<b>1.812</b>
Oct	1.637	1.909	1.938	<b>1.828</b>
Nov	1.459	1.628	1.891	<b>1.659</b>
Dec	1.233	1.494	1.780	<b>1.502</b>

BMDB CPO futures are deliverable in tanks at the ports of Klang, Penang/Butterworth, and Pasir Gudang. According to Bursa Malaysia and the Malaysia Palm Oil Board, crude palm oil production from the Peninsula Malaysia region of Malaysia predominately supplies these locations with oil, and that production in this region represents what can easily flow into the BMDB CPO delivery market. Additionally, although the Malaysia Palm Oil Board does not maintain quality statistics on crude palm oil production, they indicate that the virtually all Peninsula Malaysia production meets the minimum delivery specifications of BMDB CPO futures; however, for this analysis it is assumed that only 90 percent of Peninsula Malaysia production meets BMDB CPO requirements.

### Peninsula Malaysia Crude Palm Oil Production (1,000 MTs)

	2010	2011	2012	<b>AVERAGE</b>
Jan	0.693	0.573	0.664	<b>0.643</b>
Feb	0.643	0.599	0.651	<b>0.631</b>
Mar	0.781	0.792	0.659	<b>0.744</b>
Apr	0.723	0.838	0.704	<b>0.755</b>
May	0.789	0.967	0.767	<b>0.841</b>
Jun	0.847	0.956	0.843	<b>0.882</b>
Jul	0.905	0.965	0.993	<b>0.954</b>
Aug	0.902	0.924	0.942	<b>0.923</b>
Sep	0.867	1.048	1.130	<b>1.015</b>
Oct	0.896	1.056	1.060	<b>1.004</b>
Nov	0.806	0.887	0.991	<b>0.895</b>
Dec	0.647	0.770	0.916	<b>0.778</b>

Peninsula Malaysia production data indicate that February contains the smallest production over the past three years at 631,000 tons. Assuming ten percent of this total does not meet BMDB CPO delivery specifications results in deliverable supply of 567,900 tons. According to the Malaysia Palm Oil Board, long-term agreements are extremely rare in Malaysian crude palm oil markets because the produce is continually produced, and they do not believe any stocks would be precluded from delivery because of any long-term agreements.

There is no evidence that ownership of stocks and/or storage negatively impacts deliverable supply; the market appears to be competitive with multiple market participants. For example, here is a list of firms approved by Bursa Malaysia to deliver on their Crude Palm Oil futures contract. Please note that this is just a partial list of total market participants.

<http://www.bursamalaysia.com/misc/system/assets/2429/PTI%20Update%20Info%20CPO%20&%20CPKO%202012.pdf>

Based on this analysis, the deliverable supply of crude palm oil into the BMDB CPO delivery system is 567,900 metric tons (22,716 contract equivalents). Looking only a stocks deliverable into the BMDB delivery system and using the spot-month speculative position limit formula of 25 percent of deliverable supply, then deliverable supply into the BMDB CPO contract support position limits of 5,679 contracts ( $22,716 * 0.25$ ).

### **Association of Banks in Singapore Spot Fixing**

HSBC estimates the normal daily volume in the spot MYR/USD FX market to be \$1.2 trillion.

[http://www.hsbcnet.com/gbm/attachments/rise-of-the-rmb/currency-guide-2012.pdf?WT.ac=CIBM\\_gbm\\_pro\\_rmbrise\\_pbx01\\_On](http://www.hsbcnet.com/gbm/attachments/rise-of-the-rmb/currency-guide-2012.pdf?WT.ac=CIBM_gbm_pro_rmbrise_pbx01_On)

Over a month with 20 trading days, the typical volume transacted in the spot MYR/USD FX market would be \$1.2 trillion \* 20 = \$24 trillion. Over the past year, the maximum price for the

third forward BMDB CPO contract has been \$1,134 per ton. Someone holding the recommended non-spot position limit of 2,800 contracts (70,000 metric tons) at the maximum price over the past 12 months would have exposure of \$79,380,000 (70,000 \* \$1,134). This exposure represents 33/100ths of one percent of the estimated MYR/USD spot market during a final month of clearing. Thus, someone with a maximum position in Crude Palm Oil calendar swaps would still have exposure that represents only a tiny fraction of the MYR/USD FX market, making currency manipulation extremely unlikely.

The World Bank, the Securities and Exchange Commission, and the Federal Reserve use the Association of Banks in Singapore MYR spot fixing at 11:00 a.m. Singapore time in many of their contracts that require MYR/USD exchange:

<http://treasury.worldbank.org/web/10530.pdf>

[http://www.sec.gov/Archives/edgar/data/1159508/000095010309002504/dp19051\\_fwp-739be.htm](http://www.sec.gov/Archives/edgar/data/1159508/000095010309002504/dp19051_fwp-739be.htm)

[http://www.newyorkfed.org/fxc/2011/Compendium\\_of\\_Amendments\\_to\\_Annex\\_A.pdf](http://www.newyorkfed.org/fxc/2011/Compendium_of_Amendments_to_Annex_A.pdf)

In addition to these organizations, CME Group also uses the Association of Banks in Singapore MYR/USD spot fixing. CME has cleared OTC MYR/USD spot, forward, and swap markets:

<http://www.cmegroup.com/rulebook/CME/III/250/280H/280H.pdf>

CME also has a Crude Palm Oil futures contract based on BMDB CPO futures that uses the Association of Banks in Singapore MYR/USD spot fixing. This contract is designed exactly like the Crude Palm Oil Calendar Swap except it is traded on Globex and has a 5-day rather than entire month final settlement average.

<http://www.cmegroup.com/rulebook/CME/II/200/204/204.pdf>

### **Speculative Position Limits:**

U.S. based futures single- and all-month position limits for established contracts are based on a CFTC formula that allows a non-spot limit of 10 percent of the first 25,000 contracts of month-end open interest in the previous calendar year plus 2.5 percent of all additional month-end open interest above 25,000 contracts. Using this formula, and looking at only the referencing Bursa Malaysia third-forward futures contract, 2012 month-end open interest averaged just over 40,000 contracts. This level would allow a single- and all-month position limit of up to 2,875 contracts  $((25,000 * 0.10) + ((40,000 - 25,000) * 0.025))$ . The Exchange plans to set single- and all-month speculative position limits at 2,800 contracts.

The proposed calendar swap does not trade into its referencing futures contract's spot month, and estimated deliverable supply supports the planned single- and all-month speculative limit. For physically delivered markets in the U.S., the CFTC does not allow spot-month limits to exceed 25 percent of deliverable supply. Twenty-five percent of the month with the lowest estimated deliverable supply (June - 34,600 contracts) results in 8,650 contracts. Thus, the recommended level of 2,800 contracts falls significantly below 25 percent of estimated deliverable supply, and the Exchange does not plan to set separate spot-month limit.

## **APPENDIX 4**

CME Chapter 5 Position Limit, Position Accountability and Reportable Level Table  
(attached under separate cover)

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units	Type	Settlement	Group	Reporting Level	Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	All Month Limit (In Net Futures Equivalents) Leg (1)	All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
<b>USD Malaysian Crude Palm Oil Calendar Swap (Cleared Only)</b>	<b>204A</b>	<b>CPC</b>	<b>25</b>	<b>metric tons</b>	<b>Swaps</b>	<b>Financially settled swap</b>	<b>CME COMMODITY</b>	<b>25</b>	<b>CPC</b>	<b>2,800</b>	<b>CPC</b>	<b>2,800</b>

Last updated: May 31, 2013