

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 17-375

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 10/20/2017 Filing Description: Acceptance of OTC FX Option Contracts for Clearing

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

October 20, 2017

Via Electronic Mail

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**RE: CFTC Regulation 39.5(b) Submission: Acceptance of OTC FX Option
Contracts for Clearing.
CME Submission No. 17-375**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME”), in its capacity as a registered derivatives clearing organization (in general, a “DCO” and with respect to CME specifically, “CME Clearing”), hereby notifies the Commodity Futures Trading Commission (“CFTC” or “Commission”), pursuant to Commission Rule 39.5(b), of its acceptance of over-the-counter (“OTC”) European-style options on specified currency pairs, which are cash-settled based on a pre-specified rate of exchange between two currencies (“OTC FX Options”) clearing.

CME Clearing is accepting OTC FX Options for clearing pursuant to this submission, in accordance with the requirements of CFTC Regulation 39.5(b)(3)(ii)-(viii) as set forth below.

Eligibility to Clear

Regulation 39.5(b)(3)(i): “A statement that the derivatives clearing organization is eligible to accept the swap, or group, category, type, or class of swaps for clearing and describes the extent to which, if the Commission were to determine that the swap, or group, category, type, or class of swaps is required to be cleared, the derivatives clearing organization will be able to maintain compliance with section 5b(c)(2) of the Act.”

CME Submission No. 17-053 (the “Submission”), which CME Clearing filed pursuant to Commission regulation 40.10 on February 9, 2017, provided advance notice to the Commission of CME Clearing’s intent to accept OTC FX Options for clearing.¹ In that Submission, CME Clearing proposed changes to its margin methodology for foreign exchange swaps (“OTC FX Products”) to specifically support clearing OTC FX Options. The Division of Clearing and Risk (“DCR”) subsequently notified CME Clearing that DCR, under delegated authority on behalf of the Commission, authorizes CME Clearing’s implementation of these changes on or after June 20, 2017.

CME Clearing requested a determination from the Commission regarding its eligibility to accept OTC FX Options for clearing on September 20, 2017. CME Clearing received a positive determination from the Commission on October 18, 2017. Pursuant to Regulation 39.5(b)(3)(i), CME Clearing therefore states that it is eligible to accept OTC FX Options for clearing. Should the Commission determine that such options

¹ CME Submission No. 17-053 is available at <http://www.cmegroup.com/market-regulation/rule-filings/2017/02/17-053.pdf>.

are required to be cleared, CME Clearing will be able to maintain compliance with the DCO core principles set forth in Section 5b(c)(2) of the Commodity Exchange Act and the regulations promulgated thereunder.

Statements and Information (Information on Swap Specifications)

Regulation 39.5(b)(3)(ii) – “A statement that includes, but is not limited to, information that will assist the Commission in making a quantitative and qualitative assessment of the following factors:”

“(A) The existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data”

* * *

Regulation 39.5(b)(3)(iii) – “Product specifications, including copies of any standardized legal documentation, generally accepted contract terms, standard practices for managing any life cycle events associated with the swap, and the extent to which the swap is electronically confirmable”

Regulation 39.5(b)(3)(v) – “Pricing sources, models, and procedures, demonstrating an ability to obtain sufficient price data to measure credit exposures in a timely and accurate manner, including any agreements with clearing members to provide price data and copies of executed agreements with third-party price vendors, and information about any price reference index used, such as the name of the index, the source that calculates it, the methodology used to calculate the price reference index and how often it is calculated, and when and where it is published publicly”

Statement on Outstanding Derivatives Notional Exposure

As of December 11th, 2016, the Bank for International Settlements (“BIS”) reported the size of the Global OTC FX Option market as \$12.91 trillion in terms of notional outstanding exposure, and the size of notional outstanding exposure in all USD-denominated OTC FX Option products as \$11.48 trillion.

Statement on Derivatives Trading Liquidity

During April 2016, trading volume (daily turnover) in the seven major OTC FX Option pairs noted below is \$159 billion. During the same timeframe, daily volumes across all currency pairs was \$254 billion, meaning that currency pairs covered under CME Clearing’s initial OTC FX Options offering (see section covering Swap Product Specifications below) accounts for 62.5% of the entire market as reported by the BIS.

OTC FX Options Turnover in April 2016

Currency Pair	Daily Turnover (\$m)
AUD/USD	\$11,129
CAD/USD	\$12,171
EUR/USD	\$40,524
GBP/USD	\$21,678
CHF/USD	\$2,960
JPY/USD	\$64,578
EUR/GBP	\$6,041
CME Offering	\$159,080
All Pairs	\$254,414

Statement on Pricing Data

Please refer to section covering Pricing Sources, Models and Procedures below.

Swap Product Specifications

OTC FX Options covered under this submission are European-style vanilla options. OTC FX Options are derivative financial instruments that give the instrument's holder the right but not the obligation to cash settle the difference between two bankable currencies at a pre-agreed exchange rate (Strike Price) on a specified date (Expiry Date) in the form of a call or a put. The seller of the option receives the premium for allowing the buyer this right. Initially, CME Clearing intends to accept OTC FX Options on the following currency pairs for clearing:

- AUD/USD
- EUR/USD
- GBP/USD
- USD/CHF
- USD/CAD
- USD/JPY
- EUR/GBP

Detailed specifications for OTC FX Options are set forth in New CME Chapter 300A ("WM/Reuters OTC Options Contracts") which is attached herein as Exhibit 1.

Pricing Sources, Models and Procedures

The exchange rates used for final settlement of OTC FX Options are the WM/Reuters Spot Rates. The WM/Reuters Spot Rates are provided by Thomson Reuters, using The World Markets Company PLC (WM) FX Benchmark calculation rate, and are used for the currencies on which OTC FX Options will be based.

WM/Reuters FX rates have served as fully independent, objective, unbiased sources for FX data for more than 20 years.² They use a transparent calculation methodology that is fully aligned with the IOSCO Principles for Financial Benchmarks.³ WM/Reuters Spot Rates cover the currencies for those countries that are included in a global or regional stock market index or where there is sufficient liquidity in the currency market to provide accurate fixings.⁴ The currencies covered by WM/Reuters Spot Rates can be found at <https://financial.thomsonreuters.com/content/dam/openweb/documents/pdf/financial/wm-reuters-methodology.pdf>, under Section 2.6.

With respect to additional price-related data, CME Clearing previously submitted in CME Submission No. 17-053S (such materials, the "Confidential Supplemental Materials") a document provided as Appendix B which describes CME Clearing's FX Margin Methodology.

² *WM/Reuters FX Benchmarks*, THOMSON REUTERS, <https://financial.thomsonreuters.com/en/products/data-analytics/market-data/financial-benchmarks/spot-rates.html>.

³ *Id.*

⁴ *WM/Reuters FX Benchmarks Version 3*, THOMSON REUTERS, <https://financial.thomsonreuters.com/content/dam/openweb/documents/pdf/financial/wm-reuters-methodology.pdf>.

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Statements and Information (Product Clearing)

Regulation 39.5(b)(3)(ii) – “A statement that includes, but is not limited to, information that will assist the Commission in making a quantitative and qualitative assessment of the following factors:”

* * *

“(B) The availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the contract on terms that are consistent with the material terms and trading conventions on which the contract is then traded”

“(C) The effect on the mitigation of systemic risk, taking into account the size of the market for such contract and the resources of the derivatives clearing organization available to clear the contracts”

“(D) The effect on competition, including appropriate fees and charges applied to clearing”

“(E) The existence of reasonable legal certainty in the event of the insolvency of the relevant derivatives clearing organization or one or more of its clearing members with regard to the treatment of customer and swap counterparty positions, funds, and property”

* * *

Regulation 39.5(b)(3)(iv) – “Participant eligibility standards, if different from the derivatives clearing organization’s general participant eligibility standards”

* * *

Regulation 39.5(b)(3)(vi) – “Risk management procedures, including measurement and monitoring of credit exposures, initial and variation margin methodology, methodologies for stress testing and back testing, settlement procedures, and default management procedures”

Regulation 39.5(b)(3)(vii) – “Applicable rules, manuals, policies, or procedures”

Statement on Swap Product Rule Framework

OTC FX Options will be listed for clearing in accordance with New CME Rulebook Chapter 300A. That chapter is included within this submission as Exhibit 1.

CME rules associated with the rule framework for OTC FX Options can be found in the CME Rulebook Chapter 8-F. Within this chapter, Rule 8F018 was added to specify additional rules regarding OTC FX Options. This Rulebook is available at www.cmegroup.com/market-regulation/rulebook.index.html, which includes links to pertinent product chapters in the CME Rulebook.

Statement on Operational Expertise, Resources, and Credit Support Infrastructure

The document entitled CME Clearing Risk Management and Financial Safeguards (the “Risk Management Brochure”) contains information regarding CME Clearing's capacity, expertise, resources and financial safeguards system. That document is available at <http://www.cmegroup.com/clearing/files/financialsafeguards.pdf>.

Statement on the Mitigation of Systemic Risk

While markets in certain OTC derivatives asset classes continued to function well during the financial crisis, the crisis demonstrated the potential for systemic risk arising from the interconnectedness of OTC derivatives market participants and the limited transparency of bilateral counterparty relationships. To help mitigate systemic risk in the OTC derivatives markets, the G-20 Leaders agreed that all standardized OTC derivatives contracts should be cleared through central counterparties by the end of 2012. One of the key goals of the Dodd-Frank Act is the reduction of systemic risk through the use of central clearing for OTC derivatives.

As a central counterparty, CME interposes itself between counterparties to the options (and other derivatives products) that it clears, becoming the buyer to every seller and the seller to every buyer. For each option that it clears, CME provides all clearing house services, including a mark-to-market function, on a daily basis. Depending upon the particular asset class, CME may standardize contract-critical dates (e.g., start dates, last trade dates, expiry dates) and other contract terms. This may enable customers who hold positions to liquidate or to adjust positions simply by buying back or selling the relevant contracts. The associated benefits are considerable:

- *Centralized clearing.* Clearing the OTC FX Options through CME Clearing allows market participants to free up counterparty credit lines. The daily mark-to-market process employed by CME enhances customer risk management.
- *Operational efficiencies.* Centralized clearing of options reduces operational burdens in several ways. Standardization and centralized clearing enables consolidation of collateral management and cash flows and eliminates the need for novation or tear-ups.
- *Ease of position adjustment.* In non-cleared markets, the only means to completely eliminate the risk of an option to the seller is to (i) enter into a tear-up agreement with the options counterparty, or (ii) enter into a novation (i.e., find another entity willing to assume its side of the option). In either case, the tear-up or the novation must be approved by the bilateral options counterparty. For most asset classes, central clearing may be used to offset positions or exposure by a contra trade.

As further described in the Risk Management Brochure, CME has the necessary resources available to clear the OTC FX Options.

Statement on Competition and Appropriate Fees and Charges

CME does not believe that the clearance of OTC FX Options will have any negative impact, or impose any burden, on competition.

Statement on Legal Certainty and Insolvency

The bankruptcy of a DCO is governed by subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. §§ 761-767), and by Part 190 (Bankruptcy) of the Commission's regulations. Also relevant in the event that CME were to enter into bankruptcy proceedings is CME Rule 818 (Close-Out Netting) included in Chapter 8 (Clearing House and Performance Bonds) of the CME Rulebook.⁵

The bankruptcy of a clearing member that is a U.S. futures commission merchant ("FCM") would be governed by subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. §§ 761-767) and Part 190 (Bankruptcy) of the Commission's regulations. If an FCM is registered as a broker-dealer, certain aspects of its insolvency proceeding may also be governed by the Securities Investor Protection Act.

⁵ <http://www.cmegroup.com/rulebook/CME/1/8/8.pdf>.

Participant Eligibility Standards

In accordance with CFTC Regulation 39.12(a), CME Clearing will continue to apply and enforce objective, publicly-disclosed, and risk-based admission and continuing participation requirements for institutions that wish to clear OTC FX Options. Specifically, to clear OTC FX Options, an institution must comply with all applicable requirements of Chapter 8-F of CME's Rules (Over-the Counter Derivative Clearing). Chapter 8-F applies to any institution that clears or intends to clear OTC swaps through CME Clearing (including OTC FX Products, but exclusive of interest rate swaps and credit default swaps).

In particular, CME Rule 8F004 provides as follows:

8F004. OTC Clearing Member Obligations and Qualifications

OTC Clearing Members are subject to all relevant CME, CBOT and NYMEX Rules and the Clearing House Manual unless an exemption has been granted by staff or the Clearing House Risk Committee. OTC Clearing Members must execute all agreements and documents required by the Clearing House.

The qualifications and requirements to become an OTC Clearing Member are set forth below. A CME, CBOT, NYMEX and COMEX Clearing Member clearing OTC Derivatives must satisfy the requirements set forth below.

1. An OTC Clearing Member must be in "good standing" under each applicable regulatory regime to which it is subject at the time it applies for OTC clearing membership and it must maintain its good standing status while it is an OTC Clearing Member.

2. An OTC Clearing Member must be in compliance with all applicable regulatory capital requirements and an OTC Clearing Member must maintain minimum capital of:

(i) \$5 million if it clears only agricultural OTC Derivatives; and

(ii) \$50 million if it clears other OTC Derivatives, excluding credit default swaps and interest rate swaps.

* * *

6. An OTC Clearing Member and an OTC Clearing Member applicant shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of an OTC Clearing Member.

* * *

8. An OTC Clearing Member must comply with the financial requirements set forth in CME Rule 970. However, if the OTC Clearing Member is regulated by another regulatory authority, then it shall submit to CME annual audited financial statements as well as all unaudited financial statements provided to its primary regulator within five days after such statements are provided to its regulator. All financial statements shall be in the English language.

9. The books and records of an OTC Clearing Member regarding OTC Derivatives cleared by the Clearing House shall be made promptly available for inspection upon request by CME and such books and records shall be subject to reasonable standards of confidentiality.

10. Each OTC Clearing Member that is a Futures Commission Merchant shall keep the types of information and records that are described in Section 4g of the Commodity Exchange Act and CFTC regulations thereunder including, but not limited to, Regulation 1.35, with respect to all OTC Derivatives submitted for clearing.

11. Each Base OTC Clearing Member shall make at least two traders (one primary and one backup) per OTC Derivative Product Category available to the Clearing House to participate in the Active Base OTC Default Management Committee immediately upon notice from the Clearing House that it is convening the Active Base OTC Default Management Committee for (i) a potential or actual default of a Base OTC Clearing Member and (ii) for OTC Derivative default drill exercises.

Upon acceptance as a Base OTC Clearing Member and upon any update request by Clearing House, each Base OTC Clearing Member shall provide a list of traders that the Base OTC Clearing Member nominates for the Active Base OTC Default Management Committee. Base OTC Clearing Member shall make traders available for each OTC Derivative Product Category requested by the Clearing House until the end of the relevant default management process or drill. Any such trader shall have a title at the level of Vice President (or equivalent title) and shall have the minimum level of experience prescribed by the Clearing House from time to time in the relevant OTC Derivatives.

12. Each OTC Clearing Member shall participate in OTC Derivative default drill exercises as prescribed by the Clearing House.

Additionally, CME Rule 8F018 (OTC FX Options Information Submissions) specifically applies to clearing members that clear OTC FX Options. CME Rule 8F018 provides as follows:

CME Rule 8F018 OTC FX Options Information Submissions

1. Each OTC FX Options Clearing Member shall submit the OTC FX Options Information Submission File on each Business Day at the time specified by the Clearing House for all FX Options required by the Clearing House. The information submitted by an OTC Clearing Member in the OTC FX Options Information Submission File shall be consistent with the information used by the OTC FX Options Clearing Member for its internal valuation of OTC FX Options.
2. During a calendar month that is not during a Base Cooling Off Period, an OTC FX Options Clearing Member will be assessed a penalty per Failed OTC FX Options Submission based on the following table:

# of Failed OTC FX Options Submissions for that month	Penalty per Failed OTC FX Options Submission
1	0
2	\$5,000
3	\$25,000
4+	\$50,000

During a Base Cooling Off Period, an OTC FX Options Clearing Member will be assessed a penalty per Failed OTC FX Options Submission based on the following table:

# of Failed OTC FX Options Submissions for that month	Penalty per Failed OTC FX Options Submission
1	0
2	\$15,000
3	\$75,000
4+	\$150,000

Penalties shall be assessed monthly and payable with the Base Guaranty Fund payment cycle. In addition, the OTC FX Options Clearing Member may be referred to the Clearing House Risk Committee for further discipline

1. As used herein:

“Failed OTC FX Options Submission” means a failure to submit (i) all or a portion of an OTC FX Options Information Submission File at or prior to the time designated by the Clearing House or (ii) the OTC FX Options Information Submission File in the proper format.

“OTC FX Options Clearing Member” means an OTC Clearing Member clearing OTC FX Options.

“OTC FX Options Information Submission File” means the file containing the requested market data, internal price levels and such other information as specified by the Clearing House for each money/expiry/currency pair combination.

Accordingly, clearing members clearing OTC FX Options, pursuant to CME Rule 8F018, will be required to submit OTC FX Options pricing data daily to CME Clearing and will be subject to penalties for failure to provide the required submissions.

With respect to product eligibility, and as required by CFTC Regulation 39.12(b), CME has established appropriate and transparent requirements for determining the eligibility of products submitted to CME Clearing for clearing. Satisfying the product specifications for clearable OTC FX Options ensures CME Clearing’s ability to manage the risks associated with clearing such products as further described herein.

Risk Management Procedures

The Risk Management Brochure⁶ summarizes CME’s risk management procedures applicable to the clearing of OTC FX Options.

Rules, Manuals, Policies, or Procedures

The product rules for OTC FX Options are being added to a new chapter (“300A –CME WM/Reuters OTC Option Contracts”) of the CME Rulebook and are provided in Exhibit 1 of this submission.

⁶ <http://www.cmegroup.com/clearing/files/financialsafeguards.pdf>.
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Communication to Members Regarding this Submission

Regulation 39.5(b)(3)(viii) – “A description of the manner in which the derivatives clearing organization has provided notice of the submission to its members and a summary of any views on the submission expressed by the members (a copy of the notice to members shall be included with the submission)”

Notice of Submission

Notice of this submission has been concurrently posted on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact me at 212-299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1 – New CME Rulebook Chapter 300A (“CME WM/Reuters OTC Options Contracts”)

EXHIBIT 1

CME RULEBOOK

Chapter 300A CME WM/Reuters OTC Options Contracts

300A.00. SCOPE OF CHAPTER

This chapter is limited in application to CME WM/Reuters OTC Option Contracts (“CME WMR Option Contracts”), based on specified currency pairs, cash-settled by reference to WM/Reuters Spot Rates (“WMR Rates”)¹. Parties to transactions in CME WMR Option Contracts shall be limited to “eligible contract participants” as defined in Section 1a(18) of the Commodity Exchange Act.

Transactions in CME WMR Option Contracts shall also be subject to the general rules of the Exchange insofar as applicable. The clearing and settlement of transactions in CME WMR Option Contracts shall also be subject to the provisions of Chapter 8-F of the CME Rulebook (Over-the-Counter Derivative Clearing).

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

300A.01. CONTRACT SPECIFICATIONS

300A.01.A. Contract Summary

CME WMR Option Contracts shall be based upon specified currency pairings as cataloged in the Appendix to this Chapter.

The Unit of Trading and Clearing shall be specified in terms of the “clearing-unit currency.” CME WMR Option Contracts shall be based on a Unit of Clearing to a Precision as specified in the Appendix to this Chapter. The minimum price fluctuation shall be specified in terms of the “minimum-fluctuation currency.” CME WMR Option Contracts shall be quoted in minimum price fluctuations as specified in the Appendix to this Chapter.

The WMR Rate fixing time shall be as specified in the Appendix to this Chapter.

For purposes of Position Accountability and the application of Position Limits, each CME WMR Option Contract shall be deemed to be the notional value contract equivalent as specified in the Appendix to this Chapter.

300A.01.B. Hours for Trading and Clearing Entry

The Exchange shall determine the hours during which CME WMR Option Contracts may be traded and submitted to the Clearing House.

300A.01.C. Valid Value Dates for Cash Settlement

CME WMR Option Contracts shall be cash settled for any valid value date mutually agreed to by buyer and seller, and accepted by the Exchange for the applicable currency pair as a valid value date(s) for cash settlement and clearing. In general, for any currency pair, a valid value date shall be any Business Day that is a banking Business Day in the countries of issue for both currencies.

300A.01.D. Delivery Price and Delivery Value

¹The WM/Reuters Spot Rates are provided by The World Markets Company PLC (WM) in conjunction with Reuters and are used for certain currencies (the “Rates”) displayed herein. WM and Reuters shall not be liable for any errors in or delays in providing or making available the WM/Reuters Spot Rates, nor for any actions taken in reliance on the same. The Rates cannot be used, reproduced, distributed, redistributed, licensed or disclosed in any way without a written agreement with WM.

Delivery for CME WMR Option Contracts assigned pursuant to Chapter 300A shall be by cash settlement according to Rule 300A.02.

300A.01.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.

300A.01.F. Last Day of Trading

The last day on which a transaction in a CME WMR Option Contract may be traded, in respect of a specified cash settlement date, shall be one (1) valid Business Day prior to the cash settlement date.

300A.01.G. Liquidation and Delivery Standards

(1) At Maturity. After clearing of CME WMR Option Contracts in respect of a specified cash settlement date has ceased, in accordance with Rule 300A.01.G. of this chapter, outstanding contracts for such cash settlement date shall be liquidated by cash settlement through procedures as prescribed in Rule 300A.02 and in a manner prescribed by the Clearing House.

(2) Prior to Maturity. Standard offsets of futures and options on futures shall not apply to positions in CME WMR Option Contracts. Prior to the Cash Settlement Date, positions may be closed out upon the request of the clearing firm to the Clearing House, and in the manner prescribed by the Clearing House.

300A.01.H. Exercise Prices

Exercise prices shall be stated in terms of the minimum price fluctuations as specified in the Appendix to this Chapter.

300A.02. CASH SETTLEMENT

300A.02.A. Day of Cash Settlement

Each CME WMR Option Contract, for a valid value date for cash settlement in one Business Day, shall be liquidated by cash settlement at a price equal to the daily Final Settlement Price for that day. The daily Final Settlement Price shall be equal to the WM/Reuters Spot Rate at the specified fixing time for that day for the specific currency pair in question, rounded to the nearest integral multiple of the minimum price increment as identified per the Appendix to this Chapter.

For select currency pairs as indicated in asterisked footnotes in the Appendix to this Chapter, the Final Settlement Price shall be calculated using appropriate WM/Reuters Spot Rates for component currency pairs, and the result shall be rounded to the nearest integral multiple of the minimum price increments (also, "minimum price fluctuations") as identified per the Appendix to this Chapter. For example, the Euro / British pound (EUR/GBP) Final Settlement Price shall be calculated by multiplying the Euro (EUR) / U.S. dollar (USD) Final Settlement Price in units of USD per EUR by the U.S. dollar (USD) / British pound (GBP) Final Settlement Price in units of GBP per USD and rounding the result to seven (7) decimal places.

300A.02.B. Procedures if No Cash Settlement Price is Available

In the event that the Final Settlement Price for a valid value date for cash settlement cannot be published on a given day by WM/Reuters, and in order to minimize basis risk, the Final Settlement Price shall be determined as the next available WM/Reuters Spot Rate for the specific currency pair in question.

300A.02.C. Amendments to Timings

The Exchange may amend the timings of notifications, deliveries, and transfers under this Rule 300A.02 to reflect as appropriate the adoption of daylight savings time in the relevant countries of delivery.

300A.03. EXERCISE AND CASH SETTLEMENT AMOUNT

The option style for each WMR Option Contract shall be European.

300A.03.A. Exercise

All in-the-money options are automatically exercised by the Clearing House on the day of expiration for the options. All out-of-the-money options are abandoned by the Clearing House on the day of expiration for the option. An option is in-the-money if the WM/Reuters Spot Rate lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

300A.03.B. Cash Settlement Amount

All open positions for that valid value date for cash settlement will be cash settled in the minimum fluctuation currency based upon the difference between the WM/Reuters Spot Price for the valid value date for cash settlement and the original exercise price as submitted for clearing, times the notional value of the transaction in the clearing unit currency.

In the event this final payment is positive from the buyer's perspective, then the Clearing House shall debit the seller's clearing member account and credit the buyer's clearing member account for this final payment amount.

300A.04. DISPUTES

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

(End Chapter 300A)

Appendix to Chapter 300A: Contract Specifications

Currency Pairing	Unit of Trading and Clearing	Precision	Minimum Price Fluctuation	Contract Equivalent	Fixing Time
GBP/USD	1 GBP	0.01 GBP	0.000001 USD/GBP	62,500 GBP	10:00 am New York time
USD/CAD	1 USD	0.01 USD	0.000001 CAD/USD	100,000 CAD	10:00 am New York time
USD/JPY	1 USD	0.01 USD	0.0001 JPY/USD	12,500,000 JPY	10:00 am New York time
USD/CHF**	1 USD	0.01 USD	0.000001 CHF/USD	125,000 CHF	10:00 am New York time
AUD/USD	1 AUD	0.01 AUD	0.000001 USD/AUD	100,000 AUD	10:00 am New York time
EUR/USD	1 EUR	0.01 EUR	0.000001 USD/EUR	125,000 EUR	10:00 am New York time
EUR/GBP**	1 EUR	0.01 EUR	0.0000001 GBP/EUR	125,000 EUR	10:00 am New York time

**As specified in CME Rule 300A.02.A. for select currency pairs and as indicated in the Appendix to this Chapter above, the Final Settlement Price shall be calculated using appropriate WM/Reuters Spot Rates for component currency pairs, and the result shall be rounded to the nearest integral multiple of the minimum price increments (also, "minimum price fluctuations") identified for that select currency pair in the Appendix to this Chapter above.

NOTES

AUD = Australian Dollar
CAD = Canadian Dollar
CHF = Swiss Franc
EUR = Euro
GBP = British Pound
JPY = Japanese Yen
USD = U.S. Dollar