

May 29, 2014

**VIA E-MAIL**

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

**RE: CFTC Regulation 40.6(a) Certification. Change to Procedures for Facilitating Physical Delivery of CLS-eligible Foreign Currencies. CME Submission No. 14-165**

Dear Ms. Jurgens:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”) hereby notifies the Commission of an amendment to the procedures for facilitating physical delivery of CLS-eligible foreign currencies. The proposed amendments will be effective June 13, 2014 and currency pairs will move to the new process on a staggered basis over the next few currency delivery cycles as further specified below.

Currently CME facilitates physical deliveries for CLS-eligible currencies through a CME account at third party banks that are members of CLS for the purpose of efficiently matching CLS instructions for all CLS-eligible currencies. The banks have expressed an intention to discontinue providing such services to central counterparties, such as CME, beyond September 2014.

As a result, CME is amending the process for physical delivery of CLS-eligible foreign currencies to a paired delivery process, which is similar to that used for our physically settled products in the Treasury complex. The paired delivery process is an assignment-based process where clearing members with open long and short positions at the end of trading on last trade date will be matched against one another in order to facilitate the delivery. Similar to Treasury deliveries, CME Clearing and Market Regulation teams monitor the Clearing Firms going through delivery to assess their ability to perform for their house and client accounts. Clearing members can continue to use their existing CLS arrangements for currency deliveries. This process is further described in CME Advisory Notice #14-189, attached hereto as Exhibit 1, and which was provided to clearing members on May 12, 2014.

To facilitate an orderly transition to the new process, CME will move currency pairings on a staggered basis to the new paired delivery process beginning with the CAD/USD contract for the June 2014 FX delivery cycle. Additional currencies will be moved to the new process for the September 2014 and December 2014 FX delivery cycles as reflected in future advisory notices to clearing members.

CME reviewed the derivatives clearing organization core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA”). During the review, CME identified the following Core Principle as potentially impacted:

**Settlement Procedures:** CFTC Regulation 39.14(g)(1) (Physical delivery) states that a derivatives clearing organization shall establish rules that clearly state each obligation it has assumed with respect to physical deliveries. Nothing in the proposed amendments changes the obligations CME has assumed for physical deliveries as clearly stated in CME Rules 702. The proposed amendments described herein are a change to the process by which clearing members will process physical deliveries of CLS-eligible currencies and do not materially affect the nature of level of risks presented by CME.

CME certifies that the above amendments comply with the CEA and the regulations thereunder. There were no substantive opposing views to this clarification.

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 Sunil Cutinho at 312-634-1592 or via e-mail at [Sunil.Cutinho@cmegroup.com](mailto:Sunil.Cutinho@cmegroup.com), or contact me at 212-299-2228 or via e-mail at [Jason.Silverstein@cmegroup.com](mailto:Jason.Silverstein@cmegroup.com). Please reference our CME Submission No. 14-165 in any related correspondence.

Sincerely,

/s/ Jason Silverstein  
Executive Director & Associate General Counsel

Attachment: Exhibit 1

## EXHIBIT 1



14-189

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

SUBJECT: **New FX Futures Delivery Process: Migration & Processing Timelines**

DATE: May 12, 2014

Beginning with the June 2014 FX futures delivery cycle, there will be an operational change to the delivery process. A new paired delivery process will be introduced for a subset of CLS-eligible currency pairs. This operational change will not impact the duties of clearing members during currency deliveries or the CME Clearing guarantee of financial performance during the delivery process as outlined in Rule 702. There will be no change to the delivery process for non-CLS currencies.

In June 2014, the CAD/USD (CD) and the micro CAD/USD (MCD) contracts will be the first contracts to be delivered using a paired process. The paired delivery process is an assignment-based process between clearing firms. Clearing firms with open long and short positions at the end of trading on last trade date will be matched against one another. The assigned clearing members will then facilitate the delivery utilizing the commitment information entered in Deliveries Plus. Similar to other assignment-based processes at CME, clearing firms will be provided with buy/sell notifications and invoice reports detailing the assignment. In addition, clearing firms will be provided with a CSV-format instruction file that can be used for automating the CLS payment instruction creation process.

In September of 2014, the above mentioned paired delivery process will be introduced for the remaining CLS-eligible currency pairs.

Due to the new paired delivery process, delivery processing timelines **for FX paired delivery contracts** have changed as follows:

<b>Monday, June 16, 2014</b> (Last Trading Day for all FX contracts except Canadian Dollar, Turkish Lira, and Euro/Turkish Lira)	
<b>Description</b>	<b>Time</b>
Contracts Expire	9:16 a.m.
Commitments Due to Clearing	1:00 p.m.
Firm CLS Matching Confirmation Status	5:00 p.m.
<b>Tuesday, June 17, 2014</b> (Last Trading Day for Canadian Dollar, Turkish Lira, and Euro/Turkish Lira)	
<b>Description</b>	<b>Time</b>
Contracts Expire	9:16 a.m.

Prior Day CLS Trade Matching Extension Deadline	
Commitments Due to Clearing	10:00 a.m.
Wire Transfers Payments Due <b>(10:00 am Local Time in the Country of Origin)</b>	
Assignment & Reporting	11:00 am
Firm CLS Matching Confirmation Status (Clearing firms must contact Clearing with a matched confirmation status)	1:00 pm
CLS Trade Matching Extension Deadline (Unmatched trades will be settled via Wire Transfer)	2:00 pm
<b>Wednesday, June 18 2014</b> Delivery Day	
<b>Description</b>	<b>Time</b>
Wire Transfer Delivery Complete	10:00 a.m. local time in the country of origin
Wire Transfer Delivery Complete Notification to Clearing	Due within 1 hour of delivery complete deadline
CLS Delivery Complete Notification to Clearing	11:00 a.m. CST

The aforementioned Tuesday delivery timeline is applicable only for the CAD/USD and micro- CAD/USD contracts that are part of the paired delivery assignment in June. All other contracts shall adhere to the existing processing timelines for the June delivery cycle.

Detailed FX delivery procedures and testing opportunities will be provided on **May 15, 2014**.

Clearing member firms may receive a sample CSV file and forecast assignment instructions by sending a request to [clearinghousedelivteam@cmegroup.com](mailto:clearinghousedelivteam@cmegroup.com).

Rules governing the FX contracts and delivery are updated and available at [www.cmegroup.com](http://www.cmegroup.com).

Further questions may be directed to:

Anthony Zangrilli Senior Director Clearing Operations	<a href="mailto:Anthony.Zangrilli@cmegroup.com">Anthony.Zangrilli@cmegroup.com</a>	312.930.3356
Brian Sayers Senior Director Clearing Operations	<a href="mailto:Brian.Sayers@cmegroup.com">Brian.Sayers@cmegroup.com</a>	312.634.8887
Laura Buschnyj Manager Delivery & Settlement	<a href="mailto:Laura.Buschnyj@cmegroup.com">Laura.Buschnyj@cmegroup.com</a>	312.634.1598
Deliveries	<a href="mailto:ClearingHouseDelivTeam@cmegroup.com">ClearingHouseDelivTeam@cmegroup.com</a>	312.930.3172