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## Chapter 7 Delivery Facilities and Delivery Procedures

### GENERAL

#### 700. SCOPE OF CHAPTER

Deliveries and delivery facilities shall be governed by this chapter and, where applicable, the chapter which includes the contract specifications for the commodities being delivered and such other requirements as the Exchange may prescribe.

#### 701. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

If a determination is made by the Board or the Business Conduct Committee that delivery or final settlement of any contract cannot be completed as a result of any emergency, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract. Notwithstanding the above, in the event that the Board or the Business Conduct Committee cannot be convened on a timely basis, the Chief Executive Officer, the President, or the Chief Operating Officer may take any action deemed necessary, and such action shall be binding upon all parties to the contract.

It shall be the duty of members and clearing members to notify the Exchange of any circumstances wherein a delivery or acceptance or any precondition or requirement thereof is prevented by an act of government, act of God or other emergency.

#### 702. CLEARING MEMBER DUTIES TO THE CLEARING HOUSE

Every clearing member carrying open long or short positions shall present to the Clearing House each business day an accurate inventory of such open positions. The inventory of open long and short positions shall be reported to the Clearing House in such manner and at such times as the Clearing House may prescribe.

A clearing member, carrying an account that is required to make or accept delivery, agrees to guarantee and assume complete responsibility for the performance of all delivery requirements set forth in the rules.

In the event a clearing member fails to perform its delivery obligations to the Clearing House, such failure may be deemed a default pursuant to Rule 802. In a delivery default, the Clearing House shall seek to ensure the financial performance with respect to the delivery. In this regard, the Clearing House powers will include, but will not be limited to, the right to sell or liquidate the commodity subject to delivery and to distribute the proceeds as appropriate.

### DELIVERY FACILITIES AND PROCEDURES FOR AGRICULTURAL COMMODITIES

#### 703. APPROVED WAREHOUSES

##### 703.A. Conditions for Approval

The Board may establish such requirements and conditions for approval as it deems necessary. However, no warehouse shall be eligible for approval unless it is a licensed, public, cold storage warehouse, agrees to issue receipts, meets all local, state and federal requirements, and agrees:

1. To record the date and exact location of all commodities stored; to include the date of storage on the warehouse receipt; to record all changes of location; and to allow the Exchange to inspect all such records.
2. To clearly identify each lot and subplot by number.
3. To permit the graders sent by the Exchange to select their own samples.
4. To plainly mark any sample taken out of the storage room for grading.
5. To record when any lot or subplot has been reconditioned or had its number changed; to advise the Exchange of this fact prior to tendering such lot or subplot for inspection; and to wait a reasonable time after advising the Exchange for further instructions.

6. To make such reports, keep such records and permit such warehouse visitation as the CFTC may prescribe under the provisions of the Commodity Exchange Act; such books and records to be kept by the warehouse for a period of five years from the date thereof, or for such other period if the CFTC shall so direct, and such books and records and warehouse shall be open at all times to inspection by any representative of the CFTC, the United States Department of Justice or authorized officials of the Exchange.
7. To report not later than 4:00 p.m. Central time on the first business day of each week, or as required by the Exchange, to representatives of the CFTC, and the Exchange, total stocks of such commodities as are traded on the Exchange which are held in storage as of the close of business the preceding week, and all receipts and withdrawals of such commodities occurring subsequent to the last report.

#### **703.B. Warehouse Receipts**

Warehouse receipts presented in satisfaction of delivery requirements must have been issued by a warehouse which has been approved by the Exchange for at least 30 days previous to the date of the delivery, and the commodities covered must have entered storage on or subsequent to the date of approval. The initial date of approval of warehouse, the approved status of which has been continued or renewed without interruption since that initial approval, shall be deemed the date of approval.

#### **704. APPROVED STOCKYARDS AND SLAUGHTER PLANTS FOR LIVE CATTLE**

Deliveries on Exchange contracts of live beef cattle can be made only at public livestock yards and slaughter plants designated and approved for delivery by the Exchange.

A public livestock yard shall not be eligible for deliveries as an approved stockyard unless it is a stockyard within the definition of the Packers and Stockyards Act, 1921 as amended, and has received notice to that effect from the Secretary of Agriculture. Approved stockyards shall be required to keep such records, make such reports and be subject to inspection and regulation by the Secretary of Agriculture, as provided in said Packers and Stockyards Act.

An approved slaughter plant shall, at a minimum, be federally inspected, slaughter primarily fed cattle in the normal course of business, have a fed cattle slaughter capacity of at least 500 head per day, have proper facilities for weighing and grading, and be located within approximately 150 miles of one or more approved stockyards.

#### **705. APPROVED PLANTS FOR PORK BELLIES**

In order to become eligible for in-plant gradings of pork bellies, a plant shall apply to and be approved by the Exchange.

The owner or owners of the approved plant must certify the following:

- a. The plant is federally inspected;
- b. The plant has proper facilities for grading and weighing;
- c. The plant has either resident Agricultural Marketing Service graders or has made arrangements with regional AMS personnel so that grading can be handled in the prescribed time.

#### **706. APPLICATION FOR GRADING**

Application for live beef cattle or pork bellies gradings to be used for delivery on exchange transactions must be filed by clearing members with the Clearing House. Requests for gradings will be forwarded to the appropriate government office in the order in which applications are received.

For all in-plant pork bellies gradings the clearing member shall notify the Clearing House of request for inspection by 10:00 a.m. Central time one day prior to the date the grading is to be done and specify the time and place at which the fresh bellies will be available for grading.

#### **707. OFFICIAL EXCHANGE CERTIFICATES**

All agricultural commodities delivered through the Exchange must carry an Exchange Certificate bearing the signature of the President of the Clearing House and showing the grade of the commodity and the expiration date of the certificate. On all commodities where the grades are based on United States Government standards, and on all other commodities

identified by the Exchange, the commodities shall be graded by government graders, and the government grading certificate shall be attached to the Exchange Certificate. The Exchange may charge for the Exchange Certificate.

If the official USDA grading certificate or other required grading certificate is, through no fault of the seller, not received in time to make delivery, the President of the Clearing House, at his sole discretion, may issue the Official Exchange Certificate on the basis of an electronically transmitted or telephoned report from the USDA grader or other designated grader. Such report shall state that the delivery unit has passed grading, note any defects that may be the basis for allowances, and state that the required USDA grading certificate has been prepared for transmittal. In such case, the report shall be attached to the Exchange Certificate pending receipt of the USDA grading certificate. The buyer shall in this event deliver payment by noon on the business day following the day of delivery to the Clearing House which shall hold the payment until all the required documents are received. If all the required documents are not received within the required time, it will be deemed a delivery obligation failure by the seller who must replace the delivery unit within the time prescribed by the Clearing House.

**708. EXCHANGE CERTIFICATE INVALIDATED**

The removal of the commodity from the place of location designated on the Exchange Certificate invalidates the certificate.

**709. DUPLICATE CERTIFICATES**

Copies of an Exchange Certificate may be obtained at the Clearing House by the member who ordered the original grading or the owner of the goods if he is a member. There shall be stamped on each such copy the word "duplicate". The Exchange may charge for each duplicate copy issued.

**710. LIABILITY FOR NEGLIGENCE OF GRADERS**

The Exchange shall not be liable for any error or negligence of any grader, and all claims for liability relating to gradings shall be waived by the application for the Exchange Certificate. The liability for any error in a certificate shall be that of the first party who uses the certificate for delivery through the Exchange.

**711. FINALITY OF USDA OR OTHER REQUIRED GRADING CERTIFICATE**

The Exchange assumes no responsibility and disclaims all liability on account of the grade, quantity or specifications of any commodity delivered on the basis of a USDA or other required grading certificate.

**712. [RESERVED]**

**713. DELIVERY PROCEDURES**

**713.A. Notice of Intent to Deliver**

Where delivery requires a Notice of Intent to Deliver, the seller shall comply with the requirements of the relevant contract specifications chapter and such requirements as are prescribed by the Clearing House.

**713.B. Delivery Notice**

In the event a Delivery Notice is not generated by the Clearing House, the seller shall, within the time prescribed by the relevant contract specifications chapter or as may be prescribed by the Clearing House, tender to the Clearing House a Delivery Notice on a form prescribed by the Clearing House and such other information as is required by the Clearing House. The Delivery Notice shall contain the net invoicing price which shall be the last settlement price and, if applicable, allowances and adjustments.

**713.C. Possession of Product and Relevant Documents**

The seller shall by such time as is prescribed in the relevant contract specification chapter on the day of tender have possession of the product and all relevant documents.

**713.D. Notice to Buyers**

The Clearing House promptly shall pass the Delivery Notices in the order in which they are received to the clearing members obligated by the oldest open long contracts to take delivery

of the same amounts of the same commodities for the same delivery month. When a member of the Clearing House who has open purchases is suspended from the Clearing House for default or insolvency, he shall be deemed out of line for delivery and tender shall be made to the clearing member obligated upon the next oldest long contract. Also, if tender is made to a clearing member who is thereafter suspended for default or insolvency before delivery is accepted, then, subject to the provisions of Rule 718, the Delivery Notice shall be withdrawn and another immediately served upon the clearing member obligated upon the next oldest long contract.

#### **713.E. Payment**

Unless otherwise specifically provided in the relevant contract specification chapter, a buyer receiving a Delivery Notice from the Clearing House shall make payment in same day funds, for the net invoicing price. The buyer shall then be entitled to all required documents in proper form and with such endorsements as may be necessary to convey title and possession and as are necessary to expedite shipment. The buyer shall also be entitled to all other documents as are otherwise required by the provisions of the relevant contract specification chapter.

### **714. FAILURE TO DELIVER**

A failure by a clearing member to tender a Delivery Notice on or before the time specified by the Clearing House on the last day on which such notice is permitted shall be deemed a delivery obligation failure, except that the President of the Clearing House may, for good cause, extend the time to present such notice. Unexcused failure to make delivery shall be deemed an act detrimental to the interest or welfare of the Exchange. In addition to the penalties provided in Chapter 4 and in the relevant contract specification chapter, the Clearing House Risk Committee shall determine and assess the damages incurred by the buyer, taking into account the settlement price and such other factors as it deems appropriate.

### **715. FAILURE TO REMIT FULL PAYMENT**

If a clearing member obligated to receive delivery fails to make full payment to the seller, the Clearing House shall debit the account of said clearing member an amount sufficient to complete the delivery. In any event, the clearing member failing to make payment shall be liable for a penalty of \$7.50 per 1,000 board feet on lumber and \$.015 per pound on all other commodities or as otherwise provided in the respective contract specification chapter, and any additional documented costs incurred by the seller or by the Clearing House.

Failure to remit full payment shall be deemed an act detrimental to the interest or welfare of the Exchange.

### **716. DUTIES OF CLEARING MEMBERS**

Prior to the last day of trading, each clearing member shall require evidence for each account on his books that all futures positions which will not be offset on the last day of trading will be completed by delivery. If a customer is unwilling or unable to provide such evidence, the clearing member must liquidate the position on or before the last day of trading.

### **717. [RESERVED]**

### **718. CUSTOMER SUBSTITUTION IN THE EVENT OF CLEARING MEMBER BANKRUPTCY**

In the event that an "order for relief" as defined at CFTC Reg. 190.01(dd) has been entered in respect to a clearing member whose customer holds a futures contract or options contract that may only be liquidated by physical delivery and, as to such contract:

- (i) trading has ceased on the date of the entry of the "order for relief;"
- (ii) notice of delivery has been tendered on or before the date of the entry of the "order for relief;" or
- (iii) trading ceases before the trustee can liquidate the contract;

then, notwithstanding Rule 713.D., the Clearing House shall allow the customer (if his identity can be readily ascertained and verified) to be directly substituted for the debtor clearing member to the extent necessary to complete delivery. None of the requirements for delivery, including notices, instructions, payment, etc., shall be waived hereby. Moreover, substitution

shall in no way relieve the debtor clearing member of its obligations to the Clearing House and the opposite clearing member in regard to any claims arising out of that delivery.

**719. - 729. [RESERVED]**

**CLS CURRENCY DELIVERIES**

**730. DELIVERY THROUGH CLS BANK AND/OR THE CME CLS AGENT BANK**

Consistent with procedures prescribed by the CME Clearing House, CME currency futures contracts are required to be physically delivered through the CLS (Continuous Linked Settlement) Bank System where both the trading unit currency and the price increment (minimum fluctuation) currency are supported by CLS delivery procedures. Notwithstanding the foregoing, a clearing firm shall not be required to make physical delivery through the CLS Bank System for any currency futures contract where the delivery exposure of the clearing firm is reasonably expected not to exceed \$25 million for any one currency futures contract. Exchange staff shall determine the CME CLS Agent Bank for facilitating the delivery of currencies through CLS Bank. Clearing firms delivering CME currency futures contracts must use an approved CLS agent bank for deliveries through CLS Bank, which may be the CME CLS Agent Bank or any other approved CLS agent bank. If practicable, in those situations where clearing firms delivering CME currency futures contracts use the CME CLS Agent Bank for delivery, then physical delivery may occur by book entry at the CME CLS Agent Bank and not be settled through the CLS Bank.

When buyers and sellers elect to do currency deliveries through the CLS System, they agree to abide by the deadlines and compensation conventions established by their CLS agent bank, the CME CLS Agent Bank and the CLS Bank. The CME Clearing House's obligation to the delivery transaction ends when payment is made through the CLS System.

**731. FOREIGN CURRENCY BUYER'S DUTIES FOR CLS DELIVERIES**

A clearing member that intends to accept delivery of a foreign currency through the CLS System to liquidate a net long position in that foreign currency shall, no later than 11:00 a.m. Chicago time on the last day of trading, present to the Clearing House a Buyer's CLS Delivery Commitment, which identifies the CLS agent bank used by the buyer and the number of contracts and the component delivery values. Also, the clearing member/customer shall arrange with their CLS agent bank to input the relevant instructions into the CLS System no later than 1:00 p.m. Chicago time on the business day preceding the delivery day. The CME Clearing House will input the Exchange's relevant contra-side instructions into the CLS System. (The CME Clearing House is the seller to every buyer and the buyer to every seller in the currency delivery process through the CME CLS Agent Bank.)

A match of delivery information must occur in order for a delivery transaction to be finalized. In the event that clearing member/customer instructions are not entered into the CLS System by 1:00 p.m. Chicago time on the business day preceding the delivery day, then the unmatched transaction may not be completed and paid on the delivery date through the CLS System. In such event, delivery instructions may be resubmitted to the CLS agent bank for delivery on the subsequent business day. Also in such event, the Clearing House may assess fines for the delayed delivery. Further, if the delivery instructions remain unmatched by 1:00 p.m. Chicago time on the business day preceding the delivery day, the Clearing House may require the buyer of the foreign currency to post an Order to Pay to the appropriate Agent Bank by no later than the close of business that day, in addition to complying with other procedures as outlined in the Clearing House Manual.

If the Buyer's CLS Delivery Commitment is received later than 11:00 a.m. Chicago time on the last day of trading, but not later than 8:00 a.m. Chicago time on the following day, the buyer's clearing member shall be assessed a fine on a per contract basis, the amount to be determined by Exchange staff. Any deliveries memoranda or instructions received subsequent to 8:00 a.m. Chicago time on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with Rule 743.B. The buyer shall have made all provisions necessary to receive delivery within the country of issuance.

**732. FOREIGN CURRENCY SELLER'S DUTIES FOR CLS DELIVERIES**

A clearing member representing a customer delivering foreign currency through the CLS System to liquidate a net short position in that foreign currency shall, no later than 11:00 a.m. Chicago time on the last day of trading, present to the Clearing House a Seller's CLS Delivery Commitment, which identifies the CLS agent bank used by the seller and the number of contracts and the component delivery values. Also, the clearing member/customer shall arrange with their CLS agent bank to input the relevant instructions into the CLS System no later than 1:00 p.m. Chicago time on the business day preceding the delivery day. The CME Clearing House will input the Exchange's relevant contra-side banking instructions into the CLS System. (The CME Clearing House is the buyer to every seller and the seller to every buyer in the currency delivery process through the CME CLS Agent Bank.)

A match of delivery information must occur in order for a delivery transaction to be finalized. In the event that clearing member/customer instructions are not entered into the CLS System by 1:00 p.m. Chicago time on the business day preceding the delivery day, then the unmatched transaction may not be completed and paid on the delivery date through the CLS System. In such event, delivery instructions may be resubmitted to the CLS agent bank for delivery on the subsequent business day. Also, in such event, the Clearing House may assess fines for the delayed delivery. Further, if the delivery instructions remain unmatched by 1:00 p.m. Chicago time on the business day preceding the delivery day, the Clearing House may require the seller of the foreign currency to comply with other procedures as outlined in the Clearing House Manual.

If the Seller's CLS Delivery Commitment is received later than 11:00 a.m. Chicago time on the last day of trading, but not later than 8:00 a.m. Chicago time on the following day, the seller's clearing member shall be assessed a fine on a per contract basis, the amount to be determined by Exchange staff. Any deliveries memoranda or instructions received subsequent to 8:00 a.m. Chicago time on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with Rule 743.B.

**733. DELIVERY DATE**

Delivery shall be completed in accordance with the specifications of the separate contracts.

**734.-735. [RESERVED]****NON-CLS (LEGACY) CURRENCY DELIVERIES****736. REGISTERED BANKS AND OTHER FACILITIES**

Exchange staff shall establish such requirements and preconditions for registration as a facility for the delivery of currencies as it deems necessary.

**737. FOREIGN CURRENCY BUYER'S DUTIES****737.A. Currency Contracts**

A clearing member representing a customer that intends to accept delivery of a foreign currency in liquidation of his net long position in that foreign currency shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Non-CLS Delivery Commitment. In addition, the clearing member shall either deposit, or present a bank Order to Pay, an amount equal to the net U.S. dollar value of such customer's positions. Values for positions in contracts with minimum fluctuations denominated in U.S. dollars shall be the contract value based on the settlement price on the last day of trading. Values for positions in contracts with minimum fluctuations in foreign currency shall be the contract size. If the buyer elects to pay by deposit, the deposit shall be made by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks for all other currencies. Such deposit shall be in the form of a wire transfer of same-day funds to an account at a bank designated by the Clearing House. If the buyer elects to pay by bank Order to Pay, an Order to Pay from an Exchange-approved bank shall be presented to a bank designated by the Clearing House by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks for all other currencies. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

**737.B. Physical Delivery Currency Cross-Rate and Israeli Shekel Contracts**

A clearing member representing a customer that intends to accept delivery of a Physical Delivery Currency Cross-Rate or Israeli Shekel Contract in liquidation of his position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Non-CLS Delivery Commitment. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount in the minimum-fluctuation currency equal to the contract value based on the settlement price on the last day of trading. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

**737.C. Physical Delivery Euro versus Polish Zloty, Hungarian Forint and Czech Koruna Cross-Rate Contracts**

A clearing member representing a customer that intends to accept delivery of Polish zloty, Hungarian forint or Czech koruna in liquidation of his net long position in that foreign currency shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Non-CLS Delivery Commitment. In addition, the clearing member shall either deposit, or present a bank Order to Pay, an amount equal to the net Euro value of such customer's positions. Values for positions in contracts with minimum fluctuations denominated in Euros shall be the contract value based on the settlement price on the last day of trading multiplied by the trading unit. If the buyer elects to pay by deposit, the deposit shall be made by 9:00 a.m. on the first business day preceding the delivery day that is a business day common to the Exchange, Chicago banks, New York City banks and banks for the Euro ("Target system banks"). Such deposit shall be in the form of a wire transfer of same-day funds to an account at a bank designated by the Clearing House. If the buyer elects to pay by bank Order to Pay, an Order to Pay from an Exchange-approved bank shall be presented to a bank designated by the Clearing House by 1:00 p.m. on the first business day preceding the delivery day that is a business day common to the Exchange, Chicago banks, New York City banks and banks for the Euro ("Target system banks"). The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

Subject to the preceding three paragraphs, if the Buyer's Non-CLS Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the following day, the buyer's clearing member shall be assessed a fine on a per contract basis, the amount to be determined by Exchange staff. Any deliveries memoranda or instructions received subsequent to 8:00 a.m. on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with Rule 743.B. The buyer shall have made all provisions necessary to receive delivery within the country of issuance.

**737.D. Restrictions**

From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non-interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the buyer's responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which he desired to accept delivery.

**738. FOREIGN CURRENCY SELLER'S DUTIES****738.A. U.S. Dollar-Based Currency Contracts, Euro versus Polish Zloty, Hungarian Forint, Czech Koruna Cross-Rate Contracts**

The clearing member representing a customer delivering foreign currency in liquidation of his net short position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Seller's Non-CLS Delivery Commitment.

**738.B. Physical Delivery Currency Cross-Rate and Israeli Shekel Contracts**

The clearing member representing a customer making delivery of a Physical Delivery Currency Cross-Rate or Israeli Shekel Contract, except for cross-rate contracts referenced in Rule 738.A., in liquidation of his position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Seller's Non-CLS Delivery Commitment. In addition by 1:00

p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount equal to the trading unit. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day. The Seller shall have made all provisions necessary to receive delivery of the minimum-fluctuation currency within the country of issuance. The Seller's clearing member shall be responsible for delivering the foreign currency on the delivery date to a bank designated by the Clearing House. The Exchange reserves the right to eliminate the requirement for sellers to post a Bank Order to Pay in the event that a given country's payments systems, which previously required a prior Bank Order to Pay posting, implements same-day finality of payment.

Subject to the preceding two paragraphs, if the Seller's Non-CLS Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the day following the last day of trading, the seller's clearing member shall be assessed a fine on a per-contract basis, the amount to be determined by Exchange staff. Any deliveries memoranda or instructions received subsequent to 8:00 a.m. on the day following the last day of trading, shall be deemed a delivery obligation failure and acted upon in accordance with Rule 743.B.

#### **738.C. Restrictions**

From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non-interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the seller's responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which he desired to make delivery.

### **739. DELIVERY DATE**

Delivery shall be completed in accordance with the specifications of the separate contracts.

### **740. PAYMENTS**

The Clearing House shall designate a bank in each foreign country into which foreign currency shall be delivered. These banks shall notify the Clearing House when foreign currency funds have been received. In the case of Currency Contracts, the foreign currency delivery for each customer shall equal the net short value of positions in that foreign currency. Values for positions in contracts with minimum fluctuations denominated in U.S. dollars shall be the contract size. Values for positions in contracts with minimum fluctuations in foreign currency shall be the contract value based on the settlement price on the last day of trading. In the case of Currency Contracts, the Clearing House shall, promptly after receipt of notification that foreign currency funds have been received, transfer the U.S. dollar funds previously deposited by the foreign currency buyer's clearing member to the account of the foreign currency seller's clearing member.

### **741. COSTS OF DELIVERY**

The deliverer of a foreign currency shall bear the costs of transferring the foreign currency into a bank designated by the Clearing House. The receiver of a foreign currency shall bear the costs of transferring the foreign currency out of the bank designated by the Clearing House. Such costs may include, but are not limited to, wire transfer charges, negative interest charges and transaction fees.

### **742. DELIVERY NETTING**

#### **742.A. CLS Delivered Currency Futures Contracts**

Exchange currency futures contracts delivered through the CLS Bank and/or the CME CLS Agent Bank shall be netted according to procedures specified by the Clearing House from time to time.

#### **742.B. Non-CLS Delivered Currency Futures Contracts**

To facilitate spread trading between currency products where positions held to termination

create offsetting currency payment obligations, the Clearing House may net to the extent possible physical delivery payment obligations by clearing member customer by currency, in accordance with the procedures outlined in the Clearing House Manual of Operations. Clearing members desiring netting of obligations may only net payment obligations that arise from positions belonging to the same beneficial account owner, and shall be required to submit a Delivery Netting Request form, which identifies the final positions and net currency payments of a customer requesting delivery netting, to the Clearing House by 11:00 a.m. on the last day of trading.

Clearing members may also net delivery obligations within a given currency following the last day of trading in such eligible currency product. Clearing members may net delivery obligations across all accounts belonging to the same beneficial account owner.

Clearing members are prohibited from netting open positions across customer accounts while a currency contract remains eligible for trading on the Exchange.

Clearing members shall be required to submit a Delivery Netting Request, which identifies the final positions and net currency delivery obligations to the Clearing House by 11:00 a.m., on the last day of trading, in accordance with the procedures outlined in the Clearing House Manual of Operations.

## **743. DELIVERY INFRACTIONS**

### **743.A. Late or Inaccurate Delivery**

1. If a clearing member with a Delivery Commitment to pay funds pursuant to Rules 731, 732, 737 or 738 fails to deposit such funds in order to make timely payment on the date required in those rules, the Clearing House may impose a fine upon the clearing member pursuant to the schedule of fines maintained by the Clearing House in addition to charging the current overdraft rate applicable to the Exchange's foreign currency delivery account with the CME CLS Bank or with the Exchange's IMM foreign currency delivery account or any other compensation due to the late or inaccurate delivery.

If by 9:30 a.m. Chicago time on the day following the date required in Rules 731, 732, 737 and 738, such deposit is not made, the failure shall be deemed a delivery obligation failure of the clearing member and the matter shall be acted upon pursuant to Section B of this Rule.

Funds deposited pursuant to Rules 731, 732, 737 and 738 earlier than the required date of deposit shall not earn interest for the early time period.

2. If the information contained in either the Buyer's CLS on Non-CLS Delivery Commitment or the Seller's CLS or Non-CLS Delivery Commitment is inaccurate so that delivery cannot be accomplished in a timely manner, fines or damages may be assessed as in Section B below.

### **743.B. Delivery Obligation Failure**

A clearing member with a CLS or Non-CLS Delivery Commitment who fails to perform all acts required by this chapter, or whose actions or inactions have been deemed a delivery obligation failure shall be liable to the Clearing House for any loss sustained, which loss shall be computed as follows:

1. The President of the Clearing House or his designee shall determine the change, if any, from the final settlement price on the last day of trading to the spot rate on the first day on which the transaction could be consummated on the spot market. The spot market rate for purposes of this computation shall be the means of the spot rates between a group of Chicago, Illinois banks selected for this purpose by Exchange staff at the earliest time it is determined the transaction can be completed in the spot market.
2. The related charges suffered by the Clearing House at any of its designated banks.
3. A sum not to exceed 1% of the U.S. dollar value of the contract. Such amount shall be set by the President of the Clearing House or his designee, acting in his sole discretion, and shall be binding upon both parties to the contract, except no such sum shall be assessed where a delivery obligation failure is occasioned by the circumstances delineated in Rule 701.

**744.-759.[RESERVED]****OTHER COMMODITIES****760. OTHER COMMODITIES**

All other commodities which do not have delivery provisions specified in this chapter shall be governed by the requirements of the relevant contract specification chapter.

**761.-769. [RESERVED]****ALTERNATIVE DELIVERY PROCEDURES****770. ALTERNATIVE DELIVERY PROCEDURES**

In Live Cattle futures and Random Length Lumber futures, a member or clearing member who, as the result of an error in the execution of an order or an outrade discovered on or after the last day of trading, has a position in a contract which has expired and who is obligated either to make or take physical delivery in that contract, may offset such position against an opposite position of a member or clearing member whether or not such position exists as a result of an error or outrade; provided, however, that the parties to any such outrade shall exercise the utmost diligence to resolve the outrade. No new positions can be created pursuant to this rule.

A clearing member desiring to offset such positions must notify the Clearing House by reporting its final open interest and submitting an Alternative Delivery Notice in accordance with the schedule established by the Clearing House Risk Committee and posted in the Clearing House Manual of Operations. Upon receipt of an Alternative Delivery Notice, the Clearing House shall randomly assign offsetting positions to each member or clearing member submitting an Alternative Delivery Notice, thereby extinguishing each party's obligation to make or take physical delivery; provided, however, that in the event the Clearing House is unable to assign offsetting positions due to an insufficient number of available positions, delivery shall take place as required under Exchange rules.

The assignment of offsetting positions shall release clearing members and the Exchange from their respective obligations under the contracts.

The alternative delivery procedures set forth in this rule may not be used for the purpose of avoiding delivery.

**771.-779. [RESERVED]****SECURITY FUTURES PRODUCTS****780. SECURITY FUTURES PRODUCTS**

Deliveries of Security Futures Products effected on a Marketplace apart from the Chicago Mercantile Exchange and cleared by the Clearing House per the provisions of Chapter 8-B shall be governed as set forth herein.

**781. DELIVERY OF UNDERLYING SECURITIES**

At maturity of a physically-settled stock future, in addition to the final variation payment (if any), the Clearing Member that is, or that represents, the seller shall be obligated to deliver, and the Clearing Member that is, or that represents, the buyer shall be obligated to receive and pay for, a quantity of the underlying security equal to the unit of trading at the aggregate purchase price.

**782. DESIGNATION OF DELIVERY FACILITIES**

Clearing Members shall be required to designate a clearing member of the Options Clearing Corporation (OCC) who is also a member of the Depository Trust Clearing Corporation (DTCC) to facilitate deliveries of physically-settled stock futures. Such designations shall be made through the execution of such agreements and per such procedures as the Clearing House may designate from time to time. Settlement of the obligations to deliver and pay for such underlying securities shall be effected in accordance with the provisions of the OCC and

DTCC. The parties to such delivery shall bear the costs associated with such delivery per the provisions of the OCC and DTCC.

**783. [RESERVED]**

**784. FAILURE TO PERFORM**

A failure by a clearing member with a delivery commitment to perform all acts required herein and all acts per the provisions of the OCC and DTCC shall be deemed a delivery obligation failure and may be deemed an act detrimental to the interest or welfare of the Exchange. The Board shall determine and assess losses sustained, taking into account the settlement price, interest earnings foregone, and such other factors as it deems appropriate. The Board may also assess such penalties as deemed appropriate in addition to damages. Further, such clearing member shall be subject to such penalties and remedies as may be prescribed by the provisions of the OCC and DTCC.

(End Chapter 7)