

Chapter 257 Brazilian Real Futures

25700. SCOPE OF CHAPTER

This chapter is limited in application to futures trading in Brazilian real versus the U.S. dollar. The procedures for trading, clearing, delivery, settlement and any other matters not specifically contained herein shall be governed by the rules of the Exchange.

25701. FUTURES CALL

25701.A. Trading Schedule

Futures contracts shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Board of Directors.

25701.B. Trading Unit

The unit of trading shall be 100,000 Brazilian reais.

25701.C. Price Increments ¹

Minimum price fluctuations shall be in multiples of \$.00005 per Brazilian real, equivalent to \$5.00 per contract.

25701.D. Position Limits ²

A person shall not own or control more than 24,000 contracts net long or net short in any contract month or more than 40,000 contracts net long or short in all contract months combined. For positions involving options on the Brazilian real futures, this rule is superseded by the option speculative position limit rule.

25701.E. Accumulation of Positions

For purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

25701.F. Exemptions

The foregoing position limits shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, and shall not apply to other positions exempted pursuant to Rule 543.

25701.G. Termination of Trading³

Futures trading shall terminate on the last business day of the month for the Central Bank of Brazil immediately preceding the contract month. If the foregoing date for termination is a holiday for the Exchange and GLOBEX®, futures trading shall terminate on the next preceding business day for either the Exchange or GLOBEX®.

25701.H. Contract Modifications

Specifications shall be fixed as of the first day of trading of a contract, except that all deliveries must conform to government regulations in force at the time of delivery. If any national or international government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules and all open and new contracts shall be subject to such government orders.

25702. SETTLEMENT PROCEDURES

25702.A. [Reserved]

¹ Revised May 1997.

² Revised July 1996; November 2002.

³ Revised May 1999.

25702.B. Cash Settlement⁴

All Brazilian real futures contracts remaining open after the close of trading on the termination of trading day shall be liquidated by cash settlement at a price equal to the Final Settlement Price. The CME Brazilian real currency futures contract Final Settlement Price shall be equal to the reciprocal of the Commercial exchange rate for Brazilian Reais per U.S. Dollar for cash delivery, according to the provisions of Resolution no. 1690/90 of the National Monetary Council, defined as the average offered rate calculated by the Central Bank of Brazil on the last business day of the month for the Central Bank of Brazil immediately preceding the contract month, according to its criteria, broadcast by SISBACEN, transaction PTAX800, option 5-L (closing quotation), to 5 decimal places, and verified on the last business day of the month for the Central Bank of Brazil. This rate is the same Brazilian real per U.S. Dollar spot exchange rate calculated by the Central Bank of Brazil and used by the Bolsa de Mercadorias & Futuros (BM&F) to cash settle its U.S. Dollar futures contract. All open positions shall be cash settled to the reciprocal of this rate on the business day following the last business day of the month for the Central Bank of Brazil.

In the event that the "Commercial exchange rate of Reais per U.S. Dollar for cash delivery" is not calculated by the Central Bank of Brazil and/or broadcasted by SISBACEN on the last business day of the month for the Central Bank of Brazil immediately preceding the contract month, the Exchange shall determine a Final Settlement Price based on its own survey of financial institutions inside of Brazil that are active participants in the Brazilian reais per U.S. Dollar spot market. The Clearing House shall select at random 12 reference institutions from a list of no less than 12 institutions who are active participants in the spot market. Beginning at 6:00 p.m. Sao Paulo, Brazil Time,⁵ each participant shall be requested to provide its best estimate of the overall market's average dollar offered rate based upon spot transactions for Brazilian reais per U.S. dollar for the current trading day, calculated according to the Central Bank of Brazil's methodology for transaction code PTAX800, option 5-L (that is, transaction prices are adjusted to reflect the dollar offered side of the market).

Before a quote is officially accepted, it must be confirmed either by telex, facsimile, or other hard-copy confirmation, or by recorded telephone message.

If the survey results in at least 8 and up to 12 responses, the Clearing House shall calculate the Final Settlement Price based upon such 8 to 12 responses in the following manner. The Clearing House shall eliminate the two lowest and two highest offered rates and compute the arithmetic mean of the remaining 4, 5, 6, 7 or 8 offered rates. The reciprocal of this arithmetic mean of Brazilian real per U.S. dollar spot exchange rate will then be calculated and rounded to the nearest \$.00001 per Brazilian real. This number shall become the Final Settlement Price.

If the survey results in at least 4, but less than 8, responses, the Clearing House shall calculate the Final Settlement Price based upon such 4, 5, 6 or 7 responses in the following manner. The Clearing House shall eliminate the lowest and highest of such offered rates and compute the arithmetic mean of the remaining 2, 3, 4, or 5 offered rates as appropriate. The reciprocal of this arithmetic mean of Brazilian real per U.S. dollar spot exchange rate will then be calculated and rounded to the nearest \$.00001 per Brazilian real. This number shall become the Final Settlement Price.

If the survey results in 3 responses, the Clearing House shall calculate the Final Settlement Price based upon the arithmetic mean of the 3 offered rates. The reciprocal of this arithmetic mean of Brazilian real per U.S. dollar spot exchange rate will then be calculated and rounded to the nearest \$.00001 per Brazilian real. This number shall become the Final Settlement Price.

If the survey results in less than 3 responses, the Clearing House shall deem that insufficient survey responses are available for the Clearing House to calculate the Final Settlement Price.

If for any reason there is difficulty in obtaining a quote within a reasonable time interval from one of the participants in the sample, that participant shall be dropped from the sample, and another shall be randomly selected to replace it. The Exchange President or his designated representative shall determine by 10:00 AM Chicago Time on the business day following the last business day of the

⁴ Revised February 1996; January 1999; May 1999; November 1999.

⁵ This is 2:00 p.m. Chicago Time when Standard Time is in effect in Chicago and Daylight Savings Time is in effect in Sao Paulo, Brazil. This is 3:00 p.m. Chicago Time when either Standard Time or Daylight Savings Time is in effect in both Chicago and Sao Paulo, Brazil. This is 4:00 p.m. when Daylight Savings Time is in effect in Chicago and Standard Time is in effect in Sao Paulo, Brazil.

month for the Central Bank of Brazil immediately preceding the contract month whether the "Brazilian real per U.S. dollar spot exchange rate" was not determined and/or disseminated by the Central Bank of Brazil on its last business day of the month immediately preceding the contract month. In such event, the Exchange shall determine the Final Settlement Price based on its own survey of financial institutions as described above.

However, in the event that the Exchange President determines that the "Brazilian real per U.S. dollar spot exchange rate" is not calculated by the Central Bank of Brazil and/or broadcast by SISBACEN, and the Clearing House is not able to conduct its own survey to determine the "U.S. dollar per Brazilian Real spot offered rate," then Rule 25703 shall apply to determine the Final Settlement Price.

25703. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 257)