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Special Executive Report

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REMINDER OF CHANGES TO DAILY CME/EMTA RUSSIAN RUBLE REFERENCE RATE SURVEY EFFECTIVE THURSDAY, JUNE 16, 2005.

As you were notified previously in CME Update 05-03, dated Monday, May 2, 2005, the Board of Directors at its Regular Meeting on Monday, April 25, 2005, approved changes to the CME/EMTA Russian Ruble Reference Rate Methodology proposed by EMTA, Inc. and the necessary associated changes to the CME Russian Ruble futures contract specifications. Please be reminded that the changes to the daily survey to determine the CME/EMTA Russian Ruble Reference Rate will begin on Thursday, June 16, 2005. These changes to (1) the Methodology and survey, (2) the CME Russian ruble futures contract and (3) procedures of CME's Clearing House Agent ("CME/EMTA Russian Ruble Rate Survey Team") are summarized in the following three sections.

CME/EMTA Russian Ruble Reference Rate Methodology Changes:

1. Switch the calculated quotation from a "synthetic TOD (Today) rate"¹ to a "TOM (Tomorrow) rate." The TOM rate is now the primary spot market rate for rubles vs. U.S. dollars.
2. Instead of conducting two randomly timed surveys between 12:00 noon and 3:40 PM Moscow time and averaging the results, go to one survey conducted at a random time between 12:00 noon and 12:30 PM Moscow time. High and low survey quotes will continue to be eliminated under the revised procedure. A more narrow survey window will enable more precise customer hedges.
3. Rather than the current procedure of keeping the responding reference bank names and rate responses confidential, the responding bank names and their TOM rate responses will be published by CME and EMTA by at least the next business day on their respective Web sites. Also, the list of reference banks will be expanded to at least 15 (rather than at least 12) and 10 of these banks (rather than 8) will be chosen randomly to determine the ruble rate.
4. In the event the CME/EMTA Russian Ruble Rate cannot be calculated for a period of time, then defer or postpone settlement for up to 14 calendar days, and then allow the alternative settlement of Russian ruble NDFs and CME Russian ruble futures to the EMTA RUB Indicative Survey Rate. These are becoming standard NDF market procedures: originated for Latin American currency NDFs (Argentine peso, first) and later implemented for Asian NDF currencies. Current CME Emergency rule will apply if the EMTA RUB Indicative Survey Rate is unavailable after the CME/EMTA Russian Ruble Rate is also unavailable.

¹ Currently, a synthetic TOD rate is calculated from TOM rates and Russian ruble overnight interest rates supplied by the reference banks in the survey, plus the USD Fed Funds (overnight) rates.

- a. CME/EMTA Russian Ruble Reference Rate specifies surveying only “onshore” Moscow banks. The EMTA RUB Indicative Survey Rate is based on a broader list of “offshore” as well as “onshore” banks active in the Russian ruble/U.S. dollar FX market.
- b. Rates quoted by these banks in the indicative survey may include a spot rate(s) implied by NDFs, spot rate implied by other financial market transactions, spot rate used for commercial transactions from offshore suppliers, other existing rates for trade finance transactions, and any other existing unofficial rate for Russian Ruble / U.S. dollar transactions (commercial or otherwise).

However, if at any time during the deferral or postponement period, the CME/EMTA Russian Ruble Rate is calculated and available (CME’s Clearing House agent would attempt the survey each day), then outstanding Russian ruble NDFs and terminated CME Russian ruble futures would be settled using this CME/EMTA Russian Ruble Rate.

Changes to the CME Russian Ruble Futures Contract (Effective for the June 2006 & Subsequent Contracts):

1. The Board approved changes will apply to newly listed contract months only. Therefore, the June 2005, September 2005, December 2005 and March 2006 CME Russian ruble futures contracts are unchanged. The June 2006 CME Russian ruble futures contract will be the first expiration under the new rules. It will be listed for trading on Thursday, June 16, 2005.
2. Final Settlement Price for the “cash settlement” CME Russian ruble futures contracts (June 2006 & subsequent months) will become the reciprocal of the new CME/EMTA Russian Ruble Reference Rate, specifying a Russian Ruble TOM rate, rounded to six decimal places.
3. “Cash Settlement” rules modified to specify one rather than two random surveys to determine the reference rate and the survey timing change to the narrower window of 12:00 noon to 12:30 PM Moscow time (3:00 AM to 3:30 AM Central time).
4. Define new provision for “deferring or postponing valuation,” where there are 14 consecutive calendar days when there is no CME/EMTA Russian Ruble Reference Rate available. If a CME Russian ruble futures contract terminates at the beginning of or during a deferral or postponement period, then the CME ruble futures contract final settlement would be “deferred or postponed” for up to a maximum of 14 consecutive calendar days. The CME Russian ruble futures contracts would be cash settled based upon the EMTA RUB Indicative Survey Rate determined on the business day following the end of the deferral or postponement period. This specification will allow the ruble futures and outstanding NDFs to settle at the same time based on the same rate.
5. If a deferral or postponement period ends before the CME Russian ruble futures contract terminates (no CME/EMTA Russian Ruble Reference Rate for 14 consecutive calendar days) and also there is no EMTA RUB Indicative Survey Rate available for settlement, then the new CME rules specify that CME Rule 26003 – Emergencies, Acts of

Government, Acts of God would apply. Also, as with any CME futures and options contracts, CME may go to Emergency action at any time, if the circumstances warrant.

CME Clearing House Agent (“CME/EMTA Russian Ruble Rate Survey Team”) Impact:

1. Will do a new survey between 3:00 AM and 3:30 AM Chicago time each day. CME will begin the new CME/EMTA Reference Rate survey procedures on Thursday, June 16, 2005. The new procedures reduce daily surveys from two to one, but over a narrower 30-minute interval. Only the Russian ruble “TOM rate” will be provided in the new survey. (The CME Board of Directors approved the changes on Monday, April 25, 2005 and EMTA members approved the changes on Tuesday, April 26, 2005.)²
2. In addition to posting the daily ruble rate on the CME Web site, the CME Clearing House agent will post individual bank names and their TOM rate responses for the survey on the CME Web site.
3. On CME Russian ruble futures termination days through March 2006, three surveys will be done. On termination of trading day for CME Russian ruble futures, the CME Clearing House agent will add the two random surveys conducted between 3:00 AM and 6:40 AM Chicago time to the new EMTA survey between 3:00 AM and 3:30 AM Chicago time.
4. Pre-notify the reference banks before each CME ruble futures termination. Until all currently listed ruble futures contracts expire, CME Clearing House agent will contact all reference banks in the days before the CME Russian Ruble futures contract terminations to make sure they understand the procedures to respond to the additional two surveys under the old procedures on CME Russian ruble futures termination days. The banks will supply the ruble TOM rate and overnight Russian interest rate for each of the two surveys.
5. Number of reference banks eligible for the daily survey is to increase. CME and EMTA will increase the universe of reference banks in the daily survey from “no less than 12” to “no less than 15” financial institutions inside the Russian Federation that are active participants in the Russian ruble per U.S. dollar spot and/or non-deliverable forward markets. CME will randomly select 10 rather than formerly 8 reference banks for the survey. Two highest and two lowest bid and offer TOM-rate midpoints will be eliminated. The remaining six midpoints will be averaged for the CME/EMTA Russian Ruble Reference Rate. CME has provisions for modified procedures if less than 10 reference bank responses are received.

For more details including the specific changes to the CME/EMTA Russian Ruble Reference Rate Methodology and CME Russian ruble futures contract specifications, please see CME Update 05-03, dated Monday, May 2, 2005. This CME Update article may be accessed via the CME Web site at <http://www.cme.com/prd/fx/ruble-rate.html> within the blue box at the designated link.

² ISDA, EMTA and the Foreign Exchange Committee (“FXC”) jointly publish the 1998 FX and Currency Option Definitions and Annex A thereto and from time to time approve amendments, including additions, deletions and changes to those documents. Amendments to the CME/EMTA Russian Ruble Reference Rate definition were approved by these entities on May 20, 2005. Amendments to the CME/EMTA Russian Ruble Reference Rate Methodology are within the purview of its authors --CME and EMTA, Inc. -- and are not separately reviewed or approved by ISDA or the FXC.

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