

AGRICULTURAL PRODUCTS

# Centrally-Cleared Agricultural Swaps

Cultivating a Risk Management Strategy  
to **Meet Your Goals**

*How the world advances*

 **CME Group**









# Security. Flexibility. A Clear Advantage.

CME Group brings together a world of market participants and provides them with the security of centralized clearing. With a broad base of trading partners, we offer the liquidity and volume you need to manage your agricultural commodity risk. And with CME ClearPort, you have a secure system to clear your OTC trades while significantly reducing your counterparty credit risk.

## Trade with greater certainty

Efficient and reliable, CME ClearPort is a comprehensive set of flexible clearing services for OTC market participants located around the world. After a simple registration process, you can negotiate your own prices, trade off exchange and clear each transaction through a central counterparty, with several benefits and financial safeguards.

## Capital efficiencies

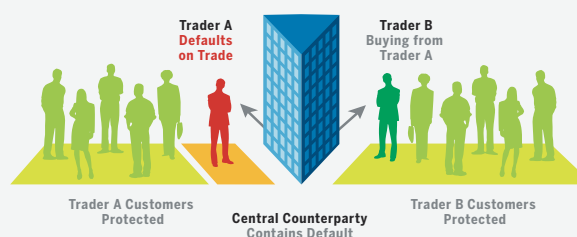
- » Cross-margining and portfolio margining processes help reduce your capital requirements
- » Neutral settlement prices and independent mark-to-market processes help you perform more accurate position monitoring and risk assessment

## Simplified clearing structure

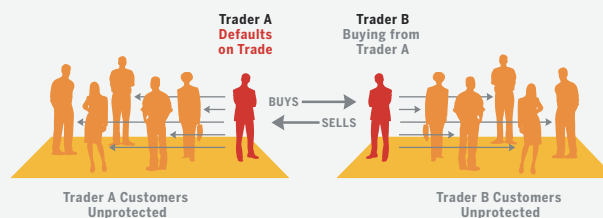
- » Central clearing streamlines both sides of the transaction into a single liability backed by more than 100 years of experience and \$8 billion in financial safeguards

## Convenience

- » Ability to transact with any company registered on CME ClearPort
- » Flexible and efficient new product introductions
- » Real-time trade confirmations reduce the expense of documentation



With a central counterparty model, the clearing house is the buyer to every seller and the seller to every buyer. So, if Trader A defaults, the default is contained between Trader A and the clearing house, protecting everyone in the green above.



The over-the-counter market's bilateral model works differently. If Trader A defaults, neither Trader A, Trader B, nor the others they transact business with are protected from the default, leaving everyone in the orange at risk.

# Centrally-Cleared Agricultural Swaps through CME ClearPort

In anticipation of our global customer's evolving needs for flexible risk-management tools and enhanced access to our benchmark agricultural markets, CME Group offers centrally cleared OTC Agricultural swaps. These products complement our liquid listed products, enabling users to better manage price risk, securely, through tailored hedges and central clearing of CME ClearPort.

## Expanding crop of opportunity

Recent growth spurred by developing nations, monetary policy and the use of agricultural products to produce biofuels has resulted in higher prices and greater price volatility in global agricultural markets. This environment of higher market volatility together with potential regulatory changes has resulted in increased demand from customers for creative price risk management tools, such as swaps to complement existing product solutions.

While swaps offer greater flexibility, trading them in the OTC market traditionally has involved counterparty risk. However, the Commodity Futures Trading Commission (CFTC) granted exemptions to CME Group to centrally clear agricultural OTC swaps.

By acting as a central counterparty, CME Group preserves the intrinsic risk management benefits of grain swap contracts while substantially mitigating counterparty default risk for both customers. Through our centrally-cleared grain and calendar swaps, CME Group is committed to providing innovative and secure risk management products and services to agricultural markets across the globe.

## Current Grain swaps include:

- » Calendar Swaps For Corn
- » Calendar Swaps For Wheat
- » Calendar Swaps For Soybeans

## Pending products include:

### Calendar Swaps

- » Soybean Oil
- » Soybean Meal
- » Soybean Board Crush
- » Live Cattle
- » Lean Hogs

### Bullet Swaps

- » Corn
- » Wheat
- » Soybeans
- » Soybean Oil
- » Soybean Meal
- » Live Cattle
- » Lean Hogs

Note that we continue to work with the regulator, the Commodity Futures Trading Commission (CFTC), to clarify requirements for non-commercial market participants in the cleared OTC agricultural options market.

### KEY BENEFITS OF CENTRALLY-CLEARED AGRICULTURAL SWAPS INCLUDE:

- » Expanded access to flexible, cleared-only risk-management tools when traditional listed markets are not available
- » Substantially mitigated risk through post-trade central clearing services
- » Ability to privately negotiate prices and trade off-exchange
- » Reduced capital requirements due to cross product margin efficiencies
- » Convenience of financially (cash) settled swaps without added costs/logistics of physical delivery
- » Versatility to EFR into or out of a futures position in the underlying market
- » Easy and accessible use of CME ClearPort — limited and straightforward registration documentation
- » Position accountability through our daily mark-to-market process

For additional information on Agricultural swaps, contact a member of the CME Group Agricultural Products Team.

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## Grain Calendar Swap Contract Specifications

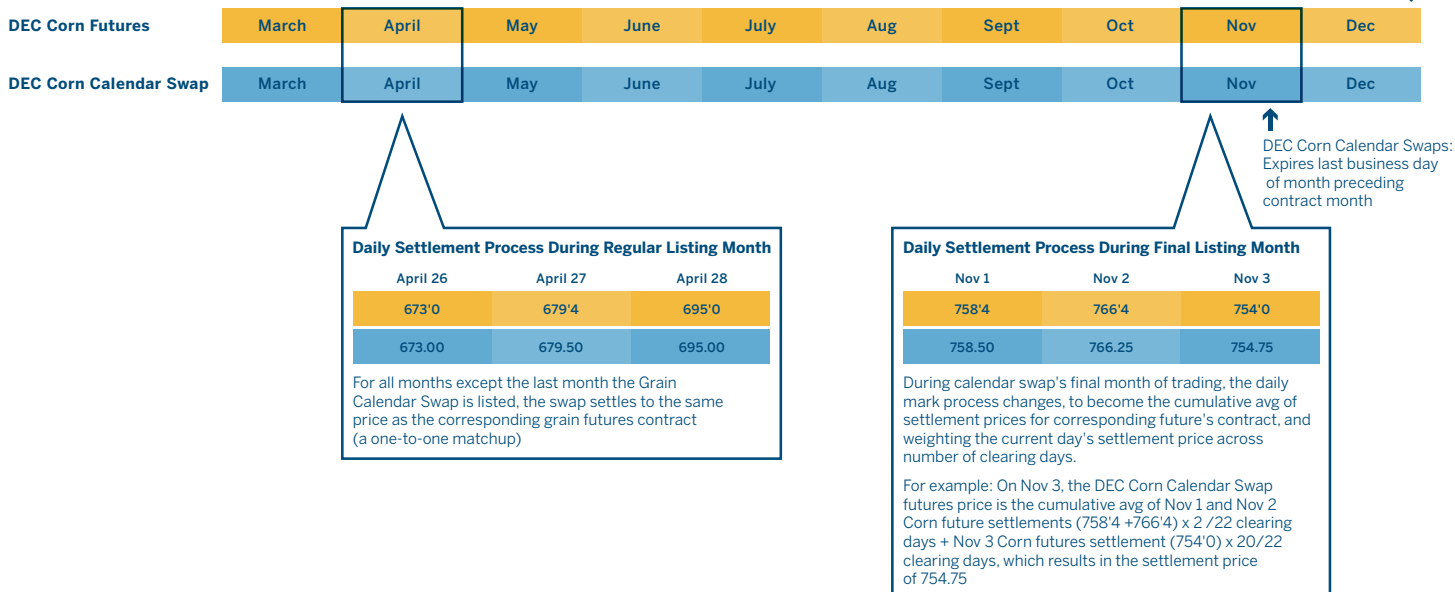
Available Calendar Swaps	Corn, Soybean, Wheat
Contract Size	5,000 bushels
Price Quotation	Cents and quarter cents per bushel
Minimum Price Fluctuation	One quarter of one cent (\$0.0025) per bushel
Clearing Hours (Central Time)	CME ClearPort clearing is available from 5:00 p.m. Sunday through 4:15 p.m. Friday, with a 45-minute break between 4:15 p.m. and 5:00 p.m. on Mondays through Thursdays
Contract Pricing	N/A
Contract Months	Calendar swaps are listed for all 12 calendar months with the corresponding futures contract being the contract closest to the swap's expiration date
Termination of Clearing/Expiration Date	The last business day of the month preceding the month of the calendar swap. For example, a December Calendar swap will expire on the last business day in November
Daily Settlement (See illustration below)	Settled to the corresponding Corn, Soybean or Wheat futures contract closest to but not before the calendar swap month
Final Settlement (See illustration below)	<p>Daily settlement during the last month of clearing shall be the cumulative average of each settlement price of the corresponding Corn, Soybean or Wheat futures contract weighting the current day's settlement price across each remaining clearing day. For example, the calculation of the daily settlement price for a July Corn Calendar Swap on the third business day in a June with 20 clearing days and with respective settlement prices for the corresponding July Corn futures at \$4.00, \$4.10, and \$4.20 per bushel would weight the average of \$4.00 and \$4.10 (\$4.05) at <math>\frac{2}{20}</math> and weight the current day's settlement of \$4.20 at <math>\frac{18}{20}</math>. In this example, settlement on the third day of clearing in the final month of clearing would be \$4.185 per bushel.</p> <p>Final settlement shall be the cumulative average of the settlement prices for the corresponding CBOT Corn, Soybean or Wheat futures contract for each clearing day in the month prior to the contract month. For example, the final settlement for a May Corn Calendar Swap would be the average of daily settlement prices for the May Corn futures contract during the month of April.</p>
Clearing Codes	Corn Calendar Swap: CCS Soybean Calendar Swap: SNS Wheat Calendar Swap: WCS

These contracts are listed and subject to the rules and regulations of CBOT.

## Understanding Daily Settlements for Grain Calendar Swaps

### Example

December Corn Calendar Swap



For more information on grain swaps, visit [cmegroup.com/agswaps](http://cmegroup.com/agswaps).

# Getting started with CME ClearPort is easy.

## How to register for clearing through CME ClearPort:

1. Establish an account with a CBOT clearing member.
2. Visit **[cmegroup.com/clearport](http://cmegroup.com/clearport)** and complete the online Exchange User License Agreement (EULA), whether you are a broker or a trader.
3. Once you have received your username and password, contact the clearing or risk staff person at your clearing member firm and request that your clearing account be added to RAV (Risk Account Value) Manager. You will then be given permissions for any markets you wish to clear and, if a trader, for any OTC brokers who may be entering trades for clearing on your behalf.

Once approved, you're immediately ready to clear OTC agricultural swaps. To date, CME ClearPort serves more than 2,000 active registered companies and 10,000 users worldwide, and clears more than 500,000 contracts daily. Note that registration process may take up to 24 hours to complete.

## How to Access CME ClearPort

- » Through the CME ClearPort Web-based user interface (GUI), via a broker or end user
- » By contacting the CME ClearPort Facilitation Desk via phone, e-mail or IM, along with a submitted spreadsheet
- » Directly, through an API that connects to CME ClearPort
- » Direct reporting from the Futures Commissions Merchant (FCM), via Front-End Clearing (FEC)

The screenshot displays the CME ClearPort web application. At the top, the CME Group logo and 'CME ClearPort' are visible. Below the header, there are navigation tabs: 'Home', 'Trade', 'Clearing', 'Products', 'Support', 'Contact Us', and 'Log Out'. The main content area is titled 'Registration' and contains a 'Search Product' field. Below this, there are several sections for selecting product details, including 'Clearing Product', 'Product Type', 'Product Name', 'Product Description', 'Product Code', 'Product Category', 'Product Subcategory', 'Product Unit', 'Product Quantity', 'Product Price', 'Product Status', and 'Product Exchange'. Each section has a 'Select One' dropdown menu. At the bottom of the form, there are buttons for 'Go Back' and 'Next Step'.

For further information and questions regarding CME ClearPort, contact the CME ClearPort Facilitation Desk toll-free at 866 246 9639 or 212 299 2457, via e-mail at **[ClearPort@cmegroup.com](mailto:ClearPort@cmegroup.com)** or visit **[cmegroup.com/clearport](http://cmegroup.com/clearport)**.









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