

DATE: April 20, 2018

TO: Clearing Member Firms

FROM: CME Clearing

ADVISORY #: 18-163

SUBJECT: **Clearing processing for TACO (Trade At Cash Open) Trades**

On **Sunday, May 13, 2018** (and pending all relevant CFTC regulatory review periods), CME will launch TACO (Trade At Cash Open) trading on E-Mini S&P 500 futures. TACO trading will be available in the “New Release” testing environments for CME Globex and CME Clearport beginning Monday, April 23.

TACO trading on E-Mini S&P 500 futures is similar to the current trading in BTIC (Basis Trade Index Close). For both contracts, you execute at a differential price, plus or minus. The final absolute price you get in the E-Mini S&P 500 future is equal to a special marker price, plus the executed differential price. For BTIC, the special marker price is the daily closing value of the S&P 500 index. For TACO, the marker price is the special opening quote (SOQ) of the S&P 500 index.

Both BTIC and TACO trading are examples of the generic functionality called “Trade-At-Marker” (TAM). Clearing firms currently support “Trade-At-Marker” (TAM) and “Trade-At-Settlement” (TAS) functionality, and CME offers TAS and TAM trading in a variety of products.

As with BTIC trading, TACO trading will be available on CME Globex, and block trades may be submitted through CME Clearport or CME Direct. The special opening quote (SOQ) is published by Standard & Poor each business day at approximately 8:30 am Chicago time. The product code for TACO trading is **ESQ**, with **SOQ** representing the special opening quote. The analogous values for BTIC are **EST** for trading and **ESI** for the closing quote.

The following are examples of the trading hours and trade date conventions for TACO.

Let's take as an example trading relative to Tuesday's SOQ price. Such trading will commence at 10:00 am CT Monday morning, and continue to 4:00 pm Monday afternoon. Trading will resume at 5:00 pm Monday and continue through 8:30 am Tuesday. All such trades will have Tuesday's logical trade date.

Trading relative to the Wednesday, Thursday, and Friday SOQ price will work analogously.

Block trades relative to Monday's SOQ price will be accepted from CME Clearport and CME Direct beginning at 10:00 am CT the previous Friday, and continue until 4:00 pm that Friday afternoon. Globex trading will commence at 5:00 pm Sunday evening, together with acceptance

of block trades on Clearport and CME Direct, and continue until Monday at 8:30 am. All such trades will have Monday's logical trade date.

Note that the trade date convention – where trades executed on a Friday will have Monday's trade date – is the first time that CME has supported such functionality – that is, where the trade date crosses the weekend.

Holidays will work in the same manner. For example, if July 4 occurred on a Wednesday, trading relative to Thursday's SOQ price would commence at 10:00 am Tuesday and continue until 4:00 pm Tuesday. It would resume at 5:00 pm Tuesday and continue until 9:00 am Wednesday (the normal closing time for Globex on a holiday). It would resume at 5:00 pm Wednesday and continue until 8:30 am Thursday. All such executed TACO trades would have Thursday's trade date.

Trade processing for TACO trades will work in the same manner as for BTIC or for any Trade-At-Marker trading convention:

- The product code is provided in the **ID** field, exactly as for any other trade in an E-Mini S&P 500 future. For example, **ID="ES"**
- The trade subtype is provided as **TrdSubTyp="43"**, which tells you that the trade was generically a Trade-At-Marker transaction.
- The differential price is provided in the **DiffPx** attribute. For example, **DiffPx="-3.00"** would indicate that you executed at an absolute price equal to three index points below the special opening quote.
- The absolute price is provided as it would for any trade, in the **LastPx** field, for example, **LastPx="1329.56"**
- The original trade confirmation message provided from CME Clearing will contain a price subtype value of zero – for example, **PxSubTyp="0"** – meaning that the absolute price provided is an estimate and not the final value.
- When the final value of the SOQ is known, at approximately 8:30 am CT, CME sends a change message (**TransTyp="2"**) with a price subtype value of one. For example, **PxSubTyp="1"**. This indicates that the absolute price provided for the trade is the final value.
- The symbol used for the publication of the special opening quote will be provided in an alternate ID field of type 112: **<AID AltID="SOQ" AltIDSrc="112">**

For more information please see:

The TACO page on CME's website
<http://www.cmegroup.com/taco>

Globex Notice 20180420: TACO on E-Mini S&P 500 Futures
<http://www.cmegroup.com/notices/electronic-trading/2018/04/20180420.html#pageNumber=1>

New Product Notice 18-160: Initial listing of Basis Trade at Cash Open (TACO) Transaction Eligibility for the E-mini Standard and Poor's 500 Stock Price Index Futures Contract
<http://www.cmegroup.com/notices/clearing/2018/04/Chadv18-160.html#pageNumber=1>

Special Executive Report SER-8124: Basis Trade at Cash Open (TACO) Transaction Eligibility for the E-mini Standard and Poor's 500 Stock Price Index Futures Contract
<http://www.cmegroup.com/notices/ser/2018/04/SER-8124.html#pageNumber=1>

Market Regulation Advisory Notice RA1803-5: TAS, TAM, BTIC and TACO Transactions
<http://www.cmegroup.com/notices/market-regulation/2018/04/cme-group-ra1803-5.html#pageNumber=1>

Market Regulation Advisory Notice RA1804-5: TACO Block Trades
<http://www.cmegroup.com/notices/market-regulation/2018/04/cme-group-ra1804-5.html#pageNumber=1>

Reference to Trade-At-Settlement (TAS) and Trade-At-Marker trades:
<https://www.cmegroup.com/clearing/files/tas-tam-btic.pdf>

or contact CME Clearing at 1-312-207-2525.