CME Group | Advisory Notice

TO: Clearing Member Firms

FROM: CME Clearing

ADVISORY #: 16-199

SUBJECT: **APS Processing for BTIC trades starts June 27, 2016**

DATE: May 12, 2016

With the recent enhancement to provide intraday and preliminary price updates to the estimated value of the trade price for BTIC (Basis Trade Index Close) trades, we are pleased to announce that BTIC trades will be eligible for CME's Average Price System (APS) beginning for trade date June 27, 2016.

APS processing for BTIC trades follows the same current functionality provided for other trades. The only exception with BTIC is that the final trade price is not known at the time of execution. The general principle we are following here is to enable firms to mark the trades for APS after execution, but the APS group that contains BTIC trades cannot be completed until after the settlement price for BTIC is determined. Therefore, APS groups cannot be completed or allocated until the final trade price is determined.

Please note that BTIC APS groups may be comprised either entirely of BTIC trades or consist of a mixed set of regular trades and BTIC trades. In both cases the rounded price will be reported using the trade price tick of the cleared product code. For example, the rounded price for an APS group containing E-mini S&P 500 BTIC trades will have a standard price tick of .25 even though the trades in that group have a price tick of .01.

Initially CME is rolling out BTIC APS only for a select set of products including E-mini S&P 500 futures, E-mini Nasdaq 100 futures, and E-mini Dow futures. Shortly afterward we will be making this feature available to the remaining BTIC products as well as Trade-at-Marker and Trade-at-Settlement products. The exact timing will be announced.

Testing of the new BTIC APS feature in CME's New Release environment will be available starting June 8, 2016.

Background on BTIC trades:

These are Trade-At-Marker (TAM) trades, where the execution price represents a differential from the daily closing value of the underlying index of that futures contract.

Because that underlying index value is not known at the time the trade is executed, the final trade price in absolute terms cannot be known at that time. The original trade confirmation message provides an estimated, preliminary value for the trade price. Later in the afternoon, when the closing value of the index is known, a change message is sent, providing the updated, final value for the trade price.

On January 25, 2016 CME Clearing began providing intraday, preliminary updates to the estimated value of the trade price. These update messages are sent approximately every thirty minutes throughout the trading day.

In addition to the change messages for the original trade, if the trade has been given out, the update messages are also provided on the Allocation Report and Allocation Instruction Alert messages.

For a comprehensive description of messaging attributes for TAS, TAM and BTIC trades, please see: http://www.cmegroup.com/clearing/files/tas-tam-btic.pdf

For clearing advisory 11-144 providing examples of messaging for TAM transactions, please see: http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv11-144.pdf

For information on the BTIC equity index futures please see New Product Advisories 15-266, 15-372, and 15-373, at:
http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv15-266.pdf

http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv15-372.pdf

http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv15-373.pdf

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