CME Group

A CME/Chicago Board of Trade/NYMEX Company

Advisory Notice

Clearing House

09-81

TO: Clearing Member Firms

FROM: CME Clearing

SUBJECT: **Combined CME-CBOT-NYMEX-COMEX SPAN Files Now Available**

DATE: Monday, March 09, 2009

Combined CME Group SPAN® files are now available for clearing firms to begin testing.

These files contain margin rates and other SPAN data for all CME Group product exchanges:

- CBT – Chicago Board of Trade
- CME – Chicago Mercantile Exchange (includes OneChicago)
- CMX – COMEX
- DME – Dubai Mercantile Exchange
- NYM – New York Mercantile Exchange

These are live SPAN files with real production intraday and end-of-day settlement prices, and are available at ftp.cmegroup.com/pub/span/data/cme/test. For example, the intraday file for March 9 is named **cme.test.20090309.i.pa2.zip** and the end-of-day file is named **cme.test.20090309.s.pa2.zip**.

As previously announced, **clearing firms must begin using these new combined SPAN files for margining their customers, on Friday, May 22, 2009.**

The new combined SPAN files will take advantage of a feature of SPAN called **super-intercommodity spreading**. Simply put, super-intercommodity spreads are normal intercommodity spreads, except that they are evaluated **before** intracommodity (calendar) spreads. This feature will allow more accurate targeting of margin to risk for customers with NYMEX and COMEX positions.

Both delta-based and scanning-based super-intercommodity spreads will be used:

- **Delta-based super-intercommodity spreads** will be used for **options on combinations** – for example, for **crack-spread options**, which are options on futures intercommodity spreads. For example, a call option on the crude oil / gasoline crack spread, when exercised translates into buying a crude oil futures contract and selling a gasoline futures contract.

- **Scanning-based super-intercommodity spreads** will be used in situations where there are closely related **physically-delivered** and **financially-settled** products – for example, physically-delivered Henry Hub natural gas futures, versus financially-settled Henry Hub natural gas swaps.

In the widely-used expanded-unpacked ("pa2") SPAN file format, on the type "6" record for an intercommodity spread, a super-intercommodity spread can be distinguished from a regular intercommodity spread by an **S** in the Spread Group Flag field in position 110. The intercommodity spread method code in positions 89-90 can be used to distinguish regular non-tiered delta-based spreads (a value of **01**), tiered delta-based spreads (value **20**), and scanning-based spreads (value **04**).

Next phases: Two additional margining improvements will be forthcoming after May 22. First, super-intercommodity spreading will be rolled out for CME and CBOT products – for example, for CBOT options on crush spreads. Second, an enhancement to split allocation will be introduced for cash-settled futures whose underlying is actually the price of a futures calendar or intercommodity spread. Details will be published shortly.

For more information please contact CME Clearing at 312-648-3888.