

## Advisory Notice

Clearing House

TO: Back Office Managers and Software Providers

FROM: CME Clearing

ADVISORY #: 08-155

SUBJECT: CME and CBOT SLEDS at True Prior Day Settlement Prices Coming August 4, 2008

DATE: July 18, 2008

At the request of firms, effective Sunday, August 3, 2008, for trade date Monday, August 4, 2008, the "prior day settlement" method of pricing SLEDS trades will anchor all SLEDS front month trade prices, regardless of product, to the prior day's actual settlement price in Clearing. The back month price, as always, will be equal to the front month trade price minus the differential price. This removes all rounding currently used when treasuries settle off the whole tick.

Currently, if a firm is set to receive leg prices based on the prior day's settlement prices, there is a chance for price adjustments under two scenarios:

- CBT US Treasury SLEDS (T-Bonds, T-Notes, and Fed Funds) round the front month trade price (up on a "buy" and down on a "sell") to a "whole tick," when the prior day's front month settlement does not represent a dollar amount in whole pennies. For instance, a T-Bond settle of 115.13 is worth \$115,406.25. The same contract settle at, 115.13 ½, however, is worth \$115,421.875, which is rounded to \$115,421.88 in Clearing.
- CME Eurodollars SLEDS front month trade prices are adjusted when the end of a differential price of a trade falls at a quarter tick. By CME rule, Eurodollar futures may only trade in quarter tick increments in the nearest trading month. So, regardless of prior day's settlement price of the nearest month, the quarter tick must fall on the front leg.

This change means that, in the case of SLEDS, CME Eurodollar futures back month leg prices may be at a quarter tick; the rule for outrights and "regular" spreads remains the same.

As a reminder, firms may request leg prices based on current (Globex) execution price, or on the prior day's settlement price, by exchange. The particular method for a given firm/exchange combination may be bypassed at the trade level, by entering special characters at the beginning of the account number field: *Preceding* any of the special characters that you may currently use for APS and Giveups, or regular account number if no special character is assigned, you may place an ampersand (&), meaning "use engine assigned (screen) prices," or a percent sign (%), meaning "use the CME algorithm for prior day's settlement prices." This special character, if used after the APS or Giveup special characters, will be treated as part of the account number.

If you have any questions or concerns, please contact CCS at [CCS@cmegroup.com](mailto:CCS@cmegroup.com), or call CCS at 312-207-2525.