



Advisory Notice

Clearing House

TO: Clearing Member Firms
FROM: CME Clearing
ADVISORY #: 08-184
SUBJECT: Eurodollar Calendar Spread Options to Launch Monday, August 18.
DATE: August 15, 2008

Eurodollar Calendar Spread Options to launch Monday, August 18.

Please be reminded that trading will launch in Eurodollar Calendar Spread Options this Monday, August 18, 2008. For more information on these exciting new products, please see: <http://www.cmegroup.com/trading/interest-rates/stir/Eurodollar-CSO.html>

The product code in Clearing and on CME Globex for these options is **SPO** (SP-Oh). The ticker code for floor trades will be **SP1**.

The underlying of these options is a one-year Eurodollar futures calendar spread. For example:

- a Dec 2008 **SPO** call at a strike price of -0.05,
- will exercise into purchase of a Dec 08 versus Dec 09 Eurodollar futures calendar spread at a differential price of -0.05
- which in turn will translate into a purchase of the Dec 08 future at that day's settlement price, and a sale of the Dec 09 future at a price 0.05 higher.

This follows the rules that (a) the differential price is equal to the front leg price minus the back leg price, and (b) the front leg price is anchored to that day's end-of-day settlement price.

Note that these are American-style options, which can be exercised at any time, and that strike prices can be positive, zero or negative.

Generically, these are **options on combinations**, similar to CBOT options on crush spreads (clearing product code **31**), NYMEX options on crack spreads, or CME options on 5-year Eurodollar bundles (clearing product code **Y5**). The product type in SPAN is **OOO** for option on combination. The underlying type code in the SPAN file is **CMB**.

For product details, please see New Contract Notice 08-06, last updated July 24, at: <http://www.cme.com/clearing/clr/npadv/files/NPAdv08-06.pdf>

For performance bond (margin) calculations, we previously announced that these would use a feature of SPAN called **super-intercommodity spreading**. This feature yields the most

advantageous risk offsets between the options on Eurodollar futures spreads, and positions in the Eurodollar futures and options themselves, and has long been used by the New York Board of Trade (NYBOT, now ICE Futures US) for margining similar products.

We have been informed by some CME clearing firms, however, that they need more time to make sure that their bookkeeping systems can process super-intercommodity spreads for CME Group products. Therefore, at launch this Monday August 18, we will provide regular intercommodity spreads, but we will **not** provide the more advantageous super-intercommodity spreads for these new products. We do expect to add them shortly, however, and we will publish further information on this topic soon. For more information on super-intercommodity spreading, please see SPAN Advisory 08-01 at http://www.cme.com/clearing/rmspan/spanadv/files/SPAN_08-171.pdf.

For further information, please contact CME Clearing at 312-207-2525.