

TO: Clearing Member Firms
Back Office Managers
Service Providers

FROM: Clearing House Department

DATE: March 29, 2018

ADVISORY #: 18-133

SUBJECT: **Notional Value Average Pricing (NVAP) Workflow**

CME Clearing is introducing a new, alternate average pricing workflow, Notional Value Average Pricing (NVAP) to complement our existing Average Pricing System. This workflow allows firms to easily submit their own average price for allocations to CME Clearing, without having to pick specific trades, while also reducing the overall message load. **The NVAP workflow will be available in Production for Monday, September 10, 2018.**

The Average Pricing mandate will begin to be enforced starting Monday, October 1, 2018. See [SER-7809R](#) for more information.

NVAP is an alternative to the current APS system, but will not replace it. The model allows firms to group trades and specify their own average price on the allocations from the group – the basic workflow is as follows:

- A firm will mark trades for NVAP and group them into a specified NVAP Group. Clearing will send FIXML message to clearing firms after the group is generated, but NOT after each trade is added to the group.
- Trades can be added to NVAP groups and allocations can be created without the need to “complete” the group.
- The firm will be able to periodically send status requests for the group.
- The firm may then submit allocation requests, specifying the price for each allocation, out to as many as 10 decimal places.
- Clearing will use the following validations for each allocation request:
 - average price requested is within the high/low prices of the trades that make up the group.
 - the “notional value” (quantity multiplied by price) of the allocation is less than the available “notional value” left in the group.
 - If the allocation is processed, it ensures the remaining price per qty will still be within the high/low prices of the trades that make up the group
- Once the allocation is successfully created, the notional value of the allocation is deducted from the remaining notional of the NVAP group.
- The allocation is assigned a rounded price, and a Cash Residual by FECPlus.
- The Cash Residual value on each allocation will reflect the monetary difference between the True Average Price and the Rounded Price.

The NVAP Workflow document can be found [here](#).

The NVAP FIXML Specifications document can be found [here](#).

For further information, please contact CME Clearing Services (CCS) at 312-207-2525 or ccs@cmegroup.com