

DATE: May 17, 2018
TO: Clearing Firm Staff
FROM: CME Clearing

ADVISORY #: 18-192

**SUBJECT: Impact of the Minimum Price Fluctuation Amount (the “tick”) Reduction
for CBOT Two-Year Note Futures**

On January 13, 2019, and pending all relevant regulatory approvals, the tick for CBOT Two-Year Note futures (clearing product code 26) will be cut in half, reducing it from its current value of one-fourth of a thirty-second, to its new value of one-eighth of a thirty-second. The change will affect both trade prices and daily end-of-day settlement prices.

As a result of this change, the maximum number of decimal places (the maximum number of digits to the right of the decimal point) that will be needed to express a price, when that price is expressed as a pure decimal number, will increase from its current value of seven, to its new value of eight.

Further, as part of this change, CME’s systems will be enhanced to support a maximum precision for fully decimalized prices of nine places – *ie*, nine digits to the right of the decimal point. Please note, however, that there are no plans to introduce products requiring this level of price precision at this time.

The technical impact of this change to clearing firm systems was previously published on November 30, 2017, in Clearing Advisory 17-461, available at:

<https://www.cmegroup.com/notices/clearing/2017/11/Chadv17-461.pdf>

As described therein, most data interchange between the clearing system and clearing firm systems relies on FIXML, in which prices are expressed in pure decimal and there is no limitation on the maximum precision of any numeric value. In the positional-format SPAN risk parameter file (the “PA2 file”), and in the positional-format CBOT settlement price file, prices are expressed in a seven-digit “fractional decimal” format, where there are three implied decimal places, the first two represent the whole number of 32nds, and the last digit represents the truncated decimal value for the fraction of a 32nd. So currently you can get 0, 2, 5 or 7 in that final trailing digit, meaning zero, one-quarter, one-half, or three-quarters of a 32nd. With the change, in addition to those four values, you can also get 1, 3, 6 or 8, meaning one-eighth (0.125), three-eighths (0.375), five-eighths (0.625), or seven-eighths (0.875) of a 32nd.

The change will be available for all clearing applications in CME’s “New Release” testing environment beginning on June 11, 2018, for “26”, the actual two-year note future, and for a test product, using “98” as its product code. In the meantime, sample data, including trade messages, trade register files, product reference files, and settlement price files and SPAN files, in both XML and positional format, illustrating the greater degree of precision, are available at:

<ftp://ftp.cmegroup.com/pub/span/data/cme/test/twoyear>

For further information, including links to the various technical notices associated with this change, see:

<https://www.cmegroup.com/price-precision>

or contact CME Clearing at: US +1 (312) 207-2525; UK +44 (20) 3379-3198; Asia +65 6593-5591

Or email ccs@cmegroup.com.