CME Group | Advisory Notice

DATE: July 26, 2018

TO: Clearing Member Firms

FROM: CME Clearing

ADVISORY #:   18-301

SUBJECT: **BTIC trades in Futures & Swaps on the Bloomberg Commodity Index**

On Monday, August 13, 2018, the Chicago Board of Trade will extend BTIC (Basis Trade at Index Close) trading to both futures and swaps contracts on the Bloomberg Commodity Index.

BTIC is "Trade At Marker" (TAM) functionality where the trade is executed at a differential price relative to a marker, in this case the daily closing value of the Bloomberg Commodity Index. At the end of day, when the final daily closing value of the index is determined, you receive a transaction in the underlying contract, at an absolute price equal to the differential traded price, plus the daily closing value of the index.

The relevant product codes are:

> For the futures:
> > BTIC product code   **AWT**
> > Underlying product code   **70**
> > Index product code   **AWI**
>
> For the swaps:
> > BTIC product code   **DGT**
> > Underlying product code   **DGS**
> > Index product code   **DGI**

Please note that BTIC trading on these contracts have a special feature on any day that a "Market Disruption Event" occurs, when one or more component of the index closes limit up or limit down.

On the day that a Market Disruption Event occurs, a provisional closing value of the index is determined. Then, on the subsequent business day (one or more days in the future), when the disruption event is resolved, an updated final value of the index is determined for that disruption event.

If a Market Disruption Event occurs, CME Clearing will do the following:

> On the original day when a disruption event occurs, CME Clearing will determine an absolute price for each BTIC trade, based on the estimated value of the index.

> On the subsequent day when the disruption event is resolved, when the final corrected value of the index for that original day is determined, CME Clearing will determine the updated absolute price for the BTIC trade, and will calculate the cash impact of this price adjustment.

These cash amounts will be netted together to yield a single cash adjustment amount for each BTIC position, and will be processed in clearing as cash adjustments.

CME Clearing will notify each affected clearing firm, and provide spreadsheet files which firms may use to process these adjustments in their books.

The amount of the cash adjustment can be calculated as follows:

Multiply the Resolved Index Price by the contract value factor (100), and round normally to the normal precision of the settlement currency (ie, to the penny).

Multiply the Original Index Price by the contract value factor, and round normally to the normal precision of the settlement currency.

Subtract the second value from the first value.

Multiply this result by the trade quantity.

Multiply by -1 if a buy.

For example, suppose the resolved index price is higher than the original estimated index price. This results in a higher absolute price on the BTIC trade, which in turn means a less positive or more negative variation for a buy trade, when marked against the actual settlement price for the contract.

To assist firms in reconciling and processing the impact of market disruption events, firms with BTIC trades in the affected contracts will receive a special CSV-format datafile. This file will enumerate each affected BTIC trade – on each business day beginning on the disruption day and continuing up through and including the resolution date.

For more information, please see:

New Product Advisory 18-300, published July 25, 2018:
https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2018/07/Chadv18-300.pdf

Special Executive Report 8167, published July 18, 2018:
https://www.cmegroup.com/notices/ser/2018/07/SER-8167.pdf

or contact CME Clearing at +1 (312) 207-2525.

Specifications for the BTIC Disruption data file are as follows:

File name: BTIC.Disruption.CMF*xxx.ccyymmdd*.csv   (production)
                BTIC.Disruption.NR.CMF*xxx.ccyymmdd*.csv   (New Release testing)

Where *xxx* is the clearing firm number and *ccyymmdd* is the current business date.

Column	Description
BusDate	Business date as mm/dd/yyyy
Exch	Product exchange acronym – "CBT"
PF_Type	Product type – "FUT"
PF_Code	Product code – "70" or "DGS" for the future or the swap, respectively
CVF	Contract Value Factor
Settle_Ccy	Settlement currency – "USD"
Ccy_Precision	Settlement currency normal precision -- 2
Traded_Code	Traded-As Product code – AWT or DGT, respectively
Index_Code	BTIC Marker product code – holds the daily value of the index
Period	Period code identifying a specific contract – for example "201812"
Disruption_Date	Disruption Date –when the disruption event occurred
Trade_Date	Trade Date – same as disruption date
Resolution_Date	Resolution Date – specifies when the event was resolved
Original_Index	Value of the index when the disruption event occurred
Resolved_Index	Value of the index as resolved for this event
Trade_Qty	Trade Quantity
Buy_Sell	Market side – B for Buy or S for Sell
Diff_Price	Trade differential price
Status	"O" for open, or "R" for resolved
Original_Price	Original absolute price
Resolved_Price	Final resolved absolute price
Cash_Adjustment	Money value of the resolution for this trade
CO	Clearing organization
CMF	Clearing member firm ID
PA	Position account ID
Seg	Segtype – CUST or HOUS
Firm_Exch	Firm Exchange Acronym – "CBT"
TMF	Trade Management Firm ID
Trade_ID	Logical trade ID of a BTIC trade