

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 21-220

DATE: June 23, 2021

SUBJECT: CVF and Minimum Tick Increment Amendment for E-mini NASDAQ-100
Biotechnology Index Futures Contract

Subject to CFTC regulatory review, please be advised effective Monday August 16th 2021, CME Group will be amending the contract value factor and minimum tick increment of the E-mini NASDAQ-100 Biotechnology Index Futures contract, clearing code BQ. The contract value factor will be changing from \$50 to \$25 and the minimum tick increment will be changing from 0.10 to 0.50.

Given the contract value factor reduction from \$50 to \$25, this will result in an economic difference for open interest holders with open positions in any BQ contracts for close of business Friday August 13th transitioning into Monday August 16th. For example, based on a Friday settlement price of 4,000: 10 open long positions in BQ 202112 close of business Friday would translate to a notional value of \$2,000,000 ($\text{CVF} \times \text{settlement price} \times \text{position}$, that is, $50 \times 4,000 \times 10$). However close of business Monday assuming no change in settlement price, the notional value of 10 open long positions would only be \$1,000,000 given the reduction in the size of the contract value factor to \$25 ($25 \times 4,000 \times 10$). Alternatively, 10 open short positions would translate to a notional value of -\$2,000,000 close of business Friday but close of business Monday would only be -\$1,000,000.

To compensate for this economic difference, CME clearing will process transfer trades early Chicago evening on Sunday August 15th 2021 using Friday's settlement price, which will clear Monday August 16th 2021. CME Clearing will email a report to firms showing the transfer trades they intend to process early Chicago morning on Saturday August 14th. The transfer trades will be processed using transfer code C and order id BQ_CVF. The transfer trades will be booked in the firms' default house or customer position account depending on the account origin of the positions. The opposite firm on the transfer trades will be the CME Clearing firm number 995.

Using the example above if a firm has 10 open long positions EOD on Friday, CME Clearing will process an additional 10 transfer trades as buys at a price of 4,000 leaving the firm with 20 open long positions on Monday. Alternatively if a firm has 10 short positions EOD on Friday, CME will process an additional 10 transfer trades as sells at a price of 4,000 leaving the firm with 20 open short positions on Monday. Firms will receive clearing confirmation messages for these trades.

CME Clearing will be in touch with open interest holders prior to the go-live of the amendment but should firms have any questions please contact the Client Services team at +1 312 207 2525 or ccs@cmegroup.com.

Regards,

CME Clearing