

## Advisory Notice

Clearing House

TO: Clearing Firms  
Back Office Managers

FROM: Clearing House Department

DATE: January 12, 2005

ADVISORY #: 05-09

SUBJECT: **Important changes to CME-CBOT SPAN files effective February 4th**

This advisory describes three small but important changes to the CME-CBOT SPAN files which will be effective beginning **Friday February 4th**. As described below, sample SPAN files with these changes are available in production every day. We strongly urge firms to verify that their bookkeeping systems will correctly process these files.

The changes are:

- For CBOT Fed Funds and CME Eurodollars and Live Cattle, a change on the type "S" record to specify that the weighted price risk should be calculated using the "cap at scanrange" method rather than the "set to scanrange" method. With this change, the same method will be used for all CBOT and CME products.
- New fields at the end of the type "B" records for option series, which provide the price of the underlying future used to determine whether the options are in-the-money at expiration. These new fields will be useful because CME anticipates introducing options this year where this price is a special fixing of the underlying futures price and not the end-of-day settlement for that future.
- Changes to record sort orders within blocks of records.

We previously published that these latter two changes would be implemented on October 29th of last year, in Clearing Advisory 04-181 (10/12/2004). However, the changes were not actually implemented on that date.

### **Changes to the weighted-price-risk calculation method for CBOT Fed Funds, and CME Eurodollars and Live Cattle**

Due to systems limitations in effect several years ago, when tiered intercommodity spreading was introduced, the method for calculating the weighted price risk for products which used tiered intercommodity spreading, had to be set to method "3", meaning that the weighted price risk should be set equal to the price scan range.

With these limitations long since removed, we are now changing this method code to "2" for these three products, meaning that the weighted price risk should be calculated normally but then should be capped at the price scan range. With this change, the weighted price risk method will be identical for all CME and CBOT products. There will no longer be one method used for the three products which use tiered intercommodity spreading, and another method used for all other products.

Specifically, for combined commodities **41** (CBOT Fed Funds), **ED** (CME Eurodollars), and **FC** (CME Feeder Cattle), in byte **83** of the type "**S**" record, there will be a **2** rather than a **3**. Note that these are the only three products in the SPAN file with type "S" records.

### Reference Price for Option Expiration

We are making this enhancement because CME is planning next year to introduce options on futures in which exercise and assignment processing is not done at end-of-day based on the end-of-day settlement price of the underlying future. Rather, this processing would be done in the morning, based on an intraday fixing of that underlying price – the "special reference price." In addition to being provided in the SPAN file, this special reference price will be published over the CME ticker.

With this enhancement, the price of the underlying future used to determine whether expiring options are in-the-money or not, can be determined by looking only at the option series record, without having to look at the underlying futures record. In particular, on the type "B" record provided for each option series, three new fields have been added at the end of the record:

- The **Option Expiration Reference Price Flag** in byte 120
- The **Option Expiration Reference Price** in bytes 121-127
- The **Option Expiration Reference Price Sign** in byte 128

Before the expiration day of an option series, the Reference Price Flag field will contain **N**, meaning that the reference price is not yet available. Even on expiration day, if the reference price is not yet available, this field will contain **N**.

On the expiration day, however, if the reference price is available, the Flag will contain either a **Y** or an **S**:

- A value of **Y** means that the reference price for the underlying future is available, and that this price is the actual end-of-day settlement price for that future.
- A value of **S** (Special) means that the reference price for the underlying future is available, but that this price is different from the end-of-day settlement price for that future, which itself may not yet be available.

The reference price itself will be formatted in the manner used for the underlying instrument, which may be different than the manner used for the options. The sign of the reference price is provided (either as a plus or minus sign) because for options on spreads, the underlying price may be either positive or negative.

### Change to record sort order

**SPAN files with these enhancements are produced by a different system than the current production files.** Within particular blocks of records, you will notice differences in record sort order. Other than these slight differences and the two enhancements described above, we have made every effort to ensure that the new files are identical in every respect to the existing production files.

### Test files

SPAN files with these enhancements are available on the Internet at:

<ftp.cme.com/pub/span/data/ccl/test>

These are actual CME-CBOT SPAN files, produced daily, as they will be in production beginning Friday, February 4th.

Since SPAN files are critical to firm bookkeeping systems, **we strongly recommend that firms and bookkeeping service providers test their systems using files from this special "test" directory, to make certain that they will not have any problems on February 4th.**

For the updated layout of the type "B" record in the expanded-format SPAN files, please see [www.cme-ch.com/span/spanl31b.htm](http://www.cme-ch.com/span/spanl31b.htm)

The XML-based CME-CBOT SPAN files have already been similarly enhanced – see the specification at [www.cme-ch.com/span/span4\\_xml\\_index.htm](http://www.cme-ch.com/span/span4_xml_index.htm)

For more information please contact the Clearing House Risk Department at 312-648-3888.