

Advisory Notice

Clearing House

TO: Clearing Member Firms
Back Office Managers
Service Bureaus

FROM: Clearing House Department

ADVISORY #: 06-189

DATE: July 28, 2006

SUBJECT: **Upcoming Change to Simplify SLEDS Leg-Price Assignment for CBOT Treasury Products**

Effective **Monday August 14th**, changes will be made to the way leg-prices are assigned in SLEDS for CBOT Treasury products.

Currently, there are some inconsistencies in leg-price assignments based on the venue (e-cbot or Pit) the spread was traded. Further inconsistencies exist depending on whether the differential price was at a whole 32nd or a fractional of a 1/32nd.

Please take note of the following changes:

Five-Year T- Notes, Ten-Year T-Notes and 30-Year T-Bond Futures Contracts:

For these products, the front-leg price will always be assigned in increments of **whole 32nd's**. (1/32)

This front-leg price will be determined by taking the previous day's settlement price for the front-leg contract. The exception being if the previous day's settlement price on the front leg is not at a whole 32nd's, it will be rounded up to the next whole 32nd (for buy legs) or down to the next whole 32nd (for sell legs.)

Two-Year T-Note Futures

The front-leg price will always be assigned in increments of a **whole or half 32nd**.

The front-leg price will be determined by taking the previous day's settlement price for the front-leg contract. The exception being if the previous day's settlement price on the front leg is not a whole or half 32nd, it will be rounded up to the next whole or half 32nd (for buy legs) or down to the next whole or half 32nd (for sell legs.)

These practices will apply both to SLEDS trades executed on e-cbot, **and** for SLEDS trades executed in the pit but submitted to Clearing without leg prices specified.

Please note that for e-cbot executed SLEDS trades, firms may immediately change leg prices as desired, as long as the differential price is preserved. For pit-executed SLEDS, firms may change leg prices as desired after the trade has matched. (In the future, we plan to relax this restriction and allow leg-price changes for pit SLEDS even prior to match.) For pit-executed SLEDS trades, if you are submitting leg prices with the trade, you must still submit the front leg in whole 32nds (or, for 2-Year T-Note futures, at a whole or half 32nd.)

We will provide opportunities for firms to test their systems with these changes during the week beginning Monday, August 7th. For more information please contact CME Clearing at 312-207-2525.