

Advisory Notice

Clearing House

TO: Clearing Member Firms
Back Office Managers

FROM: Clearing House Department

DATE: October 12, 2004

ADVISORY #: 04-181

SUBJECT: **Reference Price for Option Expiration**

Reference Price for Option Expiration Available in SPAN Files on Oct. 29th

On Friday October 29, we will make a small enhancement to the combined CBOT/CME SPAN® files published daily by the CME Clearing House. 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.

We are making this enhancement because CME is planning next year to introduce options on futures in which exercise and assignment processing is done not 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.

SPAN files with this enhancement are available on the Internet today in a special location, namely:
<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, October 29th.

Please note that the files with this enhancement 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 enhancement for reference prices, we have made every effort to ensure that the new files are identical in every respect to the existing production files.

Since SPAN files are critical to firm bookkeeping systems, however, **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 October 29th.**

For the updated layout of the type "B" record in the expanded-format SPAN files, please see 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

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