

Advisory Notice

Clearing House

TO: Clearing Member Firms, etc
FROM: Clearing House Department
ADVISORY #: 06-67
DATE: March 21, 2006

SUBJECT: **Special restrictions on changing SLEDs leg prices for CBOT Treasuries to be removed on Friday, May 12, 2006**

On January 3, 2006, CME Clearing implemented an important change to method of assigning leg prices for Single Line Entry Differential Spread (SLED) transactions for CBOT Treasury Contracts executed on e-cbot. With this change, the front leg price for all e-cbot SLED transactions was assigned in clearing as the previous day's settlement price (rounded as needed to the nearest whole tick), and the corresponding back leg was priced based on the differential execution price of the SLED transaction.

To accommodate firms wishing to make the leg price in clearing equal to the leg price as originally reported by e-cbot, we will be removing all of the special restrictions currently in force on changing SLEDs leg prices for CBOT Treasury and Fed Funds contracts. With the implementation of this enhancement firms will have the capability to submit changes to the leg prices of SLEDs transactions without restriction. This enhancement will be implemented on **Friday, May 12, 2006**.

For example, suppose for a SLED in 10-Year Notes executed on e-cbot, the front leg was priced in clearing at 110 and 6 32nds, and the back leg at 110 and 6.5 32nds. Currently, firms may change these leg prices, but because the differential is not a whole number of 32nds, the front leg must be kept at the same relative number of 32nds. It may be changed to 110 and 5 32nds, or 110 and 7 32nds, but it cannot be changed to 110 and 5.25 32nds.

With this change, all of the special restrictions on changing SLEDs leg prices will be removed. Of course, the differential price must still be maintained.

Please note that the clearing system will continue to overlay the leg prices of SLED transactions assigned by e-cbot, with leg prices determined by setting the front leg price to the previous day's settlement, rounded as needed to the nearest whole tick. The difference is that firms will be free to change these as desired, including setting them back to the original leg prices reported by e-cbot.

Note also that for SLEDs executed in the pit, for leg prices specified by the firm when they submit the trade, restrictions currently in force for the **original** value of the leg prices will remain in force. The rule is that, when submitting a pit SLED, if the differential is not a whole number of 32nds and you want to specify leg prices, then keep the front leg at a whole number of 32nds. **However**, once you have submitted the SLED, you can then change the front leg price to whatever value you desire.

For further information, please contact Gary George, Associate Director, CME Clearing, at 312-207-2525.