

Advisory Notice

Clearing House

TO: Clearing Member Firms
FROM: Clearing House Department
ADVISORY #: 07-100
DATE: April 24, 2007
SUBJECT: **Update on Zero and Negative Prices for CME Weather Contracts**

UPDATE #1 (May 21): the effective date of this change has been delayed by two weeks, from Monday, June 4, 2007 to Monday, June 18, 2007.

Beginning Monday, June 18, 2007 zero will be allowed as a valid trade price and/or daily settlement price for:

- CME Snowfall Index Futures
- CME Seasonal Strip Snowfall Futures
- CME Weekly Average Temperature Futures

Currently, the lowest price accepted is one tick. With this change, the lowest price accepted will be zero. Similarly, beginning Monday, June 18, 2007 options on these futures may be traded with zero strike prices.

For the snowfall futures, this change will apply beginning with the October 2007 contracts, and was previously announced on October 4, 2006, in Clearing Advisory 06-294, available at <http://www.cme.com/files/Chadv-06-294.pdf>. These futures track the total snowfall recorded at a particular location over a period of time. Zero is a valid value, meaning that no snowfall was recorded.

Beginning in September 2007, zero or negative values will be allowed as valid trade prices and/or settlement prices for CME Weekly Average Temperature futures, and zero or negative values will be allowed for strike prices for options on these futures. The underlying index for these futures tracks average temperature in Fahrenheit degrees, and hence can become negative during the winter months.

For more information on CME weather products, please see <http://www.cme.com/trading/prd/weather/index14270.html>.

The systems impact of supporting zero or negative trade and settlement prices, and zero or negative option strike prices, was previously described in Clearing Advisory 06-99, published April 18, 2006, available at <http://www.cme.com/files/Chadv06-99.pdf>. This advisory describes how zero or negative trade, settlement and strike prices are represented in all clearing data file and message formats.

Firms may test the ability of their systems to support futures products with zero trade and settlement prices, and options with zero strikes, in CME's Certification environments beginning Tuesday, May 1, 2007. Testing opportunities for negative prices will be provided beginning in August.

For more information, please contact CME Clearing at 312-207-2525.