

Advisory Notice

Clearing House

TO: Back Office Managers and Software Providers

FROM: CME Clearing

ADVISORY #: 08-26

SUBJECT: Tick Changes for U.S. Treasury Products Coming March 3, 2008

DATE: February 19, 2008

Beginning trade date March 3, 2008 CME Group will reduce the minimum tick size for three of its most actively traded U.S. Treasury products. The following products will have new minimum tick values for outright, starting on Sunday night, March 2, 2008 for trade date March 3, 2008:

- 30-Year U.S. Treasury Bond Futures (Clearing Code 17) from $1/32^{\text{nd}}$ to $\frac{1}{2}$ of $1/32^{\text{nd}}$ (from \$31.25 to \$15.625),
- 5-Year U.S. Treasury Note Futures (Clearing Code 25) from $\frac{1}{2}$ of $1/32^{\text{nd}}$ to $\frac{1}{4}$ of $1/32^{\text{nd}}$ (from \$15.625 to \$7.8125), and
- 5-Year U.S. Treasury Note Options, including Flexible Options (Clearing Codes 25, 57, and 60) from $1/64^{\text{th}}$ to $\frac{1}{2}$ of $1/64^{\text{th}}$ (from \$15.625 to \$7.8125).

This change affects trade or settlement prices keyed in or read from:

- FEC trade entry,
- Inbound trade data sent to CME Clearing (both TREX and FIXML) from firms,
- Outbound trade confirmation messages ("confirms") from CME Clearing to firms,
- Settlement price files,
- SPAN files, and
- Trade Register files.

30-Year Treasury Bond Futures and 5-Year Treasury Note Futures are currently eligible to trade as "Reduced Tick Spreads," with spread leg prices calculated in increments of $\frac{1}{4}$ of $1/32^{\text{nd}}$. This means that the TREX message format for Trade Price for these contracts already accommodates the smaller tick increment. Front, middle, and back-office systems users will need to verify that trades or orders for outright contracts may be keyed or entered at the smaller tick intervals shown above for these Futures. The FIXML format currently accommodates this change, but in FIXML all prices are communicated in true decimal so firms should ensure that the proper formatting occurs for these contracts.

With this change 30-Year T-Bond Futures would behave similarly to 10-Year T-Note Futures (Clearing Code 21) which currently trade in $\frac{1}{2}$ of $1/32^{\text{nd}}$ tick increments. In the same way, with this change 5-Year T-Note Futures would behave similarly to 2-Year T-Note Futures, (Clearing Code 26) which currently trade in $\frac{1}{4}$ of $1/32^{\text{nd}}$ tick increments.

The 5-Year T-Note option change to trade at $\frac{1}{2}$ of $1/64^{\text{th}}$ is also already accommodated in the TREX and FIXML formats. Currently, 5-Year T-Note Options flow to and from Clearing with a trailing zero in the TREX Trade Price field. Starting trading day March 3, 2008, 5-Year T-Notes will trade in increments similar to how 2-Year Note Options trade today.

Firms are able to test these changes beginning Tuesday, February 19, 2008, in the New Release environment.

Click on the following link to view more details with regard to the tick changes and block trading rules for CBOT Treasury products.

http://www.cmegroup.com/cmegroup/trading/interest-rates/files/Tick_Change_and_Block_Trade_Passout_Jan_9_Final.pdf

If you have any questions or concerns regarding the CBOT Treasury Products and the upcoming changes, please contact CCS at CCS@cmegroup.com, or call CCS at 312-207-2525.