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Advisory Notice

Clearing House

05-151

TO: Back Office Managers
Service Bureaus

FROM: Clearing House Department

SUBJECT: **New Values in SPAN® File Drive Money Calculations and Position Holding**

DATE: July 21, 2005

New Values in SPAN® File Drive Money Calculations and Position Holding

On **Friday, July 29th**, we will introduce two new bytes at the end of the type "P" (product definition) record in the CBOT-CME SPAN files.

For the options on crush spreads which CBOT plans to introduce this fall, firms may use the first of these fields to indicate that you can hold a position in the option on the spread, but that if you exercise this option, the resulting spread transaction is immediately decomposed into its legs.

For the new CME Auction Markets initiative being launched this September, firms may use the second of these fields to indicate that money calculations for these new products should be done "nominal-style", rather than "futures-style."

Because these fields are provided in previously unused bytes at the end of the record, there should be no impact to firm bookkeeping systems.

Position 115 will hold the new **Positionable Product Indicator**, with a value of either **Y** (yes) or **N** (no). Yes means that a position can be held in this product, and No means that it cannot. The default value for this field should be Yes, a position can be held.

This fall, when CBOT introduces options on crush spreads, the value will be Yes in the type "P" record for the options -- yes, you can have a position in the option -- but it will be No in the record for the crush combination itself. That's because a trade in the crush spread is immediately broken out into the legs. Similarly, if you exercise an option on a crush spread, you get a transaction in the spread, which is immediately broken out into the legs.

Firms may use this new indicator to drive their own processing for whether positions may be held, or whether they must be broken apart into their components. Initially, the only product in the CBOT-CME SPAN file which will not have Yes as its value, will be the Y5 combination -- the underlying of CME's Y5 options on 5-year Eurodollar bundles. When CBOT introduces crush spread options this fall, the value will also be No for the crush spread combination.

Position 116 will hold the new **Money Calculation Method** parameter, with a value of **F** (futures-style) or **N** (nominal-style.) The default value for this field should be **F**, futures-style. Currently, this field will contain **F** for all products. When CME Auction Markets is launched this September, however, those products will contain **N** for "nominal."

Firms may use this new value to drive where rounding is done when calculating premium or mark-to-market amounts. Futures-style means that mark-to-market amounts are determined by calculating the rounded monetary value at each of the trade price and the marking price, taking the difference between these two rounded monetary values, and then multiplying by the trade quantity. This method, applicable to futures and options on futures, guarantees that the same results are obtained regardless of how many pieces the total quantity of a trade is decomposed into, and how many intermediate marking prices there are. Nominal calculations, by contrast, mean that you round only at the end, and is applicable to products traded in nominal terms.

Sample SPAN files with the new values will be made available shortly.

The revised layout for the type "P" record is available at: www.cme-ch.com/span/spanl30p.htm