

## Advisory Notice

Clearing House

TO: Clearing Member Firms  
Back Office Managers  
Bookkeeping Service & System Providers

FROM: Clearing House Department

DATE: August 17, 2005

ADVISORY #: 05-177

SUBJECT: **Products for upcoming test cycles**

As previously announced, we are now beginning a five-week period of testing opportunities for firms. During this period, firms may test the ability of their systems to support:

- **Expanded product codes:** beginning on Friday September 23rd, CME will introduce its first products with a 3-byte clearing product code -- the "mid-season" and "frost days" weather futures and options. After that, most newly-listed products will use 3-byte codes. In this test, we will also provide opportunities for firms to test their systems with 4-byte and 5-byte codes, although there are no immediate plans to launch products with codes larger than 3-bytes.
- **CME Auction Markets:** on Thursday, September 29th, CME Auction Markets will be launched with an auction on the Initial Jobless Claims number to be released that day. The "book-instrument" trades which firms will receive will appear as ordinary Globex-executed options trades using 3-byte codes. Firms will be able to test that their systems can handle the expanded product code, and calculate premium and variation using the slightly-modified method applicable to these products, and can process customer trades as non-segregated.
- **Daily futures, with the new "SUB" trade type:** CME anticipates introducing futures with daily expirations, which will trade via a new privately-negotiated trade type called a SUB, also known as "Substitution of Futures for Forwards." The TREX trade type for these will be **F**. They will be processed similar to EFP's. The daily futures may also be eligible for EFP's. Testing opportunities will allow firms to verify that their systems can process transactions in these daily futures, using either the SUB trade type, the EFP trade type, or both, and that SUB's can also be processed for standard currency futures.
- **CBOT "crush spread" options:** CBOT anticipates listing these in the future. Testing opportunities will allow firms to verify that they can book these "options on combinations", and at exercise, decompose the underlying combination into the underlying legs in the correct ratios and at the correct leg prices. (Note, however, that testing for these products will be done as part of some of the later testing cycles.)

The weather products which firms will need to set up for this testing are as follows:

- **H2V** -- Chicago Heating-Degree-Days mid-season starting in October -- futures and options
- **K2K** -- Chicago Cooling-Degree-Days mid-season starting in May -- futures and options
- **D1Z** -- Paris Heating-Degree-Days mid-season starting in December -- futures and options
- **G1N** -- Paris CAT mid-season starting in July -- futures and options
- **FZ** -- Amsterdam Frost Days Monthlies -- futures and options
- **FZX** -- Amsterdam Frost Days Seasonals -- futures and options

The **futures with daily expirations** which firms will need to set up for this testing are as follows:

- **7J** -- JPY/USD daily currency futures -- setup exactly like the **J1** monthly futures (decimal locator=7; tick size=0.000001 for outrights, 0.0000005 for spreads; contract size=12,500,000 JPY; currency=USD)
- **7I** -- EUR/JPY daily currency futures -- setup exactly like the **RY** monthly futures (decimal locator=2; tick size=0.01 for outrights, 0.005 for spreads; contract size=125,000 EUR; currency=JPY)
- **7C** -- CAD/USD daily currency futures -- setup exactly like the **C1** monthly futures (decimal locator=5; tick size=0.0001 for outrights, 0.00005 for spreads; contract size=100,000 CAD; currency=USD)

For CME Auction Markets testing, participating firms should set up all of the "day one" products. See below for the link to the advisory with product specifications.

Later this week we will publish a test script for the first test cycle on **next Tuesday, August 23rd**.

For further information please see:

- New Product Advisory 05-13, with information for all of the new mid-season and frost days weather contracts, at <http://www.cme.com/clearing/clr/npadv/14827.html>
- New Product Advisory 05-12, with information for the Auction Markets products, at <http://www.cme.com/clearing/clr/npadv/14636.html>
- Clearing Advisory 05-160, describing the overall test process, at <http://www.cme.com/clearing/clr/clradv/14500.html>
- Clearing Advisory 05-151, describing the new value in the SPAN file which drives the modified money calculations for CME Auction Markets, at <http://www.cme.com/clearing/clr/clradv/14437.html>
- Clearing Advisory 05-134, regarding the launch of products with 3-byte product codes, at <http://www.cme.com/clearing/clr/clradv/13824.html>
- Clearing Advisory 05-135, with information regarding clearing and bookkeeping processing for CBOT crush spread options, at <http://www.cme.com/clearing/clr/clradv/13847.html>
- Clearing Advisory 05-133, with information about clearing and bookkeeping processing for CME Auction Markets, at <http://www.cme.com/clearing/clr/clradv/13810.html>
- The new CME Auction Markets section of the CME web site at [www.cme.com/economicderivatives](http://www.cme.com/economicderivatives)

Or call the CME Clearing House at 312-207-2525.