

## Advisory Notice

Clearing House

TO: Clearing Member Firms

FROM: Clearing House Department

ADVISORY #: 06-227

DATE: September 13, 2006

SUBJECT: **Clearing and Bookkeeping Processing for CBOT's Dow Jones AIG Commodity Index<sup>SM</sup> Excess Return Futures Contracts**

On Monday, October 2, 2006 CBOT will launch trading on e-cbot in Dow Jones AIG Commodity Index Excess Return futures contracts. The clearing product code will be **70** (seven zero.) For more information please see:

- CBOT's news release about this contract, at [http://www.cbot.com/cbot/pub/cont\\_detail/0,3206,1036+41312,00.html](http://www.cbot.com/cbot/pub/cont_detail/0,3206,1036+41312,00.html)
- CME Clearing New Contract Advisory 06-31, at <http://www.cme.com/files/NP%2006-31.pdf>

These contracts are normal futures but in addition have an embedded fee, equal to 40 basis points of the end-of-day position value, paid by holders of long positions. Short position holders receive 10 basis points of the end-of-day position value.

These money amounts are calculated every night, as part of the end-of-day clearing and bookkeeping cycle. This uses the normal "daily adjustment" methodology, in which two values are provided for each contract, the "daily adjustment rate for long positions" and the "daily adjustment rate for short positions." These daily rates are derived by taking the fee rates (40 basis points on the long side and 10 basis points on the short side), annualizing, and then multiplying by the end-of-day settlement price for the contract. Both of these rates are expressed as negative numbers.

### For long positions:

Express the long position as a **positive** number.  
Multiply by the daily adjustment rate for **long** positions.  
Multiply by the \$100 contract value multiplier for these contracts.  
Round this result to the nearest penny **up** (away from zero.)

The result is a negative dollar amount, meaning a cash flow **from** the position holder.

### For short positions:

Express the short position as a **negative** number.  
Multiply by the daily adjustment rate for **short** positions.  
Multiply by the \$100 contract value multiplier for these contracts.  
Round this result to the nearest penny **up** (away from zero.)

The result is a positive dollar amount, meaning a cash flow **to** the position holder.

For customer positions in firm bookkeeping systems, the position is either long or short. For positions in clearing, which may be simultaneously long and short, the total cash adjustment is the net sum of the negative cash amount resulting from the long position and the positive cash amount resulting from the short position.

The resulting cash adjustment amount for each position is displayed on the Trade Register Report and provided in electronic form on the FIXML Trade Register file in an **Amt** element with a value of **VADJ** in the **Typ** attribute. These amounts are then included in the total amount of settlement variation to be banked.

## Clearing and Bookkeeping Processing for CBOT's Dow Jones AIG Commodity Index<sup>SM</sup> Excess Return Futures Contracts

Clearing House Advisory 06-227

September 13, 2006

Page 2 of 3

The daily adjustment rates can be read from either the normal CBOT-CME SPAN® file or the special CBOT version of the "daily adjustment rates" file.

In the SPAN file, type "V" records with the current day's long and short daily adjustment rates will be provided for each Dow AIG Excess Return futures contract eligible for trading. For the layout of the type "V" record see [www.cme-ch.com/span/span131v.htm](http://www.cme-ch.com/span/span131v.htm).

The CBOT version of the daily adjustment rates file will be available at [ftp.cme.com/pub/span/data/cbt/darates](ftp://cme.com/pub/span/data/cbt/darates). The layout of this file will be identical to that in the CME version of the file, available at [ftp.cme.com/pub/span/data/cme/trakrs](ftp://cme.com/pub/span/data/cme/trakrs). The detailed spec is available at [www.cme-ch.com/span/da-format.htm](http://www.cme-ch.com/span/da-format.htm).

Test versions of the CBOT daily adjustment rates file, the settlement price file, and the SPAN file are available now at [ftp.cme.com/pub/span/data/cbt/darates](ftp://cme.com/pub/span/data/cbt/darates), for business day 9/12/06:

- The settlement price file is named **dow.cbt.settle.20060912.s.txt**
- The daily adjustment rates file is named **dow.cbt.20060912.s.dahist.txt**
- The SPAN file is named **dow.ccl.20060912.s.pa2** and is contained inside a ZIP file named **dow.ccl.20060912.s.pa2.zip**

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

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Clearing House Advisory 06-227

September 13, 2006

Page 3 of 3