

Advisory Notice

Clearing House

11 - 417

DATE: November 15, 2011

TO: Clearing Members

FROM: CME Clearing

SUBJECT: Strike Price Increment Changes for Treasury Note Options Effective Sunday, December 4, 2011 for trade date Monday, December 5, 2011

The Federal Open Market Committee recently announced its intention to keep the target range for the overnight federal funds rate between zero and one-quarter of one percent through mid-2013. Due to customer demand, the strike increments will change on CBOT 2-Year and 5-Year Treasury Note Options to offer greater flexibility. This change will be implemented on Sunday, December 4, 2011 for Trade date, December 5, 2011:

- 2-Year Note options (Serial, Quarterly and Weekly): Reduce strike price increments from 1/4 to 1/8 of one price point.
- 5-Year Note options (Serial, Quarterly and Weekly): Reduce strike price increments from 1/2 to 1/4 of one price point.
- 2-Year Note and 5-Year Note options (Serial, Quarterly and Weekly): Redefine initial strike price arrays to comprise at-the-money ("ATM") plus 30 strikes above ATM and 30 strikes below ATM (versus the current ATM plus 15 strikes above and 15 strikes below).

It is important to note that there are NO changes to Strike Decimal Locators or the formatting of the strike price; only strike price increments will change. There will be usage of implied numbers similar to the Eurodollar options where Eurodollar options strikes ending in 2 or 7 have an implied trailing 5 (truncation).

The Clearing specifications are as follows:

Five-Year Note Standard and Weekly Options

❖ Standard Five-Year Note Standard and Weekly Options	
➤ Clearing Codes 25, FV1, FV2, FV3, FV4, FV5	
▪ Options Tick = $1/64 = \$15.63$ rounded	
▪ Strike Increment = 0.25	
▪ Contract Value Factor = 1,000	
	Exercise Prices
Actual Price	117.25
TCC Format	0001172
Globex Format	0001172
SPAN Format	001172

Notes:

- ❖ Strike price increments will be added in quarter 32nds or .25, where the last displayed digit of the strike price format is 2, 5, 7 or 0. The truncated implied last digit for 2 & 7 will be a trailing 5.
- ❖ Strike price arrays to comprise at-the-money ("ATM") plus 30 strikes above ATM and 30 strikes below ATM

Two-Year Note Standard and Weekly Options

❖ Standard Two-Year Note Standard and Weekly Options	
➤ Clearing Code 26. TW1, TW2, TW3, TW4, TW5	
▪ Options Tick = $0.5 / 64 = \$15.63$	
▪ Strike Increment = 0.125	
▪ Contract Value Factor = 2,000	
	Exercise Prices
Actual Price	117.125
TCC Format	0001171
Globex Format	0001171
SPAN Format	001171

Notes:

- ❖ Strike price increments will now be in eighth 32nds or .125. In addition to the existing last digit of the strike price format of 2, 5, and 7, the 1, 3, 6 and 8 will be valid increments. The truncated trailing implied digits will be increments of 1(25), 3(75), 6(25) and 8(75).
- ❖ Strike price arrays to comprise at-the-money ("ATM") plus 30 strikes above ATM and 30 strikes below ATM

For both products, these changes will be apparent on both the positional-format settlement price file, and the SPAN file. Strikes will be fully decimalized in FIXML Trade messages, FIXML settlement price files, and FIXML Trade Register files. Strikes should be formatted in the truncated format shown in the Large Trader file submitted to CME Clearing and CFTC, and strikes should be fully decimalized for PCS data sent to CME Clearing.

FIX/FAST format SecDefs:

2-Year Note (OZT)

1128=9_9=537_35=d_49=CME_34=7473_52=20111030162802321_15=USD_22=8_48=288403_55=N2_107=OZTU2 C1086
_200=201209_202=108.62_207=XCBT_461=OCAFPS_462=14_562=1_711=1_311=[N/A]_305=8_309=630499_731=2_827=2_864=2_865=5_866=20110630_1145=213000000_865=7_866=20120824_
1145=210000000_870=8_871=24_872=1_871=24_872=2_871=24_872=3_871=24_872=9_871=24_872=12_871=25_872=64_871=26_872=2_871=27_872=3_947=USD_969=0.0078125_996=CTRCT_1140=99999
_1141=1_1022=GBX_264=3_1142=Q_1143=0.125_1146=0.0002_1147=0_1150=1.46875_1151=OZT_1180=116_5796=20111024_9787=1_9850=0.0005_10=192_

- Listed strike price is 108.62 (tag 202)
- External name strike price is 1086
- Full strike price should be 108.625
- If using 202 (recommended), customers should postpend "5" to all strike prices
- If parsing the external name, customers should postpend "25" to all strike prices

5-Year Note (OZF)

1128=9_9=528_35=d_49=CME_34=6360_52=20111030162802056_15=USD_22=8_48=542921_55=0N_107=OZFF2 C1287_200=201201_202=128.75_207=XCBT_461=OCAFPS_462=14_562=1_711=1_311=[N/A]_305=8_309=51040
731=2_827=2_864=2_865=5_866=20110923_1145=213000000_865=7_866=20111223_1145=220000000_870=8
871=24_872=1_871=24_872=2_871=24_872=3_871=24_872=9_871=24_872=12_871=25_872=64_871=26_872=2_871=27_872=3_947=USD_969=0.0078125_996=CTRCT_1140=99999_1141=1_1022=GBX_264=3_1142=Q_1143=0.25_1146=0.0001_1147=0_1150=1_1151=OZF_1180=116_5796=20111020_9787=1_9850=0.001_10=165

- Listed strike price is 128.75 (tag 202)
- External name strike price is 1287
- Full strike price should be 128.75

If there are any questions, please contact the Clearing House Product Team at (312) 634-1588.