CME Group | Advisory Notice

13 - 137

DATE: March 20, 2013

TO: Clearing Member Firms

FROM: CME Clearing

SUBJECT: **SPAN File Enhancement for Settlement Currency and Price Quotation Currency**

CME Clearing will shortly enhance the format of SPAN risk parameter files to allow distinguishing between a product's settlement currency versus its price quotation currency. The **settlement currency** of a product is defined as the currency in which its variation or premium obligations are denominated, and the **price quotation currency** is defined as the currency in which its prices are quoted.

Until recently, these two values were always the same, but for certain FX-related products offered by CME Clearing, they may be different. In particular, they are different for CME's non-deliverable FX forwards (for example, the **USDCLP non-deliverable forward** on the exchange rate between the US Dollar and the Chilean Peso), and on the **CNY** (full-sized) and **MNY** (mini) cash-settled futures on the exchange rate between the US Dollar and the Chinese Renminbi Yuan.

These products all share the same characteristic, in that the price is denominated in the contra currency (for example Chinese Renminbi Yuan) which is typically not directly bankable by US entities, but the variation is flipped to the primary currency (for example US Dollars) for banking. So for example for the **MNY** mini futures, the price quotation currency is **CNY**, and the settlement currency is **USD**. Such products will have their **valuation method** as one of the following:

- **FUTI** – "futures inverse" – an FX future with flipping of the currency of the variation
- **FWDI** – "forward inverse" -- an NDF or other cash-settled FX forward with collateralized mark-to-market and flipping of the currency of the final cash settlement amount
- **FWDCI** – "forward cash mark-to-market inverse" - an NDF or other cash-settled FX forward with cash mark-to-market and flipping of the currency of the final cash-settled amount
- **EQTYI** – a premium-style option with flipping of the currency of the premium amount

In the "expanded" positional-format SPAN risk parameter files, on the type "P" records for a given product, the settlement currency will continue to be provided in bytes 66-68. At the end of the type "P" record, the price quotation currency is added in bytes 162-164. If a value is not provided in bytes 162-164, the price quotation currency is assumed to be identical to the settlement currency (as it will be for the vast majority of products.)

In the XML-format risk parameter files, the settlement currency will continue to be provided in the **currency** element. A new **priceQuoteCcy** element will be added for the price quotation currency, **but only for these special products where the price quotation currency is different from the settlement currency.**

The change will be made to CME's SPAN risk parameter files produced from its "New Release" testing environment on Friday, April 5, 2013. The change will take effect for CME's production risk parameter files on Friday, April 19, 2013. The corresponding change to the CME Clearing Europe SPAN files will be made on Friday, April 26, 2013, in both the New Release and production environments.

An updated version of PC-SPAN will be made available on Tuesday, April 2.

It is not necessary to install this new version if you are using only the positional-format ("PA2") risk parameter files and are not margining any of these special products such as the CNY and MNY futures. On the other hand, if you are using the PA2 format to process the CNY or MNY futures, or if you are using CME's XML-format risk parameter file for either normal futures or for OTC FX products, you must install the new version. The new version is not required for margining CDS products. Again, if you are installing the new version, you should install it for Friday April 5 for processing risk parameter files from the CME New Release environment, and on Friday April 19 for processing risk parameter files from the CME Production environment.

A sample positional-format risk parameter file illustrating the changes is now available at ftp.cmegroup.com/pub/span/util/cme.ccy.s.pa2.

The updated layout for the type "P" record in the expanded-format risk parameter files is available on the SPAN Reference Pages at:
http://www.cmegroup.com/confluence/display/pubspan/SPAN+Standard+Portfolio+Analysis+of+Risk
The exact page is at:
http://www.cmegroup.com/confluence/display/pubspan/Type+P+Record+-+Standard+and+Expanded

For questions or more information please contact CME Clearing at 1-312-207-2525 or ccs@cmegroup.com.