

TO: Clearing Member Firms
Back Office Managers
Service Providers

FROM: CME Clearing

ADVISORY #: 14-323

DATE: August 21, 2014

SUBJECT: Bundle Futures and Options Launch on September 22, 2014

CME will launch trading in Bundle futures and companion options on Sunday, September 21, 2014, for first trade date of September 22, 2014, pending completion of all regulatory review periods. Each Bundle future is for physical delivery of a standardized Bundle combination of CME Eurodollar (ED) futures. For full details on these innovative new contracts, please see: <http://www.cmegroup.com/trading/interest-rates/eurodollar-bundles.html>. Also please see Special Executive Report S-7160 at: <http://www.cmegroup.com/tools-information/lookups/advisories/ser/files/SER-7160.pdf>

The initial launch of Bundle futures will include Two-Year (BU2), Three-Year (BU3) and Five-Year (BU5) contracts for physical delivery of standardized strips of 8, 12, or 20 consecutive quarterly ED futures, respectively. The initial launch will comprise Bundle futures for delivery in December 2014 and in March 2015.

Each Bundle future is identified by the contract month of the nearby ED future in the underlying deliverable grade Bundle combination. For example, the Dec2014 Two-Year Bundle future will be for delivery of a strip of eight quarterly ED futures expiring between Dec2014 and Sep2016, inclusive.

The last day of trading and final settlement date of an expiring Bundle futures contract will be the Monday prior to the third Wednesday of the contract delivery month.

The initial launch will include Quarterly and Serial options on Bundle futures. Options typically will terminate trading and expire at close of trading on the Friday before the third Wednesday of the option expiry month, similar to the expiry calendar that applies to Serial options and Midcurve options on ED futures.

Bundle futures prices are quoted on the same IMM Index ("100 minus rate") basis as ED futures. The minimum price increment for trades in Bundle futures is 0.0050 price points (or ½ of one basis point per annum in contract interest rate terms). The minimum increment for Bundle futures daily settlement prices is 0.0001 price points (or 1/10 of one basis point per annum in contract interest rate terms). The daily settlement price for any Bundle futures contract is determined as the arithmetic average of the daily settlement prices of the ED futures in the corresponding deliverable grade Bundle, with tie values (ie, unrounded average values ending in exactly 0.00005) rounded down to the nearest 0.0001.

From a processing point of view, there's nothing special about Bundle futures except at final settlement, when a long (short) position in a deliverable grade Bundle combination of ED futures is assigned to each long (short) expiring Bundle future that remains open at its termination of trading:

- Each expiring Bundle future is marked to market and margined normally on its last day of trading.
- On the following morning, positions in the expired Bundle future are removed and replaced with corresponding positions in the underlying deliverable grade Bundle combinations of ED futures.

ED contract positions delivered in fulfillment of an expiring Bundle future are assigned at their respective daily settlement prices for the last day of trading in the Bundle future, with the exception of the nearby ED future, for which the delivery assignment price shall be determined by CME Clearing as:

(Bundle futures final settlement price x number of ED contracts in deliverable grade Bundle)

minus

(Sum of daily settlement prices for all ED contracts in deliverable grade Bundle, excluding the nearby ED contract).

To make it as simple as possible for firms to create deliverable grade strips of ED futures contracts in books, CME will feed to clearing firms FIXML transaction messages which can be loaded directly to books.

The account number on each such message will be as specified by the firm, so that the transactions will directly load to the desired accounts. Firms may specify such account numbers by providing delivery intents in the Deliveries Plus application, either by directly keying the intents or by uploading a simple CSV-format data file (in the same format as used for CBOT Deliverable Swap Futures). Note that providing intents is optional. If such intents are not provided, the ED futures positions made in delivery will be created with an account ID of **DLVRY**. The format for the intents file is provided at:

<http://www.cmegroup.com/clearing/files/delivery-intents-file-for-deliverable-swap-futures-and-eurodollar-bundle-futures-2014-08-19.pdf>

To distinguish ED futures exposures made via deliveries on expiring Bundle futures from ED futures exposures made in the normal course of trading in ED futures, ED positions assigned in delivery will be provided as **transfers**, with a trade subtype value of **200** to indicate that they result from delivery. **There will be no fees associated with deliveries of ED futures in fulfillment of expiring Bundle futures, nor with any other aspect of delivery on Bundle futures.**

The Globex notice for the new contracts is at:

<http://www.cmegroup.com/tools-information/lookups/advisories/electronic-trading/20140811.html#bund>

The Clearing New Product Notice for the bundle future contracts is at:

<http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/NPadv14-16.pdf>

For questions or further information, please contact CME Clearing Services (CCS) at 312-207-2525 or ccs@cmegroup.com.