

TO: Clearing Member Firms  
FROM: CME Clearing  
ADVISORY #: 16-069  
SUBJECT: **Cabinet Price Settlements for CBOT Interest-Rate Options Start February 29, 2016**  
DATE: February 9, 2016

Beginning on Monday, February 29 and pending all relevant CFTC regulatory review periods, new procedures will take effect for determining daily and final settlement prices for Chicago Board of Trade options on Treasury and Fed Funds futures. The new procedures will permit the minimum daily settlement value to be a “fixed cabinet” price of one dollar. The change will harmonize the procedures for determining option settlements at CME and CBOT, and will better align settlement values with variable cabinet trade prices for these deep out-of-the-money strikes.

For example: currently, deep out-of-the-money options on Ten Year Note futures are settled at one tick, *ie*, one sixty-fourth of an index point, worth \$15.63. With this change, they will be settled at a “fixed cabinet” price, worth \$1.00.

The affected products and their clearing product codes are:

17	Regular options on Treasury Bond futures
US1 thru US5	Weekly options on Treasury Bond futures
52	American flex options on Treasury Bond futures
53	European flex options on Treasury Bond futures
21	Regular options on Ten Year Note futures
TY1 thru TY5	Weekly options on Ten Year Note futures
54	American flex options on Ten Year Note futures
55	European flex options on Ten Year Note futures
25	Regular options on Five Year Note futures
FV1 thru FV5	Weekly options on Five Year Note futures
60	American flex options on Five Year Note futures
57	European flex options on Five Year Note futures
26	Regular options on Two Year Note futures
TW1 thru TW5	Weekly options on Two Year Note futures
58	American flex options on Two Year Note futures
59	European flex options on Two Year Note futures
UBE	Regular options on Ultra Treasury Bond futures
UL1 thru UL5	Weekly options on Ultra Treasury Bond futures
97	American flex options on Ultra Treasury Bond futures
98	European flex options on Ultra Treasury Bond futures
TN	Regular options on Ultra Ten Year Note futures
TN1 thru TN5	Weekly options on Ultra Ten Year Note futures
56	American flex options on Ultra Ten Year Note futures
65	European flex options on Ultra Ten Year Note futures
41	Regular options on Fed Funds futures
FF1	12-month midcurve options on Fed Funds futures
FF6	6-month midcurve options on Fed Funds futures

Effective immediately and so that firms may verify that their systems can properly process fixed-cabinet settlement prices with a value of one dollar for these products, we will provide a daily cabinet option settlement price for one deep out-of-the-money option without open interest for several of the affected products. The example strikes are:

Fed Funds (41)	January 2017	97.25 put
Two Years (26)	June 2016	104.625 put
Five Years (25)	May 2016	110.25 put
Ten Years (21)	June 2016	97.50 put
Bonds (17)	June 2016	121.00 put
Ultra Ten Year (TN)	March 2016	111.50 put
Ultra Bonds (UBE)	May 2016	129.00 put

As with all options cleared by CME Clearing:

- In the positional-format settlement price file, cabinet option settlement prices are indicated by a string of seven 9's in positions 23-29.
- In the FIXML-format settlement price file, cabinet option settlement price files are similarly represented by a string of seven 9's in the **Px** attribute: Px="9999999"
- On the positional-format ("PA2") SPAN file, cabinet option settlement prices are indicated by a string of seven 9's in the regular settlement price field in positions 111-117 of the type "82" record, and by a string of seven 9's in the rightmost seven digits of the high-precision settlement price field in bytes 109-122 of the type "81" record.
- Also on the positional-format SPAN file, the one-dollar cabinet option value is provided as "100" in the right-most three bytes in the eight-byte value from 56-63 on the type "P" record for each affected option product.
- In the XML-format SPAN file, the price is provided as its monetary value followed by a "price qualifier" value of 1 indicating that this is a fixed cabinet, for example:  
<p>1.0000</p><pq>1</pq>

Record formats for the positional-format SPAN file are at:

<http://www.cmegroup.com/confluence/display/pubspan/Risk+Parameter+File+Layouts+for+the+Positional+Formats>

Record formats for the positional-format settlement price file are at:

[http://www.cmegroup.com/clearing/files/s\\_setlmtpricelayout.pdf](http://www.cmegroup.com/clearing/files/s_setlmtpricelayout.pdf)

Special Executive Report S-7588, published February 9, 2016 and providing further information about the change, is at:

<http://www.cmegroup.com/tools-information/lookups/advisories/ser/SER-7588.pdf>

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