



CHICAGO MERCANTILE EXCHANGE INC.

Clearing House Advisory Notice

Volume 02-62

September 17, 2002

TO: Clearing Member Firms
Attention: Operations Managers, Back-Office Managers, Margin Managers

FROM: Clearing House Department

SUBJECT: **Legal Agreement required for Delivery of OneChicago Products for CME firms choosing to clear CME**

As previously described in [Clearing House Advisory #02-56](#), CME clearing members have two choices to make regarding OneChicago products.

The first choice concerns how they will trade OneChicago products. A CME firm may enter orders for OneChicago products either through GLOBEX® or through CBOE *direct*®. Similarly, a CBOE firm may execute trades in OneChicago products either through GLOBEX or CBOE *direct*. And a firm that is a member of both CME and CBOE may execute trades either as the CME firm or as the CBOE firm.

Regardless of how the order was routed to OneChicago, the firm may choose to perform post-execution processing functions (also called "post-trade processing") at CME or at CBOE. If the firm chooses to perform post-trade processing at CME, then it will (a) receive TREX messages of their executed trades in order to load them to books, (b) use the Electronic Trade Posting system to view their OneChicago trades, and (c) use GUS to accomplish give-up processing.

The second choice concerns whether to clear their OneChicago trades at CME or OCC.

A CME member firm that is neither an OCC member nor an affiliate of an OCC member may clear at CME indefinitely. A CME firm that is also an OCC member or an affiliate of an OCC member may elect to clear at CME initially, but is required to move its OneChicago clearing to OCC within one year of launch (although an exception may be granted by OCC.)

CME firms clearing their OneChicago trades at CME will nevertheless handle any delivery obligations resulting from holding positions in OneChicago products to expiration, through a member of OCC.

To accomplish this, each CME clearing firm choosing to clear OneChicago products at CME must execute a **Designation of Appointed Clearing Member** agreement with an OCC clearing firm. **Each CME clearing firm not choosing to clear OneChicago products at OCC must execute such agreement, even if it does not plan to trade OneChicago products.**

The form of agreement, a copy of which is attached, is comprised of two parts: first, the CME clearing member designates the OCC clearing member through which it will handle deliveries; and second, the OCC clearing member accepts such appointment and acknowledges that it will handle deliveries for that CME member.

Note that for joint firms electing to clear at CME, the same legal entity may execute both parts of the agreement. As a CME clearing firm, the entity is specifying that its deliveries will be handled through itself as an OCC clearing firm, and as an OCC clearing firm, it is acknowledging that it will handle deliveries for these trades cleared at CME.

One executed original of the agreement, signed by an officer of the CME firm and an officer of the OCC firm, should be returned to: **Clearing House, Attn: Deliveries Unit, Chicago Mercantile Exchange, 30 S. Wacker, Chicago IL 60606**. The executed agreement must be returned to the CME Clearing House **by Friday October 18, 2002**.

If you have questions, please contact John Broderick (312-930-3190, jbroderi@cme.com), Dale Michaels, (312-930-3062, dmichaels@cme.com), or Ed Gogol (312-648-3674, egogol@cme.com.)