



CHICAGO MERCANTILE EXCHANGE INC.

Clearing House Advisory Notice

Volume 02-71

October 8, 2002

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

FROM: Clearing House Department

SUBJECT: **OneChicago Clearing Guarantee Agreement for GLOBEX Access**

Attached please find an extremely important **OneChicago Clearing Member Guarantee and Acknowledgement for Access through GLOBEX® Agreement**.

As previously described in [Clearing House Advisory 02-56](#), firms have two important choices to make regarding how they trade and clear OneChicago products. First, CME firms may route orders into the OneChicago match engine through either GLOBEX or CBOE *direct*. Second, having executed the trade as a CME firm, it may choose whether to clear those trades at CME or at the Options Clearing Corporation (OCC). (If a firm is a joint clearing member of CME and OCC, it must move its clearing to OCC within one year of launch, although exceptions may be granted in special circumstances.)

By the attached agreement, the clearing member firm, acting as a specific clearing member of CME or as a specific clearing member of OCC, specifies the executing firm numbers for which it agrees to be responsible for, for trades in OneChicago products, executed through GLOBEX.

For example, suppose a CME clearing firm today executes trades in GLOBEX for CME products under four executing (trading) firm numbers: the primary number assigned to it (call it CME-A), an affiliate firm (call it CME-B), and two sub-firms (CME-C and CME-D.) If this firm wishes to execute trades through GLOBEX in OneChicago products as any of these four executing firm numbers and also wishes to clear those trades at CME, it should sign the agreement specifying itself as the CME clearing firm through which the trades will be cleared, and the four executing firm numbers (CME-A, CME-B, CME-C, and CME-D) as which it will execute those trades.

On the other hand, if the CME clearing firm were also a clearing member of OCC, and wished to clear its trades executed as any of these CME trading firm numbers at OCC, it would sign the agreement as an OCC clearing firm, and again specifying the four CME executing (trading) firm numbers under which it will execute trades in OneChicago products.

As previously described, executing trades in OneChicago products using a CME trading firm number means that the firm will use CME systems for post-execution processing (also called

"post-trade processing") of those trades, exactly as if the trade were in a CME product. If you

execute the trade as a CME executing firm, you will receive a TREX trade confirmation message for it, you will be able to view or modify the trade through CME's Electronic Trade Posting (ETP) system, and you will be able to perform give-up processing for the trade through CME's Give-Up System (GUS). (The trade will be included on your CME Trade Register only if you also choose to clear through CME.)

Please note that in addition to covering trades executed through GLOBEX, the agreement also covers trades given up to, and accepted by, any of the specified executing firm numbers, whether that acceptance is explicit or as a result of an auto-acceptance rule that the firm has defined in GUS. In other words, if CME clearing firm A is guaranteeing trades in OneChicago products executed through GLOBEX as CME firm A, it is also guaranteeing trades in OneChicago products given up to CME firm A and accepted by it.

Please note, however, that the agreement does not cover trades executed through CBOE *direct*. If a firm wishes to execute trades in OneChicago products as a CME firm number, routing those orders into the match engine via CBOE *direct* terminals or connections, it will have to execute a separate and analogous agreement provided by CBOE.

This Agreement must be executed and returned to the CME Clearing House, before the referenced firms will be authorized to execute trades through GLOBEX and/or accept give-ups in OneChicago products.

Executed agreements must be delivered to the CME Clearing House by no later than 4:00 pm on Monday October 21st, to be authorized to begin trading on the scheduled launch date of October 25th. If delays in obtaining regulatory approvals result in the launch date being pushed back, then the executed agreements must be received no later than 4:00 pm on the fourth business date prior to launch.

Please note that if a firm will clear its OneChicago trades at CME, it must also execute a **Designation of Appointed Clearing Member Agreement** (also known as a **Third-Party Delivery Agreement**) with an OCC clearing firm, by which the OCC firm agrees to handle physical deliveries resulting from positions of that CME clearing firm in OneChicago security futures products held to expiration. For more information see CME Clearing House Advisory Notice #02-62 (September 17, 2002), available at <http://www.cme.com/products/index/indexsfpclearingdata.cfm>.

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