

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

DATE: October 25, 2018

ADVISORY #: 18-427

SUBJECT: Post Trade Multilateral Compression Service Update

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Further to [SER-8259](#) and effective today, October 25, 2018, CME Clearing will launch a Post Trade Multilateral Compression Service in relation to certain equity index options on futures and related underlying futures contracts traded on Chicago Mercantile Exchange Inc. and The Board of Trade of the City of Chicago, Inc. (the “Exchanges”) (the “Compression Service”).

CME Clearing hereby confirms the list of options on futures contracts and related underlying futures contracts listed on the Exchanges that shall be eligible for inclusion in the Compression Service (“Eligible Products”), the relevant eligibility criteria for participation in the Compression Service by firms trading Eligible Products, and the proposed initial compression cycle schedule for the Compression Service. This Advisory Notice also introduces a new transfer reason code that will be used for compression transaction processing pursuant to the Compression Service, subject to new Rule 857 (“Post Trade Multilateral Compression”) in each Exchange’s Rulebook.

### **Compression Service Schedule**

A first multilateral compression cycle in relation to the Eligible Products is scheduled for today, October 25, 2018 (the “Compression Cycle”).

For this first Compression Cycle, CME will extend the registration deadline for the Compression Service and for participation in the Compression Cycle set out in the CME Group Post-Trade Multilateral Compression Process Protocol (the “Protocol”). Consequently, Participants that wish to participate in the Compression Cycle must register for the Compression Service by emailing [cme.core@cmegroup.com](mailto:cme.core@cmegroup.com), demonstrate to CME their satisfaction of the relevant eligibility criteria (including but not limited to those set out in this Advisory Notice) and must sign the CME Compression Agreement by no later than today at 12 PM CT. Further, Clearing Members of a prospective participating firm must provide their acknowledgement and agreement to the participation by such firm by completing Annex 2 of the CME Compression Agreement no later than today at 12 PM CT. Only Participants that have duly registered for the Compression Service shall be entitled to participate in the Compression Cycle.

For future Compression Cycles, the registration timelines set out in the Protocol must be observed by Participants.

## Eligible Products

The Compression Service will initially support multilateral compression in the following Eligible Products:

E1A, E1C, E2A, E2C, E3A, E3C, E4A, E4C, E5A, E5C, ES, EW, EW1, EW2, EW3, EW4, EV, EV1, EV2, EV3, EV4, S1A, S1C, S2A, S2C, S3A, S3C, S4A, S4C, S5A, S5C, SP

## Eligibility Criteria for Participation in the Compression Cycle

In order to be eligible to participate in the Compression Service in respect of the Eligible Products for the Compression Cycle, prospective participants must meet one of the following criteria:

- Maintain an average daily volume (“ADV”) of at least 30K (RT) over the preceding 3 months in S&P related options
  - Inclusive of the eligible products: both S&P (Standard) and E-mini S&P weekly, end of month and quarterly options; or
- Submit a portfolio of at least 30K contracts in S&P related options for compression
  - Inclusive of the eligible products: both S&P (Standard) and E-mini S&P weekly, end of month and quarterly options

Additionally, prospective participants that meet the above criteria will need to demonstrate operational readiness through testing, as determined by CME, and such other eligibility criteria as determined by CME from time to time, pursuant to proposed new Rule 857 (“Post Trade Multilateral Compression”) in the Exchange Rulebooks and as set out in the Protocol.

## Compression Transaction Processing: New Transfer Reason Code

Further information on the Compression Service is available in [SER-8259](#). The applicable rules will be set out in the relevant Exchange Rulebook at Rule 857 (“Post Trade Multilateral Compression”) with further operational guidance and requirements provided in the Protocol, each of which are publicly available on the CME Group website. The Compression Service is further described [here](#).

Once the results of the Compression Cycle are approved by the relevant participants and their respective Clearing Members and the Compression Cycle is completed to effect the offset (close-out) and establishment of new positions in Eligible Products pursuant to Rule 857, CME will generate FIXML trade capture reports using the trade type, transfer, to update the back office of participating Clearing Members.

- CME’s FIXML TRADE API details transfer trades types (section 3.8).
  - <http://www.cmegroup.com/clearing/files/allocate-claim-match-model-overview.pdf>
- A new transfer reasons code ‘O’ will be used to designate transfers that are created for the purposes of the Compression Service. Note: TrnsfrRsn=”O” and OrdTyp=”O”>
- CME will be the opposite firm on each transfer with a TMF id of 995
- The price on the transfer message will be based on the final settlement price on the day of the running of the compression algorithm
- The Compression Cycle date will be reflected as TrdDt on the transfer records
- The Cleared Date (BizDt) of the Transfers will be for T+1. CME and Clearing Members will process the compression cycle results on T+1

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Please reach out to the CME CORE team at [cme.core@cmegroup.com](mailto:cme.core@cmegroup.com) with any questions.