

January 12, 2005

**NOTICE  
ALL MEMBERS AND MEMBER FIRMS**

**RE: TRADING FLOOR DENALI QUESTIONS AND ANSWERS**

The CBOT is pleased to introduce Denali ("Broker to Broker" trade matching) on January 18, 2005. Denali couples broker-to-broker trade matching with automated trade checking and immediate match status notification directly to the traders in the pits. This is accomplished through the CBOT's order routing and electronic card ("HHT") applications and the newly developed trade matching engine.

Please refer to the following questions and answers for additional Denali information.

1. **I currently use an Electronic Clerk to manage my order flow. What do I need to do differently when Denali launches on January 18<sup>th</sup>.** All the core EC functions have not changed and you do not need to do anything differently when Denali launches on January 18<sup>th</sup>. However, utilizing Denali functionality will aid in the trade checking process and will provide match status for the trades on your EC. A new autolinking feature automatically confirms the trade with the opposite side when you have both recorded the same trade. This will alleviate the need to manually check trades in many cases. Your EC Trades Tab status screen will show status of each executed trade including match status.
2. **What are the codes on the left side of my EC Trades Tab?** These Denali codes tell you the current status of your executed trades. Blank means that the trade was recently recorded and is unlinked. "I" means at least 15 minutes have passed since the trade has been recorded and it is still unlinked. "T" means more than 30 minutes has passed since the trade was recorded and the trade is still unlinked, "L" reflects that the trade was linked, "E" indicates that trade has invalid data, "P" means the trade is partially matched, and "M" means the trade is matched.
3. **Do I still have to give up a house to the opposing party to my trades?** Denali provides pure broker-to-broker matching in the Denali matcher; therefore, it is not necessary to give up a house for trade checking and clearing purposes. ECs and HHTs have been modified to require only acronyms on trades. Denali automatically captures executing and opposing house information and places it on the Denali matched trades.

The trades of members trading on paper can also be matched broker-to-broker; these trades should be endorsed into just the opposing acronym and firms will keypunch these trades into the endorsed acronym with a firm of "000" (zero, zero, zero), not

“WHO”. Such trades will be matched broker-to-broker during the end of day clearing house match process.

Please note that while you are not required to give up a house on HHT and EC trades for clearing purposes, you are still obligated under the CBOT regulations to disclose the house you are representing on the trade should the opposing trader request the information.

4. **I have heard about a hold period. What is it?** The Denali hold period is a 30 minute window starting when the trade is recorded during which the trade can be linked by traders on HHTs or ECs. The hold period is also known as the timeout period. Only the HHT or EC can make changes to match information on the trade during the hold period. In other words, while the clearing firm can see the trade during the hold period, it cannot change price, quantity, product, opposing or executing trader information or bracket. Timed out trades cannot be linked anymore.
5. **I have heard about a linking period. What is it?** Linking trades describes the action where buy and sell trades are linked together on the EC and/or HHT. A trade can be autolinked by the system or manually linked by the member. Linked trades should be considered as pre-matched; absent any changes by the buyer or seller, the trade will become matched after the linking period. The linking period is currently set for 30 minutes. It is highly recommended that members enable autolinking on their ECs and HHTs. The default EC autolinking setting is enabled. For HHTs, autolinking can be toggled on and off through the HHT user setting page.
6. **I use BTS to review my trades during the trading session. What impact does Denali have on BTS?** Matched trades will be indicated as such on your EC or HHT, so you might find that you do not need to check BTS for match status. In any case, trades will continue to display in BTS immediately upon entry into the clearing system. Denali introduces the concept of a holding period in which the trade cannot be changed in the clearing system including BTS. During that period, the trades can be changed only in the EC or HHT. After the holding period, trades can be changed in BTS, on the EC or HHT, or by the clearing firm. BTS will indicate trades during the hold period with an “U”.
7. **Can I link to a timed out trade?** No, you cannot link to a timed out trade. Trades that have timed out will match during the clearinghouse matching process.
8. **What are Web Reports and are they changing?** Web Reports are order routing history accessible on the internet at <https://or.cbot.com>. The Web Report contains information for every order sent to each EC each day including order instructions, receipt time and fill information including time and EC trade number. These reports will now indicate match status. For additional information on Web Reports or access, please contact Floor Technology Support at 347-5611.
9. **How does Denali know where to send messages?** Members designate where Denali sends trades into them by accessing the Denali routing preferences application on MemberNet under the STP Integration Rights area. Members use Denali routing preferences to designate which EC or HHT receives their incoming messages. For

instance, Member ABC indicates that all his May 2005 messages should be sent to Electronic Clerk DEF and all his December 2005 messages should be sent to Electronic Clerk GHI.

CBOT staff completed the initial setup of the Denali routing preferences. Members should confirm that this initial setup is correct. Members can also contact FTS at 347-5611 in order to review and modify Denali message routing preferences.

10. **My EC has a message for a trade that I executed on another EC or for my personal account and thus was recorded on the other device. Can I still use Denali to confirm and match that trade?** Yes, Denali incorporates the ability to forward that message to your other device. Forwarding on ECs and HHTs is accomplished by using the forward button in the Denali messaging section of the device. Please contact Floor Technology Floor Support for additional information.
11. **Does Denali encompass the Financials and the Agricultural products?** Yes, Denali encompasses all CBOT open auction traded products.
12. **Does Denali impact the timeliness of trades in the clearing system?** Denali feeds all trades directly to the clearing system when they are recorded on ECs or HHTs. As noted above, the trades are on hold for 30 minutes during which time only ECs and HHTs can make changes to critical match items.
13. **What if there is a discrepancy between what my trader sees on the device versus what's in clearing?** Denali matches are validated in the clearing process and under normal processing; Denali and Clearing will be consistent for matched and unmatched. It is possible that Denali and Clearing could become unsynchronized due to system problems and thus carry differing match status information. In this unlikely event, pay/collect and related processing are based on the trade status in Clearing.

Additional questions can be directed to Tom McCabe at 341-3121, Larry Ratner at 789-8983, or Mary Beth Rooney at 435-3583. Further, additional Exchange staff will be available on the trading floor the week of January 18<sup>th</sup> to support the Denali implementation.

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