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Advisory Notice

Clearing House

05-127

TO: Clearing Member Firms
Service Bureaus

FROM: Clearing House Department

DATE: June 28, 2005

SUBJECT: Clearing System Updates and Operational Impact Summary

Eight-Byte Order Number for GAPI
SLEDS for CME Products
New EFP System for CME Products
New Average-Pricing System
Expanded Product Codes
Deadline for Conversion to FIXML-based PCS and Trade Register Files

This advisory lists key dates for upcoming systems changes and highlights their operational impact for clearing firms.

Monday, July 18, 2005: Full 8-byte order number on Give-Up Transactions

Currently, electronically-executed trades may have an up-to-eight byte order number (the Trade Order Number, or TON.) If such trades are given up, however, the give-up transfer transactions have only the right-most four bytes of the TON.

Beginning on Monday, July 18, 2005, give-up transactions will contain the full, untruncated, up-to-eight byte value. When firms receive Giveup-API (GAPI) TREX messages, these will have the full eight-byte value.

In other words, the GAPI messages will no longer have a value different from that on the original trade. If firms cannot store or send the full 8-byte order number, they may continue sending allocation and claims with 4 bytes only.

Also on this date, the Operator ID will become a grouping criterion for giveups. For example, if two electronic trades are exactly identical except that they have two different operator ID's, they will become part of two different allocation groups.

These changes will be implemented in response to firm requests. Providing the full eight-byte TON number will make it easier to tie the giveup back to the original trade. Making the operator ID a grouping criterion should simplify fee processing.

Monday, July 25, 2005: SLEDS for CME products

Beginning Monday, July 25, 2005, we will begin rolling out support for Single-Line Entry of Differential Spreads "SLEDS" of differential spreads for CME products, exactly as they are currently supported for CBOT products. SLEDS will be available for futures calendar spread trades both for trades executed in the pit and for trades executed as calendar spread instruments on GLOBEX. (Initially SLEDS will not be available for Eurodollar implied calendar spreads executed on GLOBEX.) The rollout will start with the equities pits and will gradually extend to all floor products.

CME TOPS will also support SLEDs. When a trade is submitted via TOPS, clearing will send the fill to the firms for further endorsement. The TOPS SLED fills will include both the differential and the leg prices. Firms will then submit the SLED trade to clearing for matching. The clearing system will calculate the leg prices and route them to firms.

Exactly as with SLEDS for CBOT products, firms will have the option to receive TREX messages for the differential only, for the legs only, or both.

Monday, August 1, 2005: New EFP system for CME products

Beginning Monday, August 1, 2005, we will move EFP processing for all CME products into the Front-End Clearing (FEC) system. The key aspect of the system is that currency EFP's will be handled via an Allocate/Claim model, with the trade submitted by the market-maker and the other side claiming it. EFP's for other CME products, where there is no clear market-maker, will move to a two-side submissions and trade-matching process, with both buyer and seller submitting the trade to clearing, as is currently used for CBOT EFP's.

Firms will be able to submit EFP trades either by keying them into the FEC application's browser-based interface on the CME Applications Portal, or by sending FIXML messages. TREX trade confirmation messages will continue to be generated in their current format and transmitted to firms regardless how the trade was submitted.

Note that the new system supports EFP transactions in futures with daily expirations, which CME may begin listing in the near future. We strongly recommend that firms verify that their bookkeeping systems can handle EFP's with daily expiration and daily-expiring futures contracts generally.

Monday, August 8, 2005: New Average-Pricing System

On Monday, August 8, 2005, we will roll out the new version of the FEC system with full support for average-pricing. The old 3270-based APS system will be retired.

The new system will provide a variety of long-desired improvements. For CBOT products in particular, the system will ensure that the rounded average price is equal to the trade price if all the trades in the group are at the same price, and it will support averaging of option trades executed at variable cabinet prices.

Firms will be able to perform all aspects of average-pricing functionality either via the FEC browser-based user interface or via a full-featured FIXML-based API. The key requirement is that firms be able to receive and load to books the FIXML messages corresponding to the final average-pricing transfer transactions.

To temporarily accommodate firms migrating to FIXML, if absolutely necessary CME will provide periodic APS routing files. The data will be limited to APS Claims and Offsets only, and these files will only contain transactions for products with two-byte commodity codes. **Most importantly, APS routing files will not be supported after December 15, 2005.** The only layout change is the addition of a byte to indicate that a rounded average price is at a cabinet price.

Friday, August 12, 2005: Deadline for conversion to FIXML-based PCS and Trade Register

In September, CME expects to begin launching products with three-byte product codes. We strongly recommend that firms verify that their systems can support these expanded product codes. (In the short to medium term, while firms are still making the conversion to FIXML, product codes will be limited by the 5-byte size supported in TREX, but eventually product codes may become larger than five bytes.)

Because the old-formats for the PCS file and the Trade Register (MRTR) file support only two-byte product codes, these will be phased out by no later than Friday, August 12, 2005. We urge firms which have not yet done so, to complete their conversion to the FIXML version of the PCS file and Trade Register file, by no later than Friday July 29, 2005.

Firm Testing

CME is currently conducting end-to-end testing with firms and service bureaus for all of these enhancements except the expanded product code. Testing began in May and will conclude in the middle of July. Testing for expanded product codes will begin shortly.

If you have questions or concerns, please contact CME Clearing House via phone, (312) 207-2525 or via email to ccs@cme.com.