

## Advisory Notice

Clearing House

TO: Clearing Member Firms  
Back Office Managers  
Bookkeeping Service & System Providers

FROM: Clearing House Department

DATE: August 23, 2005

ADVISORY #: 05-183

SUBJECT: **New "SUB" Privately-Negotiated Trade Type**

The term "privately-negotiated trade" ("**PNT**") is used by CME Clearing House to refer to any trade done outside of a centralized market, such as the trading floor or CME Globex. We currently support the following set of privately-negotiated trade types: **EF**P's (Exchange for Physical's), **EF**R's (Exchange for Risk), **EF**S's (Exchange for Swap), and **Block** (Wholesale) trades.

In the near future, subject to finalization of associated rule changes, CME plans to introduce two new privately-negotiated trade types: **SUB**'s (Substitution of Futures for Forwards) and **Generic Privately-Negotiated Trades**.

The "SUB" trade type will allow a cleared futures transaction to be substituted for a privately-negotiated bilateral forward transaction.

The generic privately-negotiated trade type will allow a privately-negotiated bilateral forward transaction to be kept as a forward, ultimately to be delivered at original trade price, but as a cleared, guaranteed (not bilateral) forward.

The following table summarizes existing privately-negotiated trade types and the two new ones:

Trade Type Code	Trade Type Acronym	FIXML Trade Type Code	Trade Type Description
<b>Currently supported privately-negotiated trade types:</b>			
9	EF	2	Exchange-for-Physical
R	EF	11	Exchange-for-Risk
S	EF	12	Exchange-for-Swap
B	BLOCK	1	Block (Wholesale) Trade
<b>New privately-negotiated trade types:</b>			
F	SUB	23	Substitution of Future for Forward
P	OPNT	22	Generic Privately-Negotiated Trade

## **New “SUB” Privately-Negotiated Trade Type**

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Clearing processing for SUB's will be handled in a manner analogous to that for EFP's. A SUB in a currency future, for example, will be handled in an allocate/claim manner, and the claiming transaction will generate a TREX confirmation message for loading to firm bookkeeping systems with trade type code **F**. Fees for SUB's will not be the same as for EFP's, however, and regulatory requirements will be different.

Because SUB's are used to substitute a future for a forward trade, they may be for any arbitrary date.

Note that the FIXML Session Subtype code for all of these trade types is **X**, which is what tells you that they are privately-negotiated trades.

**The launch date for these new privately-negotiated trade subtypes has not been set. We urge clearing firms, however, to make whatever modifications which may be needed to support these new trade type codes, for either monthly futures or futures with daily expirations.**