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Advisory Notice

Clearing House

TO: Clearing Firms and Service Bureaus

FROM: Clearing House Department

ADVISORY #: 06-11

DATE: January 10, 2006

SUBJECT: **Pit-Trade Migration to FEC to be launched in March 2006**

In March, CME Clearing will migrate processing pit trades from the old mainframe-based TES system, to Front-End Clearing. This applies to all non-SLED pit trades for standard monthly futures and options for both CBOT and CME products. The old 3270-based TES screens will be retired, and firms will use the browser-based FEC user interface for all trade processing functions, including entry of packs and bundles, fungibility transactions, and we show/they show analysis.

For firm bookkeeping systems, migrating pit-trade processing from TES to FEC should be largely transparent. Firms will still be able to submit trades via TREX messages, and receive TREX trade confirm messages, exactly as they do today. There are several minor things that firms should be aware of, however:

- **Trade ID numbers for prior-day unmatched trades:** Currently, for pit trades, firms cannot assign top-day trades with trade ID's assigned to prior day unmatched outrades. When a firm submits a pit trade ID that is currently assigned to a prior day outrade, the clearing system re-assigns the trade ID with a value in the range above 50,000. In the new system, however, trade ID's need only be unique **within each trade date**, so this re-assigning is no longer necessary. This should not cause any problems for firms, since it is exactly how processing for SLEDS currently works.
- **Trade ID Ranges:** Currently, if firms submit pit trades to clearing without trade ID numbers, the clearing system assigns ID's in the range from 50,000 to 65,000. With the new system, these ID's will be assigned in the range starting with 500,000. The same behavior will apply to trades created by using the pack and bundle entry screens.

Note that there is no change to trade ID ranges otherwise. Firms submitting trades with trade ID values, will continue to use the ranges 1 through 49,999 for CME products and 1 through 12,499 for CBOT products.

- **Blank trade type no longer accepted:** currently, when a firm submits a pit trade to clearing with a blank trade type value (position 50 in the main block of the TREX message), the clearing system accepts the trade and defaults the trade type to "1", meaning an outright pit trade. In the new system, such trades will be rejected, and the trade type must be explicitly supplied on the TREX message submitted by the firm.

Note also that there will be no changes to the usage of the **trade source code** field or to TREX **message-routing** options. Firms will continue to use **MQM** as the trade source code value for trades they submit via TREX messages, and will continue to receive **TES** as the value for trades entered via the FEC user interface. And firms will continue to receive TREX trade confirmation messages for pit trades exactly as they do today.

The TREX message layout document has been updated to reflect the new values for system-assigned trade ID ranges and that blank trade types will no longer be affected. For the updated document, please see: <http://www.cme.com/files/TREXVersion23Final.pdf>

We will provide firms with testing opportunities for the new system starting in late January. A detailed schedule will be published shortly.

For questions or concerns, please contact CME Clearing House 312 207 2525 or via email to ccs@cme.com.

Thank you.