

Advisory Notice

Clearing House

TO: Equity Futures Members/Clerks
Back-Office Managers
Out-Trade Clerks

FROM: Clearing House

DATE: October 22, 2004

ADVISORY #: 04-187

SUBJECT: **Updated: SLEDS For CME Pit Traded Equities**

We are pleased to announce the introduction of SLEDS (Single Line Entry of Differential Spreads) for pit traded CME equity futures calendar spreads beginning on November 8, 2004.

SLEDS represent an operationally efficient process with respect to pricing and matching calendar spread trades. SLEDS trades match on the reported differential price only and not on the individual leg prices. Significant benefits include:

- Customer capability to independently specify the front and back month leg prices (provided the price differential remains intact).
- Absent specified leg prices, the clearing system will automatically price the front leg price of the spread to the prior day's settlement price and then calculate the back month leg price based on the reported spread differential price.
- Reduced number of spread leg-price out-trades.
- Reduced data entry due to single line entry of spread trades while reporting the spread differential price only.

This introduction to SLEDS for pit traded equity futures calendar spreads represents a first phase launch. This will make SLEDS available for the December quarterly "roll". We will extend the launch to GLOBEX equity futures spreads next year and continue phasing it in for other products throughout the year.

Training and introductory seminars are scheduled for the week of October 18. Further information will be available periodically through the launch date. Additional detailed information is summarized below for your convenience. If you have any questions, please call Gary George, Associate Director, Clearing Operations, at 648-3774.

Next Steps

Informational Seminars have been set-up for back office and trading floor personnel:

Monday, October 25, 2004 2:30 p.m., Committee room HIJ, 3rd floor North Tower

Tuesday, October 26, 2004 9:30 a.m., Committee Room HIJ, 3rd floor North Tower

[illegible]

When the card is received in the back office for processing the keypuncher would then know that the Mar leg is the buy leg so they must punch the Dec leg as a sell making the SLED a sell since the markets are quoted back minus front. The differential sign will also need to be flipped because of the way the system calculates price. The Mar contract is actually trading over the Dec

contract. In the above example if the trades were priced the Dec leg would be priced at 1100.00 using the methodology that the system employ without flipping the sign from positive to negative the Mar leg would be 1098.80 ($1100.00 - 1.20 = 1098.80$) if the sign is flipped it becomes $1100.00 - (-1.20) = 1101.20$.

Consistency in recording SLEDs transaction in this manner across all products is necessary to ensure that data entry requirements are consistent which fosters efficiency and minimizes errors.

User Interface and Application Programming Interface (API)

All SLEDs functions may be performed either via the browser-based user interface for the new Front-End Clearing (FEC) application, or via the message-based API.