

Advisory Notice

Clearing House

TO: Equity and Currency Traders
Firm Trading Desks
Firm Back Offices

FROM: Clearing House

DATE: August 26, 2005

ADVISORY #: 05-185

SUBJECT: **SLEDS for CME Pit & Electronically-Traded Equities & Currencies**

As previously announced on July 21, 2005 (Clearing Advisory #05-153), **SLEDS (Single Line Entry of Differential Spreads) were introduced for pit and electronically traded CME equity and currency futures calendar spreads. As such, SLEDS are available for the September quarterly "roll" for equities & currency products.**

SLEDS represent an operationally-efficient process with respect to pricing and matching for futures calendar spread trades. For trades executed in the pit, SLEDS match on the reported differential price only and not on the individual leg prices. Significant benefits include:

- For pit trades, when the SLED is submitted to clearing, you can choose to omit leg prices. If you do, 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. The identical logic is applied to electronic trades in the futures calendar-spread instrument.
- Customers can choose their own leg prices. For both pit and electronic SLED trades, the originally-assigned leg prices can be changed at any time until the 7:00p.m. processing deadline, provided that the price differential remains the same.
- For pit trades, reduced number of spread leg-price out-trades, and reduced data entry due to single-line entry and reporting the spread differential price only.

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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 as a whole a sell of the Dec-Mar SLED.

The keypuncher also knows that because this is a SLED in the equity & currency pits, the differential price must be flipped to submit the trade to clearing. The March contract is trading over the Dec contract. In this example the positive differential of 1.20 quoted in the pit, must be flipped to -1.20 to submit the trade to clearing.

For example, if the SLED were submitted without leg prices specified and Dec contract's settlement price on the previous day were 1100.00, then the March contract leg price would be assigned as 1100.00 less a negative 1.20, or 1101.20.

User Interface and Application Programming Interface (API)

The Front-End Clearing user interface for SLEDs, and the TREX and FIXML-based messaging, will work **exactly** the same way for CME products as it does for CBOT products.

If you have any questions, please call Gary George, Associate Director, Clearing Operations, at 648-3774, Jeff Rosenthal, Sr. Operation Analyst, at 930-3186 or Clearing Customer Support at 207-2525.