

Advisory Notice

Clearing House

TO: Clearing Member Firms

FROM: Clearing House Department

ADVISORY #: 06-295

DATE: December 5, 2006

SUBJECT: Electronic SLEDS Leg Pricing at Account Level and Allowing Changes to Pit SLEDS Before Match to Begin With February 5, 2006 Trading Session

On February 5, 2007, two important enhancements will be introduced for processing of SLEDS. The first enhancement pertains to electronically-executed calendar spread trades, and will allow users to specify for each order routed to e-cbot or Globex whether leg prices should be engine-assigned or based upon the previous-day's settlement prices. The second enhancement pertains to pit-executed spreads, and will allow users to submit or change front leg prices at any valid tick, regardless of match status.

Electronic SLEDS Leg Pricing

Currently, for electronically-executed SLEDS, firms can choose to have the front leg price assigned either as its market price at the time of execution ("engine-assigned"), or based upon the previous day's settlement price rounded as necessary to a whole tick. This choice, however, pertains to the entire firm.

With this enhancement, users will be able to override the firm-specified default, **for each order**. You will do this simply by prepending a special character to the account number, much as special characters such as "\$," "#," "!", and "*" are added today to mark a trade for giveup or average-pricing .

The two new special characters are ampersand (&), meaning engine-assigned and percent sign (%), meaning previous-day's settlement price. You can use these **in addition to** the existing set of special characters if you choose:

- If used, the new special character to control how leg prices are assigned, must come **first**, before any of the existing special characters. If the new special character does not come first, it will merely be treated as part of the account number.
- If provided, the new special character will **override** any default specified for the firm. FEC will assign leg prices as instructed, then strip the new special character from the account number, and process the trade as it always has in the past (meaning it can still be APSed or given up).
- The new special character will **NOT** flow through on the confirm messages coming out of Clearing. This is different from the way other special characters are currently handled (they are left on, and you see them on confirm messages and in FEC). If you perform any kind of front end vs. back end reconciliation based on the account number, work may be necessary to programmatically identify trades that have been made with the new special characters at the head of the account number vs. confirms that come out of Clearing. The reason for not leaving the new character on the trade is that there are many downstream systems that are already set up with the other special characters prepended to the account number, and we don't want to impede them from working as they do now.

Pit SLEDs Leg Pricing

Historically, for pit-executed SLEDs in the CBOT Treasury contracts, front-leg prices had to be submitted at a whole 32nd, and could be changed as desired provided they were kept at a whole 32nd. More recently, these restrictions were removed **once the trade had matched**, so that after the match, firms could change leg prices as desired provided of course that they were kept at valid tick increments and the differential price was maintained. Prior to match, however, you still had to keep the front leg at a whole tick.

With this new enhancement, you can now change the front leg price to any valid value even prior to trade match, or you can simply submit the front leg price at any valid value.

Testing opportunities will be made available for each of these enhancements next month. Please Contact CME Clearing Support at 312-207-2525, or ccs@cme.com for more information.