

Advisory Notice

Clearing House

TO: Clearing Member Firms Trading Desk,
Interest Rate Floor Traders,
Clearing Member Firms,
Out-Trade Personnel,
Back Office and Key punch Staff

FROM: Clearing House Department

ADVISORY #: 06-180

DATE: July 14, 2006

SUBJECT: **SLEDS in the Interest Rate Quadrant**

We are pleased to inform you that effective today, July 14, 2006, CME interest rate product calendar spreads are eligible for processing through the Exchange's SLEDS (Single Line Entry of Differential Spreads) application. The SLEDS application allows calendar spreads to match based on the differential price only. Accordingly, the buy and sell sides of calendar spreads can record different leg prices provided the differential spread price remains the same for both sides. The primary benefit is that customers can define their preferred leg prices post-execution. An added benefit is that executing brokers can expect a lower incidence of unmatched trades that typically result from leg price discrepancies.

The carding and order recordation requirements for successful SLEDS processing are described below.

Floor Traders

When carding a spread, record the trade as it was traded; if the trade is a buy record it on the buy side with the months of the spread (ex. Sep- Dec) U/Z @4. If the trade is a sell, record it on the sell side in the same fashion as the buy.

Trading Desks

Endorse your orders as you do today. Record your preferred leg prices as long as they comply with the rule that states one leg must be in the day's trading range. If leg prices are not specified when the order is entered into the clearing system, the system will default to the previous day's settlement prices as the front month leg price and subtract the differential to derive the back month leg price.

Out-trade Personnel

SLEDS will show on your broker out-trades and firm out-trades as they do for currencies and equities today.

Back Office and Key punch Staff

Interest Rate SLEDS are different than currency and equity SLEDS because the trades are processed exactly as they are written, e.g. there is no flipping of contract months or differential signs. If it is a buy spread, the front leg is always the buy leg; if it is a sell spread, the front leg is always the sell leg; and the differential is keypunched as it is recorded.

If you have any questions, please call Clearing Customer Support at 312-207-2525