

Advisory Notice

Clearing House

TO: Clearing Member Firms,
Back Office Managers,
Independent Software Vendors,
And Bookkeeping Service Bureaus

FROM: Clearing House Department

DATE: November 30, 2004

ADVISORY #: 04-229

SUBJECT: **Project Denali – Summary of Firm Impacts**

Earlier this year, CBOT announced "Project Denali", which automates processing for Order-Routing and Hand-Held Terminal pit trades. On August 11, CBOT published its "Project Denali Overview" document, and on August 12, the CME Clearing House published Clearing Advisory 04-143 about Project Denali.

CBOT will launch Project Denali on January 18, 2005.

This advisory summarizes and highlights the key systems impacts to firm bookkeeping systems and their interface with the clearing system. It also adds details about the usage of the Trade ID Source Code field.

For Clearing Advisory 04-143, please see:
<http://www.cme.com/clearing/clr/clradv/8684.html>

For CBOT's Project Denali Overview, please see:
www.cbot.com/cbot/docs/51163.pdf

1. Project Denali will apply to all pit trades captured either via Order-Routing (OR) devices or Hand-Held Terminals (HHT's)

When Project Denali launches, it will apply to all CBOT trades captured via CBOT's Order-Routing system or Hand-Held Terminals, in all pits where these devices are used, and for both SLEDS and non-SLEDS.

Trade types included in the scope of Project Denali are thus type 1's (outrights), type L's (legged spreads), type 6's (spreads), and type D's (SLEDS).

2. Order-Routing Trades treated like Hand-Held Terminal Trades

Currently, when a firm receives the initial TREX confirmation message for an order-routing trade, that trade has not actually been loaded into the clearing system. Firms must in turn send a TREX message to submit the trade to clearing.

With Project Denali, Order-Routing trades will be treated in a manner exactly analogous to that of Hand-Held Terminal trades:

- The CBOT system will assign the trade ID for OR trades, exactly as it does for HHT trades.
- When the CBOT system then sends the OR trade to clearing, it will be loaded into clearing immediately upon receipt.
- When the clearing system then sends a TREX message to the firm, it will already be loaded in clearing, and it will already have its trade ID assigned.

So firms will no longer be able to assign their own trade ID values to OR trades, and they will not need to submit OR trades to clearing.

3. Change to Trade ID ranges

Currently, firms may assign trade ID's for CBOT pit trades in the range from 1 up to 39,999, with the range from 40,000 to 49,999 reserved for trade ID's for Hand-Held Terminal (HHT) trades assigned by CBOT.

With Project Denali, the firm-assigned trade ID range will be from 1 up to 12,499. From 12,500 up to 49,999 will be reserved for trade ID's assigned by CBOT for either HHT or OR trades.

4. The new "On Hold" status for OR and HHT trades

As soon as an OR or HHT trade is captured at CBOT, it will be transmitted to clearing which in turn will transmit it to the firm. This will be unmatched trade with a special status of "on hold." Firms will be able to identify the trade as "on hold" by the value of **HOLD** in the Trade Status field (bytes 14-18) of the M2 block of the TREX message.

While the trade is on-hold, it is essentially under the control of the trader at CBOT. During this time, firms may change only the origin, the CTI code, or the account number. Any attempts to update other fields, including the time bracket, will be rejected.

Firms may also perform give-up or average-price processing for the trade while it is on-hold. In this respect, an on-hold trade behaves like any other unmatched trade.

If an on-hold trade has not been matched in the CBOT system within approximately 35 minutes from the time it is originally entered, CBOT will "release" the trade, removing it from the "hold" state. Once it has been released by CBOT, it will behave like an ordinary unmatched trade, which firms may modify or delete at will, and it is subject to matching in the clearing system.

All unmatched on-hold trades will have been removed from the "hold" status prior to the 7 p.m. post-execution trade processing deadline. All such trades will be subject to matching in the clearing system via all normal end-of-day match processes.

5. Denali processing applicable only to "top day"

Any OR or HHT trade which fails to match on trade day, will be treated like any ordinary unmatched trade, under full control of the executing firm, on subsequent days.

6. TREX messages sent to firms for all updates to trades

With Project Denali, whenever anything happens to a pit trade in a CBOT product, the clearing system will transmit a TREX message to the executing firm. Messages received by the firm may be generated by the following types of events:

- An original "Add" message of an unmatched, on-hold trade. For most OR and HHT trades, this will be the message which firms receive first. The trade has been captured at CBOT and is under the control of the trader at CBOT.
- "Change" messages resulting from an action occurring at CBOT. These may include (a) changes to unmatched, on-hold trades entered by the trader on the OR or HHT device, (b) changes indicating that the trade is still unmatched but has been released from the hold status, and is now under the full control of the firm, (c) changes indicating that the trade matched at CBOT, or (d) changes to non-critical fields on the trade occurring at CBOT after the trade matched, regardless of whether the trade match occurred at CBOT or in the clearing system.
- "Change confirm" messages resulting from an action by the firm, either via sending a TREX change message to the clearing system or changing the trade via the clearing system user interface (3270-based TES or browser-based FEC). These may include confirms for changes initiated by the firm (a) while the trade is unmatched but on-hold, for non-critical fields, (b) while the trade is an ordinary unmatched trade (to any field), or (c) after the trade has matched either at CBOT or in the clearing system, to non-critical fields.
- "Change" messages resulting from a trade which was released by CBOT now matching in the clearing system, indicating that the trade status is now matched.
- "Delete" messages indicating that a trade was deleted, either by the trader at CBOT, or by the firm after the trade was released.

7. Trade ID Source Code usage

The Trade ID Source Code field in bytes 146-148 of the TREX main block is used today to indicate both the original source of the trade, and the type of event giving rise to the message. As will be explained below, the usage of this field is somewhat different for SLEDS (trade type "D") and non-SLEDS (trade types "1", "L", and "6"). Because this inconsistency exists in production today and firm systems are already coded to handle it, we elected not to use Project Denali as the occasion to remove it. In other words, we made the smallest number of changes requiring firm systems to be modified. Here's the details.

For SLED trades, the rules are simple. The Trade ID Source Code will be either **STP** or **ETC** for all messages the firm receives, except for ones generated if the trade matches in the clearing system. In this latter case, the source code will be **B21**.

For non-SLEDS trades:

- The Trade ID Source Code will always be either **STP** or **ETC** if the event giving rise to the message originated at CBOT – an original Add, a Change, a Change indicating that the trade is matched, a Delete, etc.
- The Trade ID Source Code will be the value transmitted by the firm if the message is a confirm resulting from a message sent by a firm – for example, a Change to a non-critical field for an on-hold trade, or a Change or a Delete to a released trade. We recommend that firms submit **MQM** on such change messages. The Source Code will be **TES** if the corresponding action was done by the firm through the 3270-based TES user interface.
- If the trade failed to match at CBOT but matched in the clearing system, the change message to the firm will have **B21** (just like SLEDS) if the trade matched intraday, or **MQM** if the trade matched at end-of-day.

The table below illustrates these rules for each possible type of message originating from each type of event.

Denali Trade ID Source Code Matrix

Values for Source Code sent on TREX messages to firms, resulting from the specified events

	Outright (TMS/TES)			SLED (FEC)		
	Order-Routing	HHT	Paper	Order-Routing	HHT	Paper
New unmatched On-Hold	STP	ETC	n/a	STP	ETC	n/a
New matched	STP	ETC	n/a	n/a	n/a	n/a
Change to on-hold from Denali	STP	ETC	n/a	STP	ETC	n/a
Change to on-hold from Firm via TREX	MQM*	MQM*	n/a	STP	ETC	n/a
Change to on-hold from Firm via UI	TES	TES	n/a	STP	ETC	n/a
Delete to on-hold from Denali	STP	ETC	n/a	ETP	ETC	n/a
Match event from Denali	STP	ETC	n/a	STP	ETC	n/a
Release event from Denali	STP	ETC	n/a	STP	ETC	n/a
Change to released trade from Denali	STP	ETC	n/a	STP	ETC	n/a
Delete to released trade from Denali	STP	ETC	n/a	STP	ETC	n/a
Change or delete to released trade from Firm via TREX	MQM*	MQM*	MQM*	STP	ETC	TES
Change or delete to released trade from Firm via UI	TES	TES	TES	STP	ETC	TES
Trade matches in clearing	B21	B21	B21	B21	B21	B21
Trade matches in clearing at end of day	MQM	MQM	MQM	B21	B21	B21
Change to matched trade from Denali (CTI etc.)	STP	ETC	n/a	STP	ETC	n/a
Change to matched trade from Firm via TREX	MQM*	MQM*	MQM*	STP	ETC	TES
Change to matched trade from Firm via UI	TES	TES	TES	STP	ETC	TES
New paper trade submission from firm via TREX			MQM*			TES
New paper trade submission from firm via UI			TES			TES

*** As described above, for non-SLEDS trades, for changes submitted by the firm via TREX message, the clearing system will echo back the value provided by the firm. Normally, firms submit MQM in this case.**

8. New value for "API/UI Indicator"

For SLEDS, byte 164 on the TREX main block is the "API/UI Indicator." On TREX "Change" confirmation messages sent by the clearing system to the firm for SLEDS trades, this field currently contains either an **A** (for API), indicating that the change giving rise to this confirm was made by the firm via submitting a TREX message, or **U** (for UI), indicating that the change was done by firm staff via the Front-End Clearing browser-based user interface.

With CBOT Project Denali, for Order-Routing or Hand-Held CBOT SLEDS trades, a new value of **E** (for Exchange) will be provided if the change giving rise to this confirm message occurred at CBOT.

A value of **C** (for Clearing) will be provided if the change giving rise to this confirm message occurred in the clearing system – for example, if the trade matched in clearing after being removed from the "hold" state by CBOT.

For such SLEDS trades, firms may use these new values to distinguish between a change confirm message arising from an action in their own bookkeeping system, versus one arising from an action at CBOT or in the clearing system.

9. T1 TREX block usage

For Order Routing trades, firms will receive a **T1** TREX block on the original "Add" message. Besides the block identifier, three fields will be populated on this block:

- The Transaction TREX ID in bytes 19-30
- The Order Station Code in bytes 41-46
- The Secondary Account Number in bytes 188-197

10. Fee Code field should not be updated

The TREX main block formerly had a field called "Fee Code" in bytes 130-131. This field has not been meaningful for trades in CME products for several years, and it has never been meaningful for trades in CBOT products since the launch of the Common Clearing Link.

Some firms may still have their bookkeeping systems programmed to provide change messages to the clearing system to update the fee code. These messages do not cause any harm. Nevertheless, with the implementation of Project Denali, any value which firms do provide in the field will be ignored. We recommend that firms check their system and remove any code which would update the Fee Code field on the TREX message.

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