

Advisory Notice

Clearing House

TO: Clearing Member Firms, etc
FROM: Clearing House Department
ADVISORY #: 07-46
DATE: February 16, 2007
SUBJECT: Swapstream SUBs to Launch in May 2007

In May 2007, Swapstream, a CME company, will launch trading in US Dollar-based interest rate swaps (IRS). At that time, if traders on both sides of the transaction wish, they will be allowed to substitute strips of Eurodollar futures for these IRS transactions.

The substituted futures (known as "SUBs") will not fully duplicate an actual swap in most cases, and will result in the necessity of creating a cash residual for each trade. Swapstream will transmit transaction messages representing these SUBs trades to CME. These messages will contain all of the futures legs as well as the cash residual for the trade. CME will post these trades to Front-End Clearing (FEC), and send TREX trade confirmation messages to member firms. The front leg of any given SUBs transaction will carry the residual amount, if the firm chooses to receive it.

To accommodate these trades in the short term, and to allow them to be differentiated from other SUBs, Swapstream SUBs will have the following TREX characteristics (note that the A8 Block, formerly used for the APS Cash Residual, will now be re-used and amended for the SUBs Residual):

Field	Block	Position	Sample	Existing/ New	Comments/Description
Transaction Type	Main	50 - 51	F	Existing	All SUB's are "F"
Trade ID Source Code	Main	146-148	SWS	New	The source for this new SUBs entry is "SWS," for Swapstream, differentiating these from other SUBs.
Card/Order ID	Main	122-129	12345678	Existing	The Order ID will be used across all contracts that make up the trade, so that they may be grouped together.
Residual Amount	A8	3 – 11	12345678901	New	This is formerly the APS Cash Residual, and has been expanded by several bytes. APS trades are now delivered only via FIXML.
Reserved for Future Use	A8	12-14	XXX	Existing/ Changed	This was formerly the APS Group Code.
Residual Amount Sign	A8	50	+	New	+ or Blank means that the residual is a positive number, and that the trader receives a credit. – (minus sign) means that the residual is a negative number, and that the trader should be debited this amount.
Residual Type	A8	51 - 60	YCR	New	This may be used in the future for other types of residuals.

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In the near future, trade confirmation messages for Swapstream SUBs will be available in FIXML format, with the front-leg residual identified by an Amount (Amt) block of Type (Typ) "YCR," much as APS trades have a Cash Residual (CRES) Type today. The Trade Type (TrdTyp) for these trades will be "23." (Note that with these FIXML messages we will also implement a small change to the usage of the trade ID value. With this change, the trade ID number will be stored in the **TrdID** attribute rather than the **RptID** attribute. Firm bookkeeping systems should take the trade ID value from the **TrdID** attribute if it is present and only look to **RptID** if **TrdID** is not available.).

Futures transactions that result from a Swapstream substitution are just like any futures transaction, and may offset against other SUBs or regular pit or electronic futures trades. They may, however, have fee schedules different from those for other transaction types, including other SUBs. The venue (Trade ID Source Code "SWS" in TREX, Message Event Source "Swapstream" in FIXML) is what firms can use to differentiate Swapstream SUBs from other SUBs.

The Venue field will be used for other products in the future, to help differentiate fees for the same products traded on different platforms.

Swapstream SUBs will be differentiated in FEC from other SUBs by assigning them to a Swapstream value in the Venue drop-down.

Swapstream SUBs may be given up, just as other SUBs and EBFs may be given up. Please note that the SUBs Residual Amount will not flow with Swapstream SUBs giveups.

Swapstream SUBs will appear on the Trade Register report in the same section as other standard futures, but with a Swapstream identifier. Any SUBs Residuals will be totaled and shown on the Trade Register report with a new identifier, in the same area that APS Residuals are shown now. They will also be included in the daily Trade Register file, identified with a Message Event Source of "Swapstream" in the Trade Capture Report, and a new residual Amount Block defined as Type "YCR," meaning "Yield Curve Residual."

A new Swapstream SUBs report will also be provided, so that all Swapstream SUBs may be grouped with their counterparts and residuals to the trades.

A revised TREX layout and a schedule related to testing opportunities will be published in the very near future. Sample TREX and FIXML trade confirmation messages, and a sample FIXML trade register file, are available at <ftp.cme.com/pub/span/data/cme/test/swapstream>. If you have any questions, please call 312-207-2525, or e-mail us at ccs@cme.com.