

Advisory Notice

Clearing House

TO: Clearing Member Firms

FROM: Clearing House Department

ADVISORY #: 07-81

DATE: April 13, 2007

SUBJECT: **REMINDER: FEC Enhancements for, Transfers , ETP FIXML and CME FLEX to Launch in April and May, 2007 Respectively**

Several important enhancements will be introduced in the Front-End Clearing system (FEC) shortly. The first will allow for transfer searches across original trade date, and allow transfers to be submitted with an associated money amount (the "Residual".) The second will make available FIXML clearing trade confirmation messages for both e-cbot and GLOBEX electronic trades and the third enhancement migrates CME FLEX options from the 3270-based Flex Options application, to the web-based Front End Clearing system.

April 16, 2007

Transfers and Transfer with Residual:

Starting Monday April 16, 2007 , firms will be able to search We Show/They Show "WS/TS" for transfer across all trade dates. When you press the Search button on the screen, all existing transfer trades will display regardless of trade date. Firms will continue to have the option to lookup trades for a specific date. This WS/TS change applies only to transfers and will not apply to pit trades.

Also, firms will again be able to enter transfers with a residual money amount. Unlike normal transfers which use a two-sided match model, transfers with residual will use an allocate and claim match model. Upon entry, the allocating firm can enter either positive or negative dollar amounts depending on whether they desire a credit or debit respectively. FEC will flip the sign of the residual from the claim perspective. For example, if the allocating firm wishes to credit the claim firm with a residual value of \$100.00, the allocating firm would enter -100.00 in the "Residual" field on the transfer entry screen. The claim firm will see a positive 100.00 as the residual on the Transfer Claim screen indicating a credit.

Firms may elect to receive the residual amount via TREX messages by contacting the Clearing House. The residual will be populated in the "Residual Amount" field, positions 3-11, in the A8 block of the TREX record. The sign of the residual will be populated in a new "Residual Amount Sign" field, position 50, in the A8 block.

GLOBEX and e-cbot FIXML Trade Confirms:

Currently electronically executed GLOBEX and ecbot trades are available in TREX format only. With this enhancement, firms will be able to receive their clearing confirmations in FIXML format. Initially, firms will continue to receive either TREX or FIXML clearing confirms, but eventually TREX will be phased out and will be completely replaced with FIXML format. **Firms may begin testing receipt of FIXML trade confirmation messages for electronic trades in the Certification environment on Monday April 2nd, and may begin receiving these messages in production on Monday April 16th.**

May 4, 2007

On **Friday, May 4, 2007**, FLEX option processing for CME products will be migrated from the current 3270-based application to a two-sided trade entry process in Front End Clearing. As part of this migration, CME trading floor staff will no longer enter FLEX trades in clearing. In other words, "pit-side" matching will be

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eliminated. Clearing firms will be responsible for submitting FLEX trades to FEC for CME products, exactly as they currently do for CBOT flex options. After trades are entered in FEC, CME will send FLEX clearing confirms to clearing firms. No changes will be made to the current practice where all unmatched FLEX trades will be purged from clearing after the 7pm Chicago time trade submission deadline has passed. As with CBOT flex options, CME FLEX trades may be given-up via ACS, but cannot be average priced.

Testing:

Testing will be available in FEC Certification region starting Monday, April 2, 2007. To help firms with testing, CME will provide test scripts for CME FLEX and Transfers. Testing scripts will be made available Tuesdays and Thursdays for two weeks. Firms can conduct their unscripted testing on other days or after the two weeks period expire, more details to follow.

For questions or concerns, please contact Clearing Services at 312 207 2525 or via email to ccs@cme.com

Thank you.