CME Group
A CME/Chicago Board of Trade Company

Advisory Notice
Clearing House

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers
Margin Managers

FROM: CME Clearing

ADVISORY #:   08-143

SUBJECT: Announcing the CME Clearing360 API

DATE: July 8, 2008

Announcing the CME Clearing360 API

The CME Clearing360 application programming interface provides a new and more efficient means to report privately-negotiated trades and get them submitted to clearing. The goal is to make processing easier and more straight-through for traders, brokers and clearing firms.

The new "CME Clearing360 Trade Reporter" feature of the CME EOS Trader user interface is one of the most important applications which can write to the API. Using the web-based Trade Reporter application, for example, a trader can report a block trade in a Eurodollar options strategy. The API will:

- Price all the legs of the strategy
- Verify that the trade conforms with minimum quantity rules for Eurodollar blocks
- Eliminate the need for a phone call to the Globex Control Center (GCC), and cause the trade to be reported to the market
- Submit the trade to clearing
- Cause the trade automatically to be loaded to the two clearing firms, once the trade has either passed a credit check on both sides, or been explicitly accepted

Bottom line: Your trading will be more efficient with:

- No need for a call to the GCC to report the trade.
- No need for the clearing firm to submit the trade - trade details will automatically flow from the clearing system to the clearing firm.

Pivot Inc. is another technology provider which has written to the API, primarily for CME Group weather contracts. **The new "CME Connect" feature of Pivot's Instant Markets system talks directly to the API.** Using CME Connect, brokers can directly submit block trades in weather futures and options on behalf of the two traders involved and their clearing firms.

This CME Clearing360 API is intended for use with all privately-negotiated transaction types for all CME Group products that apply. Besides block trades, the most important type is OTC privately-negotiated transactions, such as CBOT OTC ethanol contracts. Support for EFPs and EFRs will be added shortly.

Currently, for each CME Clearing360 trade, the clearing firm on each side must explicitly accept ("claim") the trade, before it becomes a cleared transaction. **In the near future, however, we will introduce a real-time credit check.** Clearing firms will register each account for which they wish to accept CME Clearing360 transactions, and will have the option to specify a credit limit for each account. When a transaction is received for a registered account, if the aggregate risk exposure for that trade together with other CME Clearing360 trades cleared today is less than the specified limit, the trade will be automatically accepted.

We believe this credit checking feature will benefit your business. For clearing firms, as trades are received by the system for a particular customer, they will be automatically accepted and flow into your bookkeeping system, provided the aggregate daily risk exposure is less than a value you have specified. On the other hand, if the trade fails the automated credit check, the clearing firm will still have the ability to manually claim it, or simply increase the credit limit.

To make use of the API, clearing firms must sign the <u>CME Clearing360 Clearing Firm Agreement</u>. Signing this agreement is a one-time thing. In addition, firms must register each account for which they wish to accept CME Clearing360 trades. Shortly, firms will be able to do this registration via an on-line user interface, which will also be used to specify and change the credit limit for each account. **For now, however, firms fill out a form – "Schedule A" to the clearing firm agreement – for each such account.**

The agreement is available at: http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv08-144.pdf

The schedule is available at: http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv08-145.pdf

CME Clearing is happy to demonstrate the features of the API to interested clearing firms. To arrange a demonstration, or to obtain further information, please contact CME Clearing at 312-207-2525. To submit executed CME Clearing360 Clearing Firm Agreements and/or Schedule As, you can scan them and email the resulting PDF file to ccs@cmegroup.com, or fax them to CME Clearing at 312-930-3187.