

## Advisory Notice

Clearing House

09-369

TO: Clearing Firm Back-Offices

FROM: CME Clearing

DATE: August 25, 2009

SUBJECT: NYMEX/COMEX Integration Information

As we rapidly approach the CME and NYMEX/COMEX integration dates, it is important to remind back-office staff of the procedural and system changes that will occur, and it is equally important that you consider the impact of each integration on your systems and staff. The first integration date is **Monday, September 14**, beginning with the prior Sunday evening Globex session. On this date, all COMEX division products will be transitioned to the CME Clearing system. The second and final integration date is **Monday, October 5**, beginning with the prior Sunday evening Globex session. On this date, all NYMEX division and DME products will be transitioned to the CME Clearing system.

The most significant impact to back-offices is the legacy NYMEX/COMEX TMS and Metals Delivery applications will be replaced by the CME Clearing Front End Clearing ("FEC") and Deliveries Plus applications for each division's products on each respective integration date. As a result, all CME Clearing FEC and Delivery system features, applications, interfaces, FEC APIs, etc. will be available for NYMEX, COMEX and DME products. Also, as a result of the integration, all FEC and CME Clearing timeframes, schedules, policies and practices will prevail with only a few exceptions as noted later in this document.

Please note that all NYMEX and DME products will continue to be processed via TMS during the interim period between the COMEX-to-FEC integration on September 14 and until the NYMEX-to-FEC integration on October 5. Firms must account for the relevant differences of such as the NYMEX TMS procedures and deadlines will remain in place during this interim period while COMEX procedures will adhere to FEC policies and practices.

The purpose of this document is to review key processes, applications, and schedules that are critical for processing all NYMEX and COMEX products in the CME Clearing and Delivery environment. For your convenience, there is a table of key processing deadlines in terms of CST versus EST at the end of this document.

### **Launch Weekend: Friday September 11 – Monday September 14**

Below, please find a summary of events that will occur on the first integration weekend for COMEX products:

- All existing processing remains unchanged on Friday, September 11. The NYMEX/COMEX and CME Clearing systems will run as normal, producing the regular daily clearing and floor reports.
- Early Saturday morning, September 12, the Friday end-of-day positions for all COMEX products will be loaded into the CME Clearing system. Firms will have an opportunity to view the results of this conversion using the CME Clearing Position screens on Saturday afternoon after 3:00 p.m. This will allow you to verify that your end of end-of-day positions from Friday evening in New York Clearing are now positions in CME Clearing.
- Prior day COMEX trade data will not be available in FEC after this conversion. It will be available in TMS but in 'view-only' status. No updating actions in TMS will be available or effective. Firms can also review prior day data from their Friday night TMS reports.
- NYMEX and COMEX clearing reports will be available via VPS (routed directly to a printer or print queue) as is currently done for CME and CBT reports. Please contact clearing services at [ccs@cmegroup.com](mailto:ccs@cmegroup.com) for further information. We will soon publish a comparative listing of current NYMEX Clearing and Delivery reports and the equivalent CME Clearing and Delivery reports that will be available upon integration.
- COMEX trades will begin to be posted in FEC when COMEX markets open on Sunday evening, September 13, for trade date September 14. Firms can view the posting of trades real-time in FEC as well as verify that the bookkeeping confirmation messages are loading properly to books.
- COMEX open outcry trades will post to FEC upon trade entry by brokers/clerks following the market opening on Monday, September 14. Back-offices will utilize CME Clearing's FEC and Position applications for all trade and position processing going forward.
- Firms will perform their daily point balancing routines on Monday morning (or earlier over the weekend) per normal utilizing Friday's report and data output from NYMEX. On Tuesday morning, September 15, firms will perform their daily point balancing routines for COMEX utilizing Monday's report and data output from CME Clearing.
- With respect to Metal deliveries, any delivery intents submitted into EDS on Friday, September 11, will be converted to the CME Clearing Deliveries Plus system on Saturday morning. The allocation process will run in the new system prior to the open out-cry market opening on Monday morning.

- CME staff will be positioned on the COMEX trading floor to assist traders and clerks who will be utilizing the new FEC Floor View Trade Entry application for the first time. As a reminder, all trade entry will be completed by the brokers/clerks as per normal for COMEX trades.

### **Clearing House Staffing**

Clearing House personnel will be available in New York and in Chicago on Sunday, September 13, 2009, from 3:00 p.m. and throughout the evening to assist back-offices and answer questions that may arise. Please call 312-2072525-in Chicago or 212-299-2120 in New York for any such assistance. In addition, we will be contacting back offices on Sunday evening to monitor the status of their clearing operations.

### **GLOBEX Trading**

Trading opens as normal on Sunday September 13, 2009, for all NYMEX, COMEX and DME products. There are no changes in this process. The only exception is that COMEX GLOBEX trades will post to FEC and will be displayed in the FEC convention. FEC does not convert brokers' GLOBEX ids to their broker acronyms as legacy TMS does. Back-offices will have to interrogate the TAG 50 (operator ID) field of the FIXML trade confirmation message to identify the actual GLOBEX user, whether a broker or a customer.

Also, with the elimination of TMS, firms will no longer have the capability to create a firm/broker acronym for the purpose of grouping multiple broker/Globex trader ids under one acronym. To accomplish the same purpose, back-offices can request a GLOBEX API and/or sub-firm number. This allows firms to group multiple trader ids within a single firm number. Please refer to Clearing Advisory # 09-287, or contact your GLOBEX Account Manager "GAM" for additional information.

### **Open Outcry Trading**

To accommodate current floor trading practices, we are continuing the model whereby the seller is required to enter the trade into FEC and by which the buy-side is automatically created. As a result, there will be no unmatched trades for NYMEX, COMEX or DME products, which is consistent with the current practice. The floor will have a new FEC Floor View trade entry application to replicate the trade entry methodology as employed by legacy TMS. The buying and selling broker will continue to be responsible for the initial trade allocation to the customer's clearing firm.

### **ClearPort Clearing ("CPC")**

There are no processes or procedural changes for ClearPort trades with the exception that CPC trades will post to FEC following the integration for each exchange. After posting to FEC, all ClearPort trades are eligible for post-trade processing just as any other trades are in FEC.

### **Front-End Clearing "FEC"**

Upon each integration, all open outcry, Globex, and ClearPort trades will post to FEC. Once a COMEX, NYMEX or DME trade is posted to FEC, it can be processed in the same manner as any other CME or CBT product trade. The end-of-day FEC deadline for all COMEX, NYMEX and DME trade processing is 6:45 p.m. EST.

With respect to open outcry trades, brokers will continue to allocate trades to customers' clearing firms. Following the initial allocation, however, clearing firms have full control of all trades once they affirmatively accept them. A firm must release a trade back to the filling broker's primary clearing firm (PCM), which must accept the release, before a broker can re-allocate, correct, or void a trade.

Until a broker allocates a trade, it will remain pending at his/her PCM. Such unallocated trades will no longer be noted as "ALLO" in the account field. They will, instead be placed in "Working" status and all such pending/working status trades can be reviewed in the ACS (Allocate Claim) section of FEC.

Allocated but unclaimed trades will remain on the clearing records of the filling broker's PCM. They will appear on the "Out-Trade Settlement Value" section of the trade register file for point balancing purposes. Also, the PCM will be responsible for the margin and settlement variation associated with all broker unallocated trades as well as allocated but unclaimed trades.

With respect to ex-pit trades such as EFP's, firms will no longer need to fax such to the trading floor corrections desk for trade entry. All ex-pit privately negotiated transactions should be entered directly into FEC by each respective buying and selling firm for a two sided match process as is currently done for CME/CBT products.

To ensure all your critical staff has access to FEC, please contact [firmsupport@cmegroup.com](mailto:firmsupport@cmegroup.com). Users that currently have access to FEC in the New Release "NR" test environment will not automatically have functional access to FEC in production.

### **Clearing Firm Responsibilities**

Notwithstanding the operational aspect of FEC that requires firms to affirmatively accept broker allocated trades, firms are reminded of their obligations under NYMEX Rule 984. Per Rule 984, firms have an obligation to accept all broker allocated trades prior to the final deadline unless proper notification, per Rule 984 A.1 and A.2., has been made. Failure to accept such trades may constitute a rule violation. For further information re: Rule 984, please go to the following link; [http://www.nymex.com/rule\\_main.aspx?pg=11#984](http://www.nymex.com/rule_main.aspx?pg=11#984).

### **Trade Confirmation Messages**

As open outcry, GLOBEX and CPC trades are posted to FEC, FIXML trade confirmation messages are sent to firm queues in real-time. Firms book these messages into their middleware and internal bookkeeping systems. Firms may elect to receive such confirmation messages on a real-time basis 24 hours a day or they can elect to stagger receipt of the messages based on a desired start and stop time. Contact CME Clearing Service at 312.207.2525 or [ccs@cmegroup.com](mailto:ccs@cmegroup.com) for more details.

### **Position Adjustments**

Firms should submit position adjustments by 9:00 a.m. EST to adjust positions prior to publishing final/adjusted open interest for spot month contracts. Position adjustments must be submitted prior to 11:00 a.m. EST to adjust positions prior to the intra-day settlement cycle. Position adjustments must be submitted by 5:00 p.m. to adjust positions prior to final settlement cycle.

### **Intra-Day PCS**

Firms are required to submit an intra-day PCS file to CME Clearing by 12:15 p.m. EST. For margining purposes, the clearing system will bring forward your prior day spreads during the intra-day cycle. Firms may submit separate or combined PCS files. Prior to day one, all firms must contact the Clearing House at (312) 207-2525 to define their PCS profile with respect to submitting a combined file for CME, CBOT, NYMEX, COMEX, DME products or a separate CME/CBOT file only.

### **Intra-Day Settlement (ITD)**

The current practice of not including top-day activity in the intraday settlement cycle will be continued for COMEX, NYMEX and DME products through the NYMEX integration and for several weeks beyond. In other words, the intraday cycle will only include futures variation on start-of-day positions and transfers, and it will only include option premium on transfers. Similarly, only start-of-day positions and transfers will be considered in determining positions to be margined at intraday.

Several weeks after the NYMEX integration, this practice will be discontinued, and top-day activity for COMEX, NYMEX and DME products will be brought into the intraday cycle, exactly as for CME and CBOT products. During this period, "what-if" reports will be made available so firms may estimate the impact of this coming change.

### **SPAN® Files**

Effective earlier this month, the combined final SPAN file for CME, CBOT, NYMEX, COMEX and DME went into production. We ask that all firms begin using the combined file for margining purposes as the separate files will no longer be available after September 10th.

### **End of Day PCS**

All firms must submit their final day's PCS for NYMEX, COMEX and DME by 7:00 p.m. EST while CME and CBOT are due by 8:30 p.m. EST. As stated above, prior to day one, all firms must register their PCS profile with the Clearing House as to the method they will use, i.e., combined files for CME, CBOT, NYMEX, COMEX, DME or separate CME/CBOT only. If a firm submits a single combined PCS file including CME/CBOT/ NYMEX/ COMEX AND DME, clearing will strip off the NYMEX/ COMEX/ and DME piece and apply it accordingly. Otherwise, the separate files should include NYMEX/ COMEX and DME and then CME/CBOT.

### **Option Exercises and Assignments**

The option exercise deadline remains at 4:30 p.m. EST for NYMEX/COMEX options. We will publish contrary exercise instructions by 4:45 p.m. EST for NYMEX/COMEX options on the website. We will retain the legacy pro-rata assignment method for NYMEX/COMEX options.

### **End of Day Reports, Including Trade Registers**

Exercise and assignment reports and assignment files should be available by 8:30 p.m. EST. Electronic trade registers in FIMXL format approximately by 11:00 p.m. EST. All other back end reports will be available in firms' print queues approximately by 11:30 p.m. EST. Prior to day one, all firms should confirm with the Clearing House if they would like a combined or separate FIXML trade register file for COMEX, NYMEX or DME. Firm clearing reports are also available on Document Direct and can be

requested by firm users to view. Please request access to clearing reports by sending an email to [ccs@cmegroup.com](mailto:ccs@cmegroup.com). For access to Document Direct, contact [customersupport@cmegroup.com](mailto:customersupport@cmegroup.com) to sign up your users before each respective day one integration.

Currently, firms may elect to receive a combined the CME/CBOT FIXML trade register file. We will also make that available for NYMEX/COMEX and DME, but we will not be able to combine them until the full conversion is complete.

### **Metal Deliveries**

All data in the legacy EDS (Electronic Delivery System) will be converted to the new CME Deliveries Plus system and be available on day one of each integrations. The deadline to submit delivery intentions remains 6:00 p.m. EST.

### **Energy Deliveries**

Energy delivery processing will remain unchanged on October 5, 2009 and will be converted to the CME Deliveries Plus system at a later date.

### **Miscellaneous Items**

- COMEX and NYMEX SLED prices will default to previous day's settle unless told otherwise. Firms that wish to receive engine prices must submit their request via email to [ccs@cmegroup.com](mailto:ccs@cmegroup.com).
- The Trade register exception (CPM598) and Daily Guarantor (CPM601) reports will not be supported on day one.
- Broker account information must be set-up properly using the 'short-code' protocol to default to the appropriate account information; otherwise the account number will be set to DEFAULT. If the account information is not correct, firms will be unable to load such trades to bookkeeping.
- The Average Price System "APS" will be available for all NYMEX/COMEX trades except TAS trades.
- Trades can be given up between clearing members via the ACS screen in FEC. Such firm-to-firm give-up volume will flow to the GPS application. The initial broker allocation to a firm, though done via the FEC ACS "pipeline" is NOT considered a give up for GPS purposes and will not incur the \$0.05 give-up execution fee.
- EOO trades are available for trade entry through the broker UI or the FIXML API.
- Previously, an invalid allocation would generate a reallocation to the executing PCM. In FEC, an onset/offset record is only generated upon confirmation from the claiming firm so any unclaimed trades will not generate an onset or offset message.

- For risk management purposes, it's imperative that primary clearing firms frequently check the status of their brokers' allocations in FEC. Those trades that have been allocated but not yet accepted by the claiming clearing firm will remain as a position on the books of the PCM. As such, the PCM will be responsible for the settlement and margining of all such unclaimed or unallocated trades.

### **Summary**

Clearing will be in contact with all back offices up to and including launch to determine the readiness status of each firm. The purpose for these calls is for us to fully understand your general readiness and to identify any open issues you may have. We continue to work with all interested parties in an effort to ensure a seamless transition as we bring COMEX business into the back end clearing cycle starting on Sunday September 14<sup>th</sup>. Please do not hesitate to contact us at 312.207.2525 or at [ccs@cmegroup.com](mailto:ccs@cmegroup.com) in Chicago. 212-299-2120 or [cmegroupnydivisionclearing@cmegroup.com](mailto:cmegroupnydivisionclearing@cmegroup.com) in New York with your questions or concerns.

**System Deadlines**

| <i>Event</i>                                     | <b>Time<br/>(Eastern)</b> | <b>Time<br/>(Central)</b> |
|--|---------------------------|---------------------------|
| NYMEX/COMEX Cut off Exercise/Abandon Entry       | 4:30 PM                   | 3:30 PM                   |
| Announce NYMEX/COMEX Contrary Instructions       | ~4:30 PM                  | ~3:30 PM                  |
| CBT FLEX Cut off Exercise/Abandon Entry          | 6:00 PM                   | 5:00 PM                   |
| Announce CBT FLEX Contrary Instructions          | ~6:00 PM                  | ~5:00 PM                  |
| Run CBT FLEX E/A Process (Produce reports)       | ~6:00 PM                  | ~5:00 PM                  |
| NYMEX/COMEX Metal Delivery Intentions            | 6:00 PM                   | 5:00 PM                   |
| NYMEX/COMEX/DME FEC cutoff (ALL)                 | 6:45 PM                   | 5:45 PM                   |
| NYMEX/COMEX/DME PCS Deadline                     | 7:00 PM                   | 6:00 PM                   |
| CME/CBT FEC cutoff (Electronic)                  | 7:00 PM                   | 6:00 PM                   |
| CBT Cut off Exercise/Abandon Entry               | 7:00 PM                   | 6:00 PM                   |
| Announce CBT Contrary Instructions               | ~7:00 PM                  | ~6:00 PM                  |
| Run NYMEX/COMEX E/A Process (Produce reports)    | ~8:30 PM                  | ~7:30 PM                  |
| CME Cut off Exercise/Abandon Entry               | 8:00 PM                   | 7:00 PM                   |
| Announce CME Contrary Instructions               | ~8:00 PM                  | ~7:00 PM                  |
| CME/CBT FEC cutoff (Non-Electronic and Give-ups) | 8:00 PM                   | 7:00 PM                   |
| CME/CBT PCS Deadline                             | 8:30 PM                   | 7:30 PM                   |
| Run CME, CBT E/A Process (Produce reports)       | ~9:30 PM                  | ~8:30 PM                  |