

12-551

TO: CME and KCBOT Clearing Member Firms

FROM: CME Clearing

DATE: December 19, 2012

SUBJECT: **IMPORTANT: Clearing Integration Plan for Kansas City Board of Trade**

On November 30, 2012, CME Group acquired the Kansas City Board of Trade and the KCBOT Clearing Corporation. For more information please see:

<http://cmegroup.mediaroom.com/index.php?s=43&item=3347>

CME plans to integrate clearing processing for KCBOT on **Monday, April 15, 2013**, pending regulatory approval. We are aiming for this early date because clearing firms are eager to achieve the operational efficiencies which will come with clearing integration. Note that prior to that date, there will be minimal operational changes, and all existing KCBOT clearing processing will continue in the current KCBOT systems without modification.

So Friday April 12, 2013, will be the last day in which clearing processing for KCBOT occurs in the KCBOT systems. On Saturday morning April 13, the ending KCBOT positions as of Friday will be loaded into the CME clearing system, and beginning on Sunday evening April 14, clearing processing will be done in the CME clearing system.

We are planning the transition in a manner which we believe will result in absolutely minimal impact to clearing firms and bookkeeping systems:

- There will be no impact to price reporting or electronic trading on CME Globex, both of which will continue exactly as they do today. (The MIC code on Globex will remain as **XKBT**.)
- The clearing product codes will not change, and will remain **KW** for the Kansas City Hard Red Wheat futures and options, and **WS** for the wheat calendar swaps.
- Even though they are KCBOT products, they will appear in clearing messages, SPAN files, trade register files, etc., as **CBT** (Chicago Board of Trade) products. Similarly, the “firm exchange” will be **CBT**.
- The firm numbers on clearing messages (the “TMF ID”) could be either existing KCBOT two-byte alpha values, or existing CBOT three-byte alphanumeric values, or newly assigned values. It’s the firm’s choice.
- For Large Trader reporting to the CFTC, the products must be provided as KCBOT products (exchange code **08**), but for reporting to CME, the products may be provided as either KCBOT or CBOT.

Prior to the clearing integration in April, CME will do several things to facilitate the conversion:

- In January, we will begin publishing KCBOT settlement price files and product reference files in the CME formats, and we will begin publishing sample combined SPAN files.
- In February we will begin including KCBOT products in CME's SPAN files, and firms may begin using these combined SPAN files for customer margining. (The separate KCBOT SPAN files will continue to be available until at least April 15.)
- In February, we will make the "New Release" testing environment available for clearing processing for KCBOT products, so that firms have several months to verify that their systems have no issues.

For more information, please contact CME Clearing at 312-207-2525.