CME Group

CME CLEARING
ADVISORY NOTICE

13-537

To:	Clearing Member Firms
From:	CME Clearing
Subject:	Brokerage Billing
Date:	November 20, 2013

Please be reminded that pursuant to NYMEX Rule 984.A.4. when there is an agreement between the customer, the executing broker, and the customer's clearing firm, all brokerage fees must be paid via BPS (Brokerage Payment System) for all transactions executed by a broker on behalf of the customer. This includes transactions executed in the open outcry market, on Globex, and on ClearPort.

The full text of the Rule is as follows:

984.A.4. Billing - A Clearing Member will pay brokerage fees incurred for all transactions by the executing broker for the customer and subsequently accepted by the Clearing Member by means of the Brokerage Payment System ("BPS"). Brokerage fees will be agreed upon in advance among the Clearing Member, the customer and the executing broker.

Some clearing firms claim to encounter difficulties distinguishing the Globex or ClearPort trade venues, and distinguishing a broker allocated trade from a firm-to-firm give up; and thus have set their default rates in BPS to zero for such trades. This response is inconsistent with the rule and can be easily resolved.

CME Clearing provides sufficient information on all trade confirmation messages for a firm to be certain it is appropriately and accurately paying brokerage to a customer's filling broker. The distinguishing values are summarized below:

- A broker allocated trade is identified by the FIMXL tag METH=4 in the clearing confirm record. Broker allocated trades, regardless of venue, never go through the Give-Up Payment System (GPS) so there is zero risk of paying the broker twice for a single trade execution.

- A GLOBEX executed trade is identified by the value GBX by the FIXML tag InptSrc

- A ClearPort executed trade is identified by the value CPC by the FIXML tag InptSrc

- The pit broker symbol will display on all NYMEX and COMEX electronic executions with Sub Id under party role 12:

      <Pty ID="2G1L" R="12">
      <Sub ID="ABC" Typ="2"/>

BPS rate tables also allow for different combination of rates based on different execution venues as well as trade types (e.g. a Globex spread can be assigned a different rate from a pit trade, a pit-trade can have a different rate from a ClearPort block trade, etc.).

Additionally, with respect to ClearPort, off-floor broker groups (i.e. "upstairs" brokers) are frequently assigned unique acronyms that can be assigned in BPS rate tables to ensure timely payment.

Accordingly, firms have the capability to safely assign brokerage payment rates for their executing brokers <u>for all trade venues and trade types</u>.

Therefore, firms that fail to enter appropriate brokerage payment rates into BPS, when they have customer agreement on the rates, may be charged with a violation of NYMEX Rule 984. A finding of guilt following a hearing may result in additional monetary penalties and a public notice of the finding.

If you have any questions or require further information, please call Farris Oweimrin at, (312) 648-4780, or Carolyn Sterling at (212) 299-2377.