CME Group | Advisory Notice

TO: Clearing Member Firms
           Back Office Managers
           Service Providers

FROM: CME Clearing

ADVISORY #: 14-047

DATE: January 28, 2014

SUBJECT: Reminder and Update: Morning Position Adjustment File (PCS)

Recently, CME Group began accepting morning position adjustments via a morning PCS file. This allows for an automated solution, where traditionally, morning position adjustments were executed only via the CME Group Positions User Interface.

Messages within the new file should be in the same format as the nightly PCS file, and may be submitted even if there has been no change in position. The only difference between the nightly file and the morning file, other than possible quantity differences, is the name of the file itself. The naming convention for the morning PCS file is:

PCSADJ.CMF_xxx.xml, where "xxx" is the firm number submitted in the nightly file.

CME Group will accept files with a BizDt representing either the current (morning) or prior (most recent night cycle) Clearing Business Date. This means that, other than the file name, the standard PCS process may be used to create the morning adjustment file, with one exception: *current day's trades may not be included in the PCS positions reported in the new adjustment file*, while as-of trades *should* be included in the file. A step should be added to the beginning of the standard process to remove the new day's trades (but not as-of trades) if they exist.

The file will not be accepted after 7:30 am Chicago time each morning, but a submission prior to 7:00 am is preferable, to give time for processing, review, and further manual adjustments if necessary. The actual cutoff for manual adjustments remains at 8:00 am each business day. CME Clearing processes files submitted after Friday night's processing between the Sunday afternoon startup and the regular 7:30 am (Chicago) cutoff time on Monday mornings. *You will not see morning position adjustments on Saturdays*.

Morning position adjustments via PCS follow slightly different rules for determining the Adjusted Start of Day position than the evening PCS uses to determine the nightly Final Position.

> The evening PCS Final Position is determined by applying the PCS Final Long position submitted, to the daily Gross Position (Adjusted Start of Day position plus trades and any other adjustments), to the extent possible, based on activity during the day. That is, if a PCS Final Long position is submitted for a contract with no activity or insufficient activity to justify the PCS Final Long position submitted, either the PCS message for that contract will be rejected, or only a partial adjustment will be made.

> The morning PCS process attempts to apply the morning Final Long position submitted to the Start of Day (SOD) position, *regardless* of the prior day's activity.

>> This means that a Final Long position that is larger than the SOD Long position will *always* be applied, causing an equal adjustment "up" for Longs and Shorts, by the difference between the Final Longs submitted, and the SOD Long position.

>> A Final Long position that is less than the SOD Long position will be applied only if existing SOD Longs and Shorts allow for a complete adjustment. That is, no position will ever be adjusted to a quantity below zero. If the difference between the SOD Longs and the morning Longs submitted can be subtracted from both SOD Longs and the SOD Shorts, then an equal adjustment "down" will be applied to the position for that quantity, giving a new Adjusted Start of Day position.

To activate your clearing firm for morning PCS submission, you must:

- Test with CME Clearing and certify for at least two consecutive days, that the file and results are satisfactory
- Schedule your go-live date with CCS

Production Parallel testing is available at advanced request. To test in Production Parallel, you will need to create morning PCS files for the prior week's business (or create morning files each day, and save them, for the next week's test). CME Group will copy production data into a Production Parallel environment at the beginning of a given week for the prior week's business, and testing will proceed from there, with the assistance of CCS staff. To be successful, you will need to know what manual adjustments were actually made on the days in question.

Your firm can also arrange to test "live" morning PCS files with CME Clearing (please do not use the production file name), prior to certifying in Production Parallel. There is no cutoff time for submitting files for this type of testing. Please call CCS if you would like to begin testing.

For questions or further information, please contact CME Clearing Services (CCS) at 312-207-2525 or ccs@cmegroup.com.