

TO: Clearing Member Firms

FROM: CME Clearing

ADVISORY #: 16-018

SUBJECT: **Upcoming changes in Front-End Clearing (FEC) for Order Handling Indicator, Aggressor Indicator and Original Execution Firm**

DATE: January 11, 2016

This advisory describes three important changes in Front-End Clearing (FEC) which CME Clearing will be rolling out in the first quarter of 2016. These changes are:

- To include the Original Executing Firm on Allocation Instruction Alert message
  - New Release on January 13<sup>th</sup>
  - Production on January 25<sup>th</sup>
- To make the Aggressor Indicator a give-up grouping field
  - New Release on February 3<sup>rd</sup>
  - Production on February 22<sup>nd</sup>
- To allow the Order Handling Indicator to be modified by the executing firm
  - New Release on March 2<sup>nd</sup>
  - Production on March 19<sup>th</sup>

#### **CME to add “Original Execution Firm” to Allocation Instruction Alert message**

At firm request, CME will add the “Original Execution Firm” (FIXML party role 201) to the Allocation Instruction Alert message.

This is the message that the executing side receives back from FEC+ when they mark a trade for give-up.

The value is already present on other messages for the give-up API, and this change is just to be consistent.

#### **Making “Aggressor Indicator” a Give-up Grouping field**

For a trade done on an electronic matching platform such as CME Globex, the Aggressor Indicator indicates whether the order giving rise to this trade was resting or new. “Yes” means that you were hitting an existing bid or offer, and “No” means that your already-existing bid or offer was hit.

We will enhance FEC so that the “Aggressor Indicator” is a give-up grouping field. With this change, if you take in an allocation, you can be certain that all transactions giving rise to that allocation share the same value for Aggressor Indicator.

The FIXML attribute is **AgrsrInd** and it may assume values of Y, N or blank. The field is meaningful only for electronic executions.

By ensuring that all electronic executions within a single give-up group have the same value for Aggressor Indicator, this change will help ensure that fee calculations can properly take this value into account.

The attribute will be added to all messages related to the give-up process, to ensure that firms can likewise properly take the value into account in fee calculations.

### **Allowing the Order Handling Indicator to be modified**

The **Order Handling Indicator**, also known as the **Voice/Direct** indicator, the **Execution Source Code** or the **Rate Identifier**, is a one-byte value which may be included on orders submitted to CME Globex, to indicate how the order was submitted.

The value is passed through CME Globex and is received by CME's Front-End Clearing (FEC+) application, which includes it with data stored for the trade and passes it to the clearing firm on the FIXML trade confirmation message. The FIXML attribute name is **CustOrdHdlInst**.

At firm request, we will make this field modifiable by the original executing firm in FEC+. With this change, the value may be updated on the original trade via either the FEC+ GUI or the message-based FIXML API. The value will not be modifiable on the allocation.

**No validation for allowable values:** FEC will not validate modifications to ensure that the Order Handling Indicator may assume only one of the set of allowable values. This is for simplicity when new allowable values may be added in the future. It's up to the executing firm to get the value right.

**How this modification interacts with the give-up process:** The Order Handling Indicator is a give-up grouping criterion, and give-up transfer transactions will always be for a specific value of Order Handling Indicator. All trades within a specific give-up group will always have the same value.

Exactly as with other fields that are give-up grouping criteria, modifying the Order Handling Indicator on one or more trades within a group which has been claimed or partially claimed may result in the group being over-allocated. If so, the firm must correct the over-allocation. For example, it might require the claiming firm to reverse an already-claimed allocation in order to modify or cancel it.

**How this modification interacts with the averaging process:** exactly as with other give-up grouping fields, trades with many different value for Order Handling Indicator may be put into the same APS group. Before the group is completed, the Order Handling Indicator value may be modified at will. Once the group is completed, however, the field cannot be modified. In that situation, if it is indeed necessary to modify a value, the firm must first delete/reverse any allocations and then "uncomplete" the group. This is exactly how the averaging pricing process works today.

**No modification on the claiming side:** the claiming clearing firm will NOT be able to modify the value. It is the responsibility of the executing side to get it right.

**Impacts to messaging:** there are exactly two FIXML message types impacted:

**Trade Capture Report for a change:** when a firm is sending a Trade Capture Report message to change the Order Handling Indicator, they will include this attribute with its new value.

**Trade Capture Report Acknowledgement** for a completed change: if a firm has modified the Order Handling Indicator, and if it has elected to receive a Trade Capture Report Acknowledgement message reflecting the modification, then this message will include the Order Handling Indicator attribute with its new value.

Exactly as today, when a claiming firm receives an Allocation Report message, informing it that an allocation is into it, the Order Handling Indicator is present, in order to inform the claiming firm of the correct value for that indicator. Similarly, exactly as today, if the claiming firm has indeed claimed the trade, when it receives the Allocation Report message, the Order Handling Indicator will be present on the message.

**For More Information:**

See also Clearing Advisory 12-226, published May 30, 2012, for information about the Customer Order Handling Indicator, at:

<http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv12-226.pdf>

Full documentation for all FIXML trade and give-up messages is available at:

<http://www.cmegroup.com/clearing/systems-operations/user-guides.html#fixmlOtherSpecifications>

For more information please contact CME Clearing at [ccs@cmegroup.com](mailto:ccs@cmegroup.com) or via phone at

Chicago (312) 207 2525 | London (44) 203 379 3198 | Singapore (65) 6593 5591