

CME Clearing360™



Substitutions of Futures for Forwards

Take advantage of central counterparty clearing, financial, and operational efficiencies

CME Clearing360 is a new initiative that provides a comprehensive clearing solution to over-the-counter (OTC) market participants. CME Clearing360 offers customers the flexibility of OTC transactions with the risk management and operational efficiencies of centralized clearing.

CME Clearing360 initially offers clients the ability to “substitute” CME Eurodollar, CME Euroyen, and CME LIBOR futures for similar OTC interest rate derivative products. **Substitutions of futures for forwards (“Subs”)** allow customers to substitute CME futures contracts for an OTC transaction, such as an Interest Rate Swap or Forward Rate Agreement (FRA), with flexible settlement dates and contract size. Subs are available in standard futures monthly and quarterly expirations, and for daily CME Eurodollar expirations for up to six calendar months.

Substitutions offer greater risk management and processing efficiencies than traditional OTC transactions. Subs allow market participants to streamline the transaction process by eliminating cumbersome documentation and the usual counter-party credit concerns often associated with interest rate swaps and FRAs. Subs also enable market participants to consolidate OTC and futures positions for administration and clearing, and provide the benefit of a single counter-party – CME Clearing.

Benefits

- » Trade out with different counterparties
- » Daily mark-to-market and active risk management
- » Fungible with standard CME interest rate futures products
- » CME financial guarantee

How substitutions work

Subs make it possible to substitute a position initiated in the OTC market with a combination of 3-month CME Eurodollar futures—the most liquid interest rate futures contract available. At any one time, there will be CME Eurodollar futures with daily expiration available for up to six calendar months for the convenience of traders who want to execute Forward Rate Agreements (FRAs). In addition, the usual IMM monthly and quarterly expirations are available for customers interested in establishing the equivalent of interest rate swaps by using a consecutive series of CME Eurodollar futures expirations.

Once two counter-parties have agreed to an OTC transaction, they each need to submit the OTC transaction to CME Clearing. Once accepted for clearing, the OTC transaction is substituted into a futures contract and will appear on each counterparty's trading statements. Such substitutions can also apply to dated or seasoned OTC transactions.

Once a position is established via a Subs transaction between two counterparties for regular IMM dates, it is virtually the same as a position in CME Eurodollar futures and can be altered or taken off via regular CME electronic or open-outcry trade or via another Subs transaction. Participants will also receive the advantage of having their positions with CME Clearing and its cross-margining benefits.

Additional information about CME Clearing360 and CME Substitutions is available at www.cme.com/clearing360.

To learn more, please contact CME Customer Service at 1-800-331-3332. Outside the United States, please call 312-930-2316.

CME - Chicago
20 S. Wacker Drive
Chicago, Illinois 60606-7499
Tel: 312.930.1000
Fax: 312.466.4410
E-mail: info@cme.com

CME - London
Pinnacle House
23-26 St. Dunstan's Hill
London, EC3R 8HN, United Kingdom
Tel: +44.20.7623.2550
Fax: +44.20.7623.2565
Email: cmeeurope@cme.com

CME - Sydney
Level 17, BNP Paribas
Centre
60 Castlereagh Street
Sydney NSW 2000,
Australia
Tel: +61.2.9231.7475
Fax: +61.2.9231.7476
Email: cmeasia@cme.com

CME - Tokyo
Level 16 Shiroshima JT
Trust Tower
4-3-1 Toranomon,
Minato-ku
Tokyo 105-6016, Japan
Tel: 81.3.5403.4828
Fax: 81.3.5403.4646
Email: cmeasia@cme.com