

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

Advisory #: 17-186

DATE: Monday May 22, 2017

SUBJECT: Production OTC FX Advisory – Netting and Transfers

Please be advised that CME Clearing is now live in Production with OTC FX Netting and Transfer functionality.

Netting

Netting may be used to compress trades within a clearing position account. Trades may be fully or partially netted if key trade economics match, with corresponding termination messaging sent to clearing member firms.

Three account settings are now available with this enhancement:

- Gross: All trades will remain cleared until maturity. This is the default setting.
- Net: Trades within the account will net if the following criteria matches: CCY Pair, FX Fixing Date and Trade Price.
- Selective Net: Same as 'Net' except the Client ID must also match.

Transfers

OTC FX clearing firms may use Deal Management System (DMS) to perform full or partial transfers via GUI or CSV upload. CME will calculate a default transfer fee upon previewing transfer, offsetting all cash flows due to settle in original account and on-setting cash flows in new account. Upon transferring a trade, CME will create the following:

- TRANSFER_OUT: This trade will offset the trade in the source account.
- TRANSFER_IN: This trade will onset the trade in the destination account.

Please note that any transfer to a different clearing firm will go through the standard new trade workflow and will need to be claimed by the receiving firm. Also, note that a transfer out of a "Bunched Order Account" will result in corresponding notation; ALLOCATION_OUT or ALLOCATION_IN.

DMS FX PROD Link: <https://dmsfx.cmegroup.com/>

Trade Register Impacts:

8 new columns will be added to end of the COB May 22nd CSV Trade Register to support netting and transfers:

Field	Definition
Status	CLEARED - The trade is cleared at CME TERMINATED - The trade is terminated at CME
Originating_Event	Specifies the event that created the trade (NEW_TRADE, ALLOCATION_IN, ALLOCATION_OUT, TRANSFER_IN, TRANSFER_OUT, NETTING_REMNANT)
Terminating_Event	Specifies the event that terminated the trade (MATURED, PARTIAL_NETTING, FULL_NETTING)
Netting_ID	ID assigned to each trade based on the economic attributes to identify netting eligibility, regardless of position account
Fee_Type	Type of fee (e.g. TRANSFER_FEE)
Fee_Amt	Fee amount
Fee_Date	Payment date of the fee
Valuation_Date	Latest date the trade was valued

For more information, please contact the CME Client Services team at onboarding@cmegroup.com.

Regards,

CME Clearing