

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 17-369

DATE: September 22, 2017

SUBJECT: Reminder: Production OTC IRS Advisory - MXN Price Alignment Amount

As part of our continuing efforts to ensure a prudent risk management process for all products, CME Clearing will soon begin computing the **Price Alignment Amount (PAA)** for MXN IRS using an average of 3 different FX rate observations. This change will be reflected in production Monday, September 25th, 2017.

Existing MXN PAA Methodology

Currently, the FX inputs to compute the PAA for MXN interest rate swaps are captured at 3:00 pm ET. These inputs include the O/N, T/N and Spot FX rates. Once captured, CME will then calculate the MXN PAA rate using these inputs in combination with the latest federal funds rate.

What is changing?

CME Clearing will begin capturing the O/N, T/N and Spot FX rates at 3 different times: 8:00, 9:00 and 10:00 am ET. CME will then compute the average of each rate to be used as inputs to the MXN PAA rate calculation.

What does not change?

- No change to the federal funds rate that is captured.
- No change to the 3:00 pm ET snap time for MXN forecast and discount curves, used for EOD swap valuation.
- No change to the existing formula used to calculate the MXN PAA rate and PAA amount.

For questions, please contact the Pricing and Valuations team at OTCValuations@cmegroup.com.