

CME Group | Advisory Notice

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 18-106

SUBJECT: **REMINDER: CME CDS Wind-up – Operational Aspects**

As announced on September 14, 2017 and further detailed in CME Clearing Advisory [17-491](#), CME Clearing intends to exit the CDS clearing business and to provide for a transition of open interest held at CME to ICE Clear Credit LLC (“ICC”) during March 2018.

The purpose of this advisory is to communicate an overview of the proposed dates and operational considerations related to this event.

The last trade date for all CDS products is Tuesday, March 13, 2018. This means that market participants may submit CDS products for clearing up to the normal trading close (5:45 pm CT) on Tuesday, March 13. After this time, CME Clearing will not allow market participants to submit any additional CDS transactions for clearing and any positions remaining at CME Clearing from this time will be subject to the transition of open interest. Market participants not wishing to participate in the transition of open interest should therefore close out any positions in CDS products prior to trading close on Tuesday, March 13. All other market participants should work with their CDS Clearing Member(s) to ensure that relevant accounts are opened at ICC in order to accept the positions subject to the transition.

On Friday, March 16, CME Clearing will transition all open CDS positions as of end of day March 13 to ICC.

Main operational workflow points and proposed timing

- CME Clearing will utilize its normal transfer process to close out all open CDS positions. This is the same process Clearing Firms use today to perform client and house transfers in our Front End Clearing system.
- During the transition, CME Clearing will provide all of the normal transfer messaging to our Clearing Firms. Additionally these transfer transactions will be viewable in FEC+ and on CME Clearing’s end of day clearing reports (trade register, position reports, etc.).

- CME Clearing will continue to require dealer price submission on Wednesday, March 14 and Thursday, March 15. CME Clearing will not accept any dealer price submissions for Friday, March 16.
- In order to minimize the size of variation margin movements, CME Clearing will calculate upfront fees on each transfer. This upfront fee cash flow will offset any variation margin and price alignment amounts that result from closing out the position at CME Clearing. An equal but opposite cash flow will be placed on the onsetting transaction that Clearing Members will receive at ICC. We will calculate this cash flow using CME Clearing's end of day prices from Thursday, March 15, 2018.
- SDR transactions at the CME SDR will be terminated via the normal course of business.
- Initial Margin that CME Clearing Members have posted to CME Clearing will be returned to our members via the normal clearing process. No margin, performance bond or similar assets will be transferred from CME Clearing to ICC in connection with the transition of open interest.
- CME Clearing plans to decommission CDS end of day reporting per the following schedule – CME Clearing will produce the last new release (UAT) reports on Tuesday, March 13, 2018 and the last production reports on Friday, March 23, 2018.

Proposed timeline

Tuesday, March 13, 2018

- Normal Trading Close for CDS products at CME Clearing at 5:45 pm CT.
- Normal CDS price submission deadlines.
- Last day that CME Clearing will produce new release (UAT) end of day reports.

Wednesday, March 14, 2018

- No further trading allowed in CDS products at CME Clearing.
- Normal CDS price submission deadlines.

Thursday, March 15, 2018

- No trading allowed in CDS products at CME Clearing.
- Normal CDS price submission deadlines.

Friday, March 16, 2018

- CME Clearing offsets all existing positions and ICC onsets equivalent new positions.
- No CDS price submission required.

Monday, March 19, 2018

- All variation margin from Friday on closed CDS positions settles through CME Clearing. CME Clearing also returns collateral posted versus initial margin to CME clearing member firms.

Friday, March 23, 2018

- Last day that CME Clearing will produce production end of day reports.

For more information, please refer to our earlier [advisory](#) and [press release](#) on this transition.

Please note that the the Clearing House reserves the right to amend the proposal and timings or to cancel the transition of open interest by written notice.

CME is committed to work with CDS open interest holders and regulators to ensure an efficient and seamless transition for the credit market. If you have any questions regarding this transition, please contact the CME Client Services Team at onboarding@cmegroup.com