

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 16-425

DATE: October 19, 2016

SUBJECT: **Production OTC IRS Advisory – CME Clearing JPY Valuation Curves**

As part of our continuing efforts to ensure a prudent risk management process for all products, CME Clearing will be incorporating the JPY CCP basis quotes in the end of day JPY valuation curves in our Production environment on **Monday, October 24, 2016**.

CME Clearing utilizes the following inputs to construct the JPY 6M LIBOR forecasting curve:

- FRAs: 0D x 6M, 6M x 1Y, 1Y x 18M
- Par Swap Rates: 2Y through 10Y, 12Y, 15Y, 20Y, 25Y, 30Y, 40Y, 50Y

What is changing?

- CME Clearing will begin utilizing JPY CCP basis quotes from multiple independent third-party sources for the par swap rate inputs

What does not change?

- No changes to the curve components, generation algorithm, interpolation methods
- No changes to the format of the curve files published on FTP site

Downstream impacts

- The existing JPY 1M LIBOR and 3M LIBOR forecasting curves, created as a spread to the 6M LIBOR curve, will be impacted.

If you have questions, please contact the CME Client Services Team at onboarding@cmegroup.com or 312.338.7712.

Regards,

CME Clearing