

TO: Clearing Member Firms; Back Office Managers; CME Optimizer Users

FROM: CME Clearing

DATE: January 20, 2017

ADVISORY #: 17-036

SUBJECT: IRS Liquidity Parameter Changes and New CME Optimizer Software – mandatory upgrade requested by February 27, 2017

CME will be making changes to our liquidity calculation as well as enhancing the optimizer to achieve greater savings through our portfolio margining program. These changes will be available for testing in our New Release environment on January 25, 2017, with a tentative Production date of February 27, 2017.

Liquidity parameter changes:

- New liquidity polls were performed late last year. Liquidity polls are performed to account for changes in current market conditions.
- Inclusion of Eurodollars in hedge instrument treatment, which aligns with our default management process.
- Brazilian Real IRS liquidity calculation change to reflect increasing market adoption as demonstrated with December ADV of \$6.1B USDE.

Portfolio Margining Optimizer changes:

CME has enhanced its industry leading portfolio margining solution by improving the Optimizer calculation while also supporting the liquidity changes described above. This change will either improve savings in the portfolio margin program or maintain current savings. To support this improvement, a new version of CME Optimizer (version 10.0) will be available to download for testing from <https://cmecore.cmegroup.com/> on **Monday, January 23, 2017**. All users must upgrade to the new version on or before February 27, 2017 in order to properly process existing market data files. Since Optimizer 10.0 is backwards compatible with our current production environment, we strongly encourage firms to upgrade before 2/27/17 to avoid processing errors with the old version (9.0) following implementation of the liquidity parameter changes.

Optimizer 10.0 replaces version 9.0. The new build supports:

- Improvements to solution-finding capabilities
 - Optimizer 10 evaluates additional scenarios when rapidly estimating offsets between futures and swaps which can lead to improved savings compared to Optimizer 9, depending on the contents of the portfolio. Portfolios will maintain current savings or see improved savings.
- Updated parameters in the liquidity file concentrationbracket_YYYYMMDD.xml supporting liquidity calculation changes scheduled for 2/27/17 production release.

- Relocation of Roll Treasury flag for deliverable product TN from extended configuration file to standard configuration file, matching other product roll flags.
- Corrected handling of numbers greater than 3 characters in 'Total Percent Savings' field of the 'Total Savings Estimate . . .csv' output file.

Users will not need to download new input files to run the new Optimizer and the minimum system requirements remain the same. For up to date general details about the Optimizer or the Portfolio Margin program, see [here](#). For detailed release notes please see [here](#).

Please reach out to CME CORE team at cme.core@cmegroup.com with any questions.

Accessing the latest version of CME Optimizer (available January 23, 2017):

- 1) Create a CME login ID if you do not already have one.
 - a. See steps below for creating a CME Login ID.
- 2) Email your CME Login ID to cme.core@cmegroup.com to be permissioned to download Optimizer if you have never been permissioned in the past.
- 3) Log into CME CORE here: <https://cmecore.cmegroup.com/>
- 4) Navigate to the Download Center → Software.
 - a. CME Optimizer will be available under 'CME Optimizer' section, if you have emailed cme.core@cmegroup.com your CME Login ID (no purchase necessary).

Steps for creating a CME Login ID:

- 1) Go to the CME CORE login screen: <https://cmecore.cmegroup.com/>
- 2) Click on the "Need to Register" link and provide the required information.
- 3) Receive your CME Login ID. Please reach to EASE.AtYourService@cmegroup.com with any questions about creating a CME Login ID.