CME Group | Advisory Notice

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 17-311

DATE: August 8, 2017

SUBJECT: New Release OTC IRS Advisory – EUR, GBP and JPY Valuation Curves

As part of our continuing efforts to ensure a prudent risk management process for all products, CME Clearing will soon be incorporating CME-specific observations into end of day valuation curves used for pricing of EUR, GBP and JPY interest rate swaps (IRS). This change will be reflected in the New Release environment on **Wednesday, August 9th, 2017**. The Production date will be communicated at a later date.

CME-specific Settlement Curves for EUR, GBP and JPY IRS

As part of our continuing efforts to ensure prudent risk management process for all

products, CME Clearing will be incorporating CME-specific quotes in the end of day

valuation curves used for pricing of EUR, GBP and JPY interest rate swap (IRS) in our New Release environment on **August 9th, 2017.**

Summary of existing methodology:

CME is using the following inputs to build the forecasting curves for pricing of EUR, GBP and JPY IRS:

- EUR 6M EURIBOR:
  - FRA: 0Dx6M, 6Mx1Y, 1Yx18M
  - Par swap rates: 2Y to 10Y, 12Y, 15Y, 20Y, 25Y, 30Y, 40Y, 50Y
- GBP 6M LIBOR:
  - FRA: 0Dx6M, 6Mx1Y, 1Yx18M
  - Par swap rates: 2Y to 10Y, 12Y, 15Y, 20Y, 25Y, 30Y, 40Y, 50Y
- JPY 6M LIBOR:
  - FRA: 0Dx6M, 6Mx1Y, 1Yx18M
  - Par swap rates: 2Y to 10Y, 12Y, 15Y, 20Y, 25Y, 30Y, 40Y, 50Y

What is changing?

CME Clearing will be incorporating CME-specific observations in the end of day EUR, GBP and JPY valuation curves.

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?

All curves that are created as a spread to the 6M curves being updated will be affected. The curves below will be impacted:

- Changes in EUR 6M EURIBOR will affect:
  - EUR 1M forecasting curve
  - EUR 3M forecasting curve
- Changes in GBP 6M LIBOR will affect:
  - GBP 1M forecasting curve
  - GBP 3M forecasting curve
- Changes in JPY 6M LIBOR will affect:
  - JPY 1M forecasting curve
  - JPY 3M forecasting curve

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

Regards,

CME Clearing