

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 19-106

DATE: March 27, 2019

SUBJECT: OTC IRS Production Advisory – OIS Compounding Method Change

Please be advised that CME will apply spreads as simple interest amounts for all OIS swaps cleared on April 1 and going forward. CME currently defaults to Flat compounding on all OIS floating legs, which includes the spread in the compounding calculation. CME will calculate compounded rates in accordance with the OIS formulas in Section 7.1 of the 2006 ISDA Definitions. Spreads will now be added to the compounded rate as a simple interest amount.

The CME Client Services team will contact impacted clearing firms individually to coordinate amending existing OIS swaps with spreads.

**Summary Change:**

- Compounded OIS legs (SOFR and Fed Funds) of basis swaps and OIS trades will be impacted:
  - Starting April 1, CME will default the OIS compounding method to the enumeration “SpreadExclusive” under the LEG\_COMP\_METHOD column on the IRS Trade Register report
- For OIS trades without spreads, the rate calculation will not change. Please note the Trader Register LEG\_COMP\_METHOD will update from “Flat” to “SpreadExclusive”.

**No Impacts:**

- BRL and CLP swaps will be excluded from this change
- CME will not send any amendment messages for existing trades that are impacted by this change

If you have any questions, please contact the CME Client Services Team at [onboarding@cmegroup.com](mailto:onboarding@cmegroup.com) or 312.338.7112.

Regards,  
CME Clearing