

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers
Margin Managers

FROM: CME Clearing

ADVISORY #: 19-344

DATE: October 16, 2019

SUBJECT: Enhancements to the Market Risk Component of the CME OTC IRS Margin Model,
Mandatory Upgrade to CME Optimizer Software Version 13.0 and Log Return File
Deprecation

As highlighted in the advisory #19-262, the enhancements to the market risk component of IRS margin model have been rolled out to the New Release environment as of August 7th, 2019. These changes are now scheduled to be rolled out to the Production environment as of November 4th, 2019.

In addition, customers will be required to account for the below changes as highlighted in the previous advisories:

- Advisory #19-216: Firms will be required to upgrade to Optimizer software version 13.0 by November 4th, 2019. Note that Optimizer version 13.0 is backward compatible and can be installed and run with the compatibility plugin prior to November 4th. Firms who do not update will experience subsequent Optimizer failures. Note that the new set of inputs as required by Optimizer version 13.0 will be available starting November 4th, 2019. Some of the files as required by the current Optimizer version 12.0 will not be produced starting November 4th, 2019.
- Advisory #19-217: CME will not be publishing the IRS Log Return File from the Production environment as of the November 4th, 2019. The new set of required data for firms dependent on Log Return file will be available from the same date.

As noted in the advisory #19-262, CME CORE utilizes prior day data/scenarios to calculate initial margin. Because of the model enhancements, on November 4th, CORE will reference the risk data based on enhanced margin model for the prior day i.e. Nov 2nd, which is different than the risk data used in prior day's (Nov 2nd) end-of-day margin call.

If you have questions, please contact the IRS Risk team at IRSQuantRisk@cmegroup.com or by phone on 312.338.7112.

Regards,

CME Clearing

Links to previous advisories:

Advisory # 19-262: <https://www.cmegroup.com/notices/clearing/2019/08/Chadv19-262.html>

Advisory # 16-216: <https://www.cmegroup.com/notices/clearing/2019/07/Chadv19-216.html>

Advisory # 19-217: <https://www.cmegroup.com/notices/clearing/2019/07/Chadv19-217.html>