

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 20-168

DATE: 04/20/2020

SUBJECT: OTC IRS Production – €STR Discounting and Price Alignment Transition Date

Please be advised that CME will be delaying the €STR Discounting and Price Alignment Transition for cleared EUR interest rate swap products to the close of business **July 24, 2020**. The transition was previously scheduled to occur on June 19, 2020.

This decision was made after extensive dialogue with market participants and in coordination with the broader industry. Given current market conditions, this 5-week delay in coordination with other CCPs will allow market participants sufficient time to prepare while also adhering to the industry's request of a single date for the cleared EUR swap market discounting transition.

CME is updating the testing phases previously communicated to OTC IRS clearing members and clients for the New Release Environment:

- May 20th – June 19th: Phase 1 Testing. CME produces the IRS Discounting Transition Report daily in New Release.
- June 22nd: Phase 2 Testing begins. CME begins publishing IRSTR reflecting €STR discounting; IRS Discounting Transition Report no longer published in New Release.
  - Firms may test the transition over the weekend of June 20<sup>th</sup> and 21<sup>st</sup> within their systems

#### **€STR Discounting and Price Alignment Transition**

- Overview: Single-step transition for all EUR interest rate products from an EONIA to €STR discounting curve and price alignment rate.
- Product Scope: All cleared EUR interest rate swap products (IRS, OIS, FRAs, Basis, Zero Coupon Swaps).
- Process: CME will conduct a standard end-of-day valuation cycle under EONIA discounting and upon completion of this initial cycle, CME will then conduct a special cycle in which positions will be valued under €STR discounting.
- Cash Adjustment: To neutralize the value transfer from the discounting change CME will process a cash adjustment that is equal and opposite to the NPV change on each trade in all position accounts.
- €STR Discounting Curve: To facilitate this transition, CME will create a new €STR discounting curve ahead of the transition.

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

Regards,

CME Clearing