

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

FROM: CME Clearing

ADVISORY #: 20-181

DATE: April 28, 2020

SUBJECT: OTC IRS BRL and MXN Liquidity Parameter Changes

CME will be updating liquidity parameters for Interest Rate Swap contracts denominated in BRL and MXN. These changes only impact portfolios with larger BRL or MXN exposures. For MXN, the impact to liquidity add-on is approx. 5-10% for portfolios with aggregated DV01 above 100M+ DV01 in local currency. For BRL, the impact to liquidity add-on is 30%+ for portfolios with aggregated DV01 above 10M+ in local currency. Based on current exposures, CME Clearing expects that there will be no impact to existing portfolios at this time. These changes will be available for testing in our New Release environment April 29, 2020, with a production date of May 4, 2020.

CME surveys market participants on a regular basis to provide estimated bid-ask costs under assumed stressed market conditions for Interest Rate Swap packages for different tenors, strategies, and sizes. These survey results are used to calibrate liquidity add-ons for margining of its Interest Rate Swap contracts. CME Clearing surveys market participants on a bi-annual basis and recalibrates where estimated liquidity costs change or otherwise as appropriate.

If you have questions, please contact the IRS Risk team at IRSQuantRisk@cmegroup.com or by phone on 312.338.7712.

Regards,

CME Clearing