CME Group | Advisory Notice

TO: Clearing Member Firms

FROM: CME Clearing

DATE: July 17, 2020

ADVISORY #: 20-275

SUBJECT: **SOFR Discounting Transition Client Election Fields Available on Account Reconciliation Files - August 3, 2020**

Effective **Monday, August 3, 2020**, two new fields will be added as additional fields/columns to the end of the Account Reconciliation reports. These reports are already being delivered to firms via Secure FTP in .csv format with the following naming convention (using XXX to indicate firm number or SFTP folder identifier):

AccountRecon_XXX_YYYYMMDD.csv

The two new fields are related to this year's SOFR Discounting Transition that will occur starting October 16, 2020, and will appear as follows:

AUCTION	FIXED_FLOAT

For the AUCTION field, valid values are N, Y, and blank/empty:

N: The account has elected **not** to participate in the auction that is part of the SOFR Re-Hedging process.

Y: The account has elected to participate in the auction.

blank/empty: No election has been made by the account. Note that in the absence of a response, the default option it to **not** participate in the auction.

For the FIXED_FLOAT field, valid values are N, Y and blank/empty:

N: The account has elected to receive Basis Swaps as part of the SOFR re-hedging process (**not** to receive Fixed-Float Swaps instead).

Y: The account has elected to receive Fixed-Float swaps as part of the SOFR re-hedging process (instead of Basis Swaps).

Blank/empty: No election has been made for the account. Note that in the absence of a response, the default option will be to receive Basis Swaps.

With the addition of these two fields, firms will be able to use their AccountRecon report to stay informed about the responses CME Clearing has recorded for their client accounts.

As a reminder, the SOFR transition applies to all accounts that have US dollar interest rate swaps cleared at CME Clearing (with some exceptions). In order to see what accounts have USD exposure and thus subject to the SOFR transition, we recommend that firms use the account reconciliation in tandem with their IRS trade register (IRSTR) which is also published to each firm's SFTP site. For example, you can take your IRSTR file, narrow it down to all trades denominated in USD (using column G – currency) then find all unique accounts in "Position Account ID". Then, you can review this list versus your account recon file to see what election each client has or has not made. The account number in the account recon file that corresponds to the Position Account ID in the IRS trade register is in column D – "Account Number".

For questions, please contact the CME Client Services Team at onboarding_clearing@cmegroup.com or 312.338.7112.

Regards,

CME Clearing