CME Group

Clearing Advisory Notice

DATE: September 1, 2020

TO: Clearing Member Firms

FROM: CME Clearing

ADVISORY #: 20-340

SUBJECT: **Eris Swap Future Transition to SOFR Discounting**

On Sunday, October 18, 2020, for the clearing cycle Monday, October 19, 2020, and pending all regulatory review, CME will transition its existing Eris Swap Futures from OIS discounting to SOFR discounting. ERIS Swap Futures contracts will continue to clear using EFFR discounting and price alignment through October 16, 2020. After the discounting transition ERIS Swap Futures contracts will be priced using SOFR discounting and price alignment (see list below).

CME will process a cash adjustment to account for the change in economic value resulting from the transition from EFFR to SOFR discounting. This will be a one-time cash adjustment applied to each Eris position on Monday October 19th, which will offset the economic gain or loss resulting from the transition during the EOD Clearing cycle.

Exchange	Product Description	Product Code	Type
CBT	7-YEAR ERIS SWAP FUTURES	LIB	FUT
CBT	3-YEAR ERIS SWAP FUTURES	LIC	FUT
CBT	4-YEAR ERIS SWAP FUTURES	LID	FUT
CBT	30-YEAR ERIS SWAP FUTURES	LIE	FUT
CBT	12-YEAR ERIS SWAP FUTURES	LII	FUT
CBT	15-YEAR ERIS SWAP FUTURES	LIL	FUT
CBT	20-YEAR ERIS SWAP FUTURES	LIO	FUT
CBT	2-YEAR ERIS SWAP FUTURE	LIT	FUT
CBT	5-YEAR ERIS SWAP FUTURES	LIW	FUT
CBT	10-YEAR ERIS SWAP FUTURES	LIY	FUT

Transition Process:

- After close of business on October 16th, CME will conduct a standard end-of-day clearing cycle for all Eris Swap Futures positions (both off- and on-the run) utilizing EFFR discounting.
- As part of the closing cycle on October 16th, CME will also calculate the value of all Eris Swap contracts under SOFR discounting.
- Cash Adjustment: To neutralize the economic change in value associated with the discounting transition, CME will process a cash adjustment that is equal and opposite to the Mark to Market (MTM) change as of the close of business on October 16th for all accounts at the position level.

- CME will calculate and distribute reports (sample below) to the Clearing Firms holding open interest in the impacted contracts, which reflect the details of the cash adjustment prior to Market Open on Sunday, October 18th
- On Monday, October 19th, the cash adjustments will be processed through the clearing system at a position level as a variation margin correction as part of the EOD Clearing cycle

- Beginning, October 19th, CME will utilize SOFR discounting and Price Alignment when pricing its Eris Swap Futures for its intraday and end of day clearing cycles

Product Exchange	CMF	PA	Origin	CC	Month	PutCall	Strike	Long	Short	Net Position	CVF	FF Discounted Price	SOFR Discounted Price	Adjustment
CBT	123	123	CUST	LIT	202012			15350		15350	1000	122.2825	122.2822	4605

For more information please contact CME Clearing at ccs@cmegroup.com or via phone at Chicago (312) 207 2525 | London (44) 203 379 3198 | Singapore (65) 6593 5591.