CME Group | Advisory Notice

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 20-368

DATE: 09/21/2020

SUBJECT: OTC IRS New Release – SOFR Discounting Transition: Auction Process Successfully Completed

-- SOFR Discounting Transition Test Advisory --

Please be advised that CME has successfully executed the SOFR Basis Swap Auction in New Release. The auction was executed at **0.028 basis points** of gross discounting risk, representing the client fill level. The actual USD cost that a participant has incurred as a result of the SOFR Basis Swap Auction will be made available on the intraday/end-of-day IRS Trade Registers (IRSTR) published by CME later today at approximately 4:45pm/6:30pm ET. This amount will be added as an **upfront fee** to the basis swap offset of the lowest tenor (e.g. 2y).

The basis swap offsets are booked to fully net with the basis swaps (or synthetic basis swaps) booked on Friday, September 18 as part of the mandatory re-hedging test. The netting process across all accounts will take place at the close of business, 6pm ET.

To calculate the USD auction cost, participants may also leverage the 'Position Account-level Discounting Delta Report' which includes the Gross Discounting DV01 of the re-hedging swaps in column M. **Auction Charge = Gross Discounting DV01 * Fill Level (0.028 bps).** This report can be found on each firm's secured FTP site.
Please visit CMEGroup.com through the below links for detailed materials discussing this transition.

SOFR Discounting Transition Overview Presentation

Three-Part Webinar Series

Discounting Transition Methodologies White Paper

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

Regards,

CME Clearing