

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 20-403

DATE: 10/19/2020

SUBJECT: OTC IRS Production – SOFR Discounting Transition: Basis Swap Auction Process Completed – Trades Executed

Please be advised that CME Clearing has successfully executed the SOFR Basis Swap Auction in Production and CME will book offsetting trades in the relevant Participating Account of each Participant to terminate/close out the Basis Swaps submitted to the auction. The auction proceeds when allocated to individual Participants was approximately 0.139152 basis points of gross discounting risk.

The actual USD proceeds that a Participant has received as a result of the SOFR Basis Swap Auction will be added as an upfront payment to the re-hedging Basis Swap offset of the shortest tenor (e.g. 2y), booked to the respective Participating Account.

These re-hedging Basis Swap offsets will fully net with the Basis Swaps (or synthetic Basis Swaps using pairs of fixed-float swaps) booked on Friday, October 16, as part of the mandatory re-hedging process. The netting process across all accounts will take place shortly after the close of business at 7:00 pm ET.

Re-hedging Basis Swap offsets will be made available on the intraday and end-of-day IRS Trade Registers (IRSTR) published by CME later today at approximately 4:45 pm and 8:00 pm ET respectively.

To calculate the USD auction proceeds, Participants may leverage the 'Position Account-level Delta Report' which includes the Gross Discounting DV01 of the re-hedging Basis Swaps in column M. This report can be found in each firm's secure FTP folder with file name: IRSPADLT\_XXX\_20201016\_EOD.csv.

Auction Proceeds paid to Participants<sup>1</sup> = Gross Discounting DV01 \* Fill Level (0.139152 bps)

<sup>1</sup> *The actual auction proceeds payment may differ due to rounding of the above client fill level*

CME Clearing will provide OTC Clearing Members with a confirmation via email of the booking of the offsetting trades in each Participating Account and the establishment of new cleared trades for any successful Auction Bidder(s) which shall provide the Effective Time of execution for the purposes of the auction.

Capitalized terms not defined in this Clearing Advisory shall have the meaning set out in the CME SOFR Basis Swap Participation Agreement.

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](mailto:onboarding@cmegroup.com) or 312.338.7112.

Regards,

CME Clearing