CME Group | Advisory Notice

TO: Clearing Firms; Back Office Managers; CME Optimizer Users; CME CORE Users

FROM: CME Clearing

DATE: 11/30/2020

ADVISORY #: 20-455

SUBJECT: Production: **CME Inclusion of Options on Eurodollar Futures in Portfolio Margin Program with Interest Rate Swaps (IRS) Products**

As referenced in advisory #20-416, CME is expanding its portfolio margining offering for IRS Products to include several Options on Eurodollar Futures in addition to existing eligible Futures products: Eurodollar Futures, Fed Funds Futures, Treasury Futures and Deliverable Swap (MAC) Futures. This expansion is scheduled to be enabled in the Production environment on December 7th , 2020, subject to regulatory approval. Note that the inclusion of Listed Options has been available for testing in CME's test environment since October 28th, 2020. To recap, please note the below key impacts with the expansion to Eurodollar Options:

- Product Scope**:** Options on Eurodollar Futures including serial, quarterly, and the mid-curve Options described below, but not including weekly Options nor the 3, 6, and 9 month mid-curve Options

Product Description	**Clearing Code**	**CME Globex Code**
Eurodollar Quarterly and Serial Options	ED	GE
Eurodollar 1, 2, 3, 4 and 5 Year Mid-Curve Options	E0, E2, E3, E4, E5	GE0, GE2, GE3, GE4, GE5

- No impact to Initial Margin methodology/numbers for existing set of Swaps/products cleared under IRS Guaranty Fund. Note that the margin number will vary if any Options positions are included in portfolio margining
- Support for Listed Options in portfolio margining in CME Clearing system
    - Exercise and Assignment operations
    - Available Net Option Value settlement
- Enhancements to IRSMR and IRSMR3 (margin file)
    - Existing IRSMR3 file (IRSMR3_XXX_YYYYMMDD.csv) will continue to be published following the current timeline. This indicative file will be based on the position snapped prior to the assignment activity. Hence, it should be treated as an early/indicative file for accounts with Eurodollar Options that could be assigned

- New final “EOD” IRSMR3 file captures post-trade assignment activity for Eurodollar Options (published by 10 pm CT). Final MR3 file will be published to ftp with the “_EOD” added to the file name, e.g., IRSMR3_EOD_XXX_YYYYMMDD.csv, where XXX is the firm name. There is no change to final name for the IRSMR file
- IRSMR file will continue to be published but at a later time capturing post-trade assignment activity for Eurodollar Options (published by 10 pm CT)
- New field “Available Net Option Value” will be added to IRSMR3 and IRSMR files

For a full list of detailed impacts to Optimizer, CME CORE, and the Margin API, please review release notes here.

More details about the portfolio margin program can be found here.

Please contact the IRS Risk team at IRSQuantRisk@cmegroup.com or by phone on 312.338.7712 with any questions.

Regards,
CME Clearing