

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 21-112

DATE: March 26, 2021

SUBJECT: OTC IRS and FX – Emerging Markets Discounting and Price Alignment Transition

Please be advised that CME Clearing has successfully completed the Emerging Markets Interest Rate Swaps (“IRS”) and Over the Counter Foreign Exchange (“OTC FX”) Products Discounting Transition and Price Alignment processing in accordance with the process set out in Clearing Advisory [21-087](#). All USD-settled and MXN OTC IRS and OTC FX products have been transitioned to SOFR-based discounting and price alignment. All EUR-settled OTC FX products have been transitioned to €STR-based discounting and price alignment.

Beginning on Monday, March 29th, all cleared MXN IRS, non-deliverable IRS, and OTC FX products in the Production environment referencing either USD or EUR discounting will be valued under SOFR/€STR discounting and price alignment.

As part of this transition, CME conducted a standard end-of-day valuation cycle under EFFR discounting for affected IRS contracts. CME then generated an IRS Discounting Transition Report (IRSDIS) providing the Net Present Value (NPV) of all trades under SOFR discounting and the corresponding offsetting cash adjustment amounts needed to account for the change in NPV resulting from the change in discounting rate from EFFR to SOFR. This same process was carried out for OTC FX products with cash adjustment amounts generated for USD and EUR-settled contracts.

Cash adjustments can be viewed on the below Discounting Transition reports posted to firm FTP sites:

**OTC IRS:** IRSDIS\_FFF\_20210326\_EOD.csv

**OTC FX:** FXDIS\_FFF\_20210326\_EOD.csv

*FFF = 3 digit firm ID*

Please visit CMEGroup.com through the below links for detailed materials discussing this transition.  
<https://www.cmegroup.com/trading/interest-rates/files/emerging-market-discounting-and-price-alignment-transition-detailed-deck.pdf>

For questions or testing assistance, please contact the CME Client Services Team at [onboarding@cmegroup.com](mailto:onboarding@cmegroup.com) or 312.338.7112.

Regards,

CME Clearing