

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 21-253

DATE: 07/20/2021

SUBJECT: OTC IRS Production Advisory – Release 22: EUR-€STR and CHF-SARON Clearing

Please be advised that CME will support the clearing of €STR and SARON swaps in Production on Monday, July 26, pending all relevant CFTC regulatory review periods. As referenced in advisory # 21-241, testing has been available in New Release (NR) since July 7, 2021.

EUR €STR OIS and Basis Swaps – €STR is the Euro Short Term Rate published and administered by the European Central Bank

- CME will support €STR OIS and €STR-EURIBOR Basis Swaps out to 51 years of maturity (18,638 calendar days)
- All payments occur in EUR
- The floating coupon of the €STR leg references the EUR-EuroSTR-COMPOUND index as published in the 2006 ISDA Interest Rate Definitions
- The €STR floating rate references the daily Euro short-term rate published daily at approximately 04:00 P.M., London
- There will be no change to the discount factor file reports used for pricing and published on OTC clearing firms' shared sFTP site. This EOD file uses a 04:00 P.M. CET valuation:
 - IRSDFR_ESTR_YYYYMMDD.csv
- The existing curve inputs file will continue to be available on the shared sFTP site:
 - IRS_EUR_CURVE_YYYYMMDD.csv
- CME already publishes EUR €STR in the Base Curve and Scenario market data file:
 - Base_Curves_YYYYMMDD.csv
 - Scenario_Market_Data_CME_YYYYMMDD.csv

CME will continue to use the €STR rate for Price Alignment Amount (PAA) and the €STR curve as the discounting curve to determine valuations used in the Variation Margin and Initial Margin computations of CME-cleared EUR Interest Rate Swap products. Therefore, NPV computations of these products are not impacted. Please refer to this advisory for details:

<https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2020/07/Chadv20-273.pdf>

CHF SARON OIS – This Overnight Index Swap references the Swiss Average Rate Overnight versus a fixed rate

- CME will support CHF OIS out to 31 years of maturity (11,333 calendar days)
- All payments occur in CHF
- The floating rate references the CHF-SARON-OIS-COMPOUND index as published in the 2006 ISDA Interest Rate Definitions
- The reference rate is equal to the daily Swiss Average Rate Overnight Rate (“SARON”) published at approximately 06:00 P.M., Zurich time. The rate is based on transactions and quotes posted in the Swiss Repo Market.
- The new discount factor file report will be added to the OTC clearing firms’ shared sFTP site. This EOD file will use a 05:00 PM Zurich Time valuation:
 - IRSDFR_SARON_YYYYMMDD.csv
- CME will include SARON Curve data in the existing CHF Curve file along with CHF LIBOR 6M data, which is available on the shared sFTP site:
 - IRS_CHF_CURVE_YYYYMMDD.csv
- CME will add CHF SARON in the Base Curve and Scenario market data file:
 - Base_Curves_YYYYMMDD.csv
 - Scenario_Market_Data_CME_YYYYMMDD.csv

In order to support the transition of products referencing CHF LIBOR to SARON, CME will update the discounting curve for CME cleared CHF LIBOR interest rate swap products for Variation Margin and Initial Margin computations from the CHF LIBOR curve to the SARON curve. Please note that CME currently uses the SARON rate for PAA for CHF LIBOR swaps and will continue to use the SARON rate for PAA.

For further details, please refer to the latest CME OTC IRS Release 22 Specification document available on Intralinks (<https://services.intralinks.com/login>). The CME IRS Trade Register (IRSTR), IRS Margin (MR3) files and CME Optimizer software with associated Optimizer input files (if needed) are not impacted.

For questions, please contact the CME Client Services Team at onboarding_clearing@cmegroup.com or +1 312 338 7112.

Regards,

CME Clearing