

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 21-301

DATE: 9/1/2021

SUBJECT: OTC IRS New Release Advisory – Dress Rehearsal for the Conversion of Euro Overnight Index Average (EONIA) Overnight Index Swaps (OIS) to Euro Short-Term Rate (€STR) OIS

Please be advised that CME will be conducting a dress rehearsal for the conversion of EONIA OIS to €STR OIS in the New Release (NR) environment on **Friday, September 10, 2021**. As part of this dress rehearsal, CME will convert all CME cleared EONIA Swaps in NR to the €STR Floating rate option, utilizing a mandatory conversion process under which all continuing cleared trades in EONIA Swaps will be converted by CME in a single step, one time, conversion to €STR OIS.

CME will convert all EONIA OIS in Production on **Friday, October 15, 2021**, pending all relevant CFTC regulatory review periods. CME will remove clearing and CORE support for EONIA OIS in New Release and Production as part of the respective conversions.

### Cash Compensation

- In order to neutralize the value transfer from the Conversion of the economic position of each EONIA Swap into each €STR Swap, CME will calculate a cash compensation that will be applied by CME to each €STR Swap.
- In the case of each pre-conversion EONIA Swap, the cash compensation will be calculated by CME based on the difference between the net present value (“NPV”) of the pre-conversion EONIA Swap and the NPV of the €STR Swap on the Conversion Date.
- The cash compensation for each Conversion €STR Swap will be equal and opposite to the change in NPV calculated by CME, and therefore may be a positive or negative amount depending on the position.
- The cash compensation will be applied by CME to each €STR Swap in a position account in the form of upfront “fees” on each trade, with these amounts banking on the Monday following the conversion.

## Reporting and Messaging

- All conversion results pertaining to the terminated EONIA OIS and cleared €STR OIS will be available on the Interest Rate Swap Trade Register (IRSTR) file.
  - The new “CONVERTED\_TRADE\_ID” column will be populated with the CME Cleared Trade ID of the original EONIA OIS for each corresponding €STR OIS.
  - A new “INDEX\_CONVERSION” Terminating and Originating Event will be applied to the EONIA OIS and corresponding €STR OIS respectively.
  - Cash compensation amounts will be reflected as upfront fees on the IRSTR.
- CME clearing Confirmed messaging corresponding to the EONIA OIS and €STR OIS replacement will be sent to IRS Clearing Firms as a result of conversion processing.
  - A new “INDEX\_CONVERSION” Terminating and Originating Event will be sent in messaging.
  - The “History” element will provide linkage between the original EONIA OIS and €STR OIS.
  - The cash compensation amount will be reflected in the additional payment element of the message.

## Indicative Analysis Reporting in Production

- CME will publish an indicative analysis report for production portfolios from Monday, September 20, 2021 to October 14, 2021
  - *File Name: IRS\_IDXCONV\_FFF\_YYMMDD\_EOD.csv*
- This report will be published daily and reflect indicative NPVs for each EONIA OIS, the revised NPV for each €STR OIS and the cash compensation at the trade level for each position account

Additional details on the EONIA to €STR conversion: <https://www.cmegroup.com/market-data/files/cme-eurstr-ois-clearing-and-eonia-ois-conversion.pdf>

For questions, please contact the CME Client Services Team at [onboarding\\_clearing@cmegroup.com](mailto:onboarding_clearing@cmegroup.com) or +1 312 338 7112.

Regards,

CME Clearing