CME Group | Advisory Notice

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 21-394

DATE: 11/01/2021

SUBJECT: OTC IRS New Release Advisory – USD LIBOR 1W & 2M Tenor Discontinuation

Please be advised that CME will amend all in-scope USD LIBOR swaps and FRAs affected by the one-week and two-month USD LIBOR tenor discontinuation in the New Release environment on **Wednesday, November 3, 2021**. Beginning on **Wednesday, November 10, 2021**, CME will apply updated product validations on new trades referencing the one-week and/or two-month USD LIBOR tenors in the New Release environment.

Existing Trades: Effective November 3rd

- CME will identify and amend in-scope USD LIBOR Swaps and FRAs based on the below criteria:
  - If the adjusted fixing date for either the 1W or 2M stub tenor is **on or before** December 31, 2021, the swap/FRA will be left unchanged
  - If the adjusted fixing date for either the 1W or 2M stub tenor is **after** December 31, 2021, the swap/FRA **will be amended**
- CME will **not** provide clearing member firms with amendment messaging
- Amendment Logic
  - For interpolated stub tenors, the next shorter or next longer USD LIBOR tenors that are published must be referenced as part of the bulk amendment.
    - Examples:
      - 1W – 1M → **1D** – 1M
      - 1W – 2M → **1D** – **3M**
      - 1M – 2M → 1M – **3M**
      - 2M – 3M → **1M** – 3M
  - For standalone stub tenors, the new rate will be interpolated between the next shorter and next longer tenors that are still published.
    - Examples:
      - 1W → **1D** – **1M**
      - 2M → **1M – 3M**

New Trades: Effective November 10th

- CME will apply updated product validations on new trades based on the below criteria:
  - If the adjusted fixing date for either the 1W or 2M stub tenor is **on or before** December 31, 2021, the swap/FRA will be cleared
  - If the adjusted fixing date for either the 1W or 2M stub tenor is **after** December 31, 2021, the swap/FRA **will be rejected**

Overnight (1D) USD LIBOR Support

- Beginning on November 10, 2021, CME will begin supporting the overnight (1D) USD LIBOR tenor for clearing on IRS and FRAs in the New Release environment
- The 1D USD LIBOR tenor will be added to the daily Rate Reset report (IRSRR) posted to Clearing Firm FTP sites

For further details, please refer to the latest specification document available on Intralinks (https://services.intralinks.com/login).

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

Regards,

CME Clearing