

## Clearing Advisory Notice



DATE: May 18, 2022

TO: Clearing Member Firms

FROM: CME Clearing

ADVISORY #: 22-198

SUBJECT: **SOFR / Eurodollars scanning-based spread to be introduced in SPAN on Wednesday June 1, 2022**

CME will introduce a scanning-based super-intercommodity spread between Three-Month Eurodollars (ED) and Three-Month SOFR (SR3) beginning with end-of-day production SPAN files on Wednesday June 1, 2022, to provide better margin efficiencies. This spread is now present in the SPAN files generated from CME's "New Release" testing environment.

Scanning-based super-intercommodity spreads are nothing new and many such spreads are currently contained in CME's SPAN files. "Super" intercommodity spreads are evaluated prior to normal intracommodity spreads, and "scanning-based" spreading involves summing the scanning tier results across the two products while limiting the degree to which gains offset losses. Three-Month SOFR will be the "target" combined commodity of the new spread, so that if both ED and SR3 are present in the portfolio, the SR3 combined commodity will provide the combined risk of both.

We are calling this new spread to your special attention because ED and SR3 have relatively complex sets of intra- and inter-commodity spread tiers defined, and because of the use of an SR9 placeholder product in the SR3 combined commodity, needed to ensure that the tier definitions between the two products match. The presence of SR9 ensures that the superset of contract months between SR3 and SR9 provides all of the months that are available for Eurodollars.

Clearing firms wishing to test their margin calculation systems should use the file **cme.20220505.X.pa2.zip**, available at <ftp.cmegroup.com/pub/span/data/cme>. This is the special "X" cycle SPAN file, in the positional "PA2" format, generated from CME's production environment on the morning of May 5, 2022. The file contains a scanning-based super-intercommodity spread between SR3 and ED, with SR3 specified as the target, with neither leg required.

To assist firms with their testing, we have prepared a ZIP file containing four sample portfolios, each in its own xml-based position file ready to be loaded into PC-SPAN, illustrating sample combinations of positions in Eurodollar, SOFR, and various Treasury futures. In addition to the

four position files, the ZIP file contains: (a) PDF's showing PC-SPAN reports, including **NetPos.pdf** which shows the positions in each of the four portfolios, and **PbReq.pdf** which shows the SPAN performance bond requirements, down to the components of the individual combined-commodity level requirements, and (b) a spreadsheet file **Tiers-May5-X-Cycle.xlsx**, illustrating both the intra-commodity spread tiers and the inter-commodity spread tiers for both ED and SR3.

This special ZIP file is named **SR3-ED-superspread-test-data-May5-X.zip** and is available at <ftp.cmegroup.com/pub/span/util>.

CME plans to publish an additional test "X" cycle file from the production environment which firms may further use for testing, on Wednesday May 25, prior to the go-live on the following Wednesday June 1<sup>st</sup>.

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