

TO: OTC Clearing Members, Submission Platforms

FROM: CME Clearing

ADVISORY #: 22-363

DATE: 9/22/2022

SUBJECT: "Alpha" Exits of CME-Cleared Trades

The Commodity Futures Trading Commission's ("CFTC") Part 45 rules establish obligations for market participants and derivatives clearing organizations ("DCO") with respect to the reporting of swap continuation data to swap data repositories ("SDRs"), including termination of the "original swap"<sup>1</sup> (or "alpha swap"). In advance of the December 5, 2022, deadline for compliance with the CFTC's revised Part 45 rules, CME Clearing ("CME") is providing additional information to market participants to better ensure the submission of complete and accurate data necessary for reporting alpha swap terminations.

#### **CME Clearing's Automated Process for Exiting Alpha Trades**

For alpha swaps extinguished by novation, CME Clearing's automated nightly process submits exits for alpha swaps to the SDR at which the alpha swap was initially reported (the "Original Swap SDR"). Starting December 5, 2022, this automated exit process will run close to the end of the day on T+1, where T represents the date the trade clears at CME. This timing modification is being made to mitigate the risk that creation data for the swap is unavailable at the Original Swap SDR at the time when CME Clearing submits an alpha swap termination message.

Most OTC trade submissions received by CME include all data elements necessary to exit the alpha swap at the Original Swap SDR. Where available, the trade submissions to CME Clearing must include the Legal Entity Identifier ("LEI") of the Original Swap SDR and the unique identifier for the alpha swap (e.g., Unique Swap Identifier ("USI") and USI Namespace under current rules and Unique Transaction Identifier ("UTI") under revised reporting rules) that were reported to the Original Swap SDR. CME Clearing does not automatically reject trades submitted to clearing without these elements; rather, CME will interpret the absence of these elements after December 5, 2022, as evidence that no alpha swap termination is required.

#### **Exits for Blocks and Allocations from Blocks**

CME Clearing cannot submit alpha swap terminations for trades which it does not clear. Where an OTC block trade is executed, and the subsequent allocations are sent to CME to clear, CME will terminate only the allocations. For clarity, CME would submit an alpha swap termination for a block transaction if the block (instead of the allocations) was also cleared.

#### **Correcting Alpha Trade Exit Issues**

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<sup>1</sup> See CFTC Regulation §45.1; 17 CFR §45.1.

CFTC Staff Advisory [22-06](#) reminds both DCOs and market participants of their respective obligations to report swap continuation data, including alpha swap terminations, to SDRs. For CME Clearing to terminate alpha swaps at the Original Swap SDR successfully and efficiently, it is necessary for the swaps submitted to CME Clearing and the alpha swap reports made to the Original Swap SDR to have consistent data elements, including but not limited to counterparty, trade identifier and Original Swap SDR information. CME Clearing will endeavor to submit timely alpha swap terminations in accordance with its obligations and will work with Reporting Counterparties to correct any data deficiencies that lead to the rejection of termination messages at the Original Swap SDR. However, CME Clearing's success in submitting terminations depends on the accuracy and completeness of the swap data it receives. We encourage all reporting counterparties to promptly contact CME Clearing at the following address where they observe of alpha swaps that do not appear to have been properly terminated:

[RepositorySupport@cmegroup.com](mailto:RepositorySupport@cmegroup.com)

When contacting CME Clearing regarding unexited trade issues, please include at a minimum the following details of the unexited record:

- LEI of the Original Swap SDR
- ID of Counterparty 1 (reporting counterparty) and Identifier Type (e.g., LEI, NPID, PLID)
- Swap USI/USI Namespace, or UTI (whichever was used for reporting of the original record)
- ID of Counterparty 2 and Identifier Type (e.g., LEI, NPID, PLID)

Regards,  
CME Clearing