CME Group | Advisory Notice

TO: Clearing Member Firms
Back Office Managers
CME Optimizer Users
CME CORE Users
Margin Managers

FROM: CME Clearing

DATE: 10/17/2022

ADVISORY #: 22-397

SUBJECT: **OTC IRS BRL, CLP, KRW and MXN Liquidity Parameter Changes**

CME Clearing will be updating the liquidity and concentration model parameters for Interest Rate Swap ("IRS") contracts denominated in BRL, CLP, KRW and MXN. CME Clearing surveys market participants on a bi-annual basis to provide estimated bid-ask costs in stressed market conditions for IRS packages for different tenors, strategies and DV01. These survey results are used to calibrate liquidity and concentration add-on levels used in margin computations where appropriate. The most recent liquidity survey shows noticeable changes, which will be reflected in the calibrated liquidity and concentration model parameters for BRL, CLP, KRW and MXN denominated swaps.

The impacts on relevant portfolios based on the recalibration is varied and dependent upon the risk profile for each individual account. The overall impact to liquidity add-ons is approximately:

- 3% decrease of total margin for portfolios with aggregated DV01 above 5M in BRL;
- 5% decrease of total margin for portfolios with aggregated DV01 above 500MM in CLP;
- Less than 3% increase of total margin for portfolios with aggregated DV01 above 15MM in MXN; and
- Less than 0.1% decrease of total margin from the impact of KRW.

Note that the impacts to production accounts may vary depending on risk profile and value date.

These changes will be available for testing in New Release environment as of October 19, 2022, with changes taking effect on October 28, 2022.

If you have questions, please contact IRS Risk team at IRSQuantRisk@cmegroup.com.

Regards,

CME Clearing