

TO: Clearing Member Firms
Back Office Managers

DATE: April 20, 2023

FROM: CME Clearing

NOTICE #: 23-132

SUBJECT: **USD LIBOR to SOFR Primary Swap Conversion – April 21st**

CME is on-track to conduct the USD LIBOR to SOFR Primary Swap Conversion on **Friday, April 21, 2023** beginning at 7:10 pm ET. Full details of this event are available in [Notice 23-103](#).

Summary of Conversion Process

At close of business on April 21st, CME will convert each applicable cleared USD LIBOR Swap into corresponding Short LIBOR Swaps and SOFR OIS, as follows:

- Within the Clearing System, CME will close out each Pre-Conversion LIBOR Swap and establish in the account of the position holder the following Replacement Swap(s):
 - For each USD LIBOR swap, a fixed-float SOFR OIS
 - For each USD LIBOR swap with representative LIBOR fixings, an additional Short LIBOR swap is created to settle any unpaid coupon payments from periods with representative fixings.
- Each Replacement Swap will retain key economic terms of the corresponding Pre-Conversion LIBOR Swap. The SOFR OIS will default some economics to the market standard contract. The conversion methodology and retained swap economics will vary by LIBOR swap economics and cash flow dates.

Operational Information and Reporting

Product Scope:

- All cleared USD LIBOR swaps except Zero Coupon Swaps and maturing swaps

CME Clearing will provide the following information during the conversion processing:

- End of Day Trade Register report made available by the Clearing House to IRS clearing members and clients via a secured FTP site;
- FpML termination message to relevant CME clearing firms in respect of the termination of each relevant LIBOR Swap; and
- FpML clearing confirmation message to relevant CME clearing firms in respect of the establishment of each new relevant Replacement Swap.

Operational Timeline: (all times are estimates and actual times will vary)

- 7:10 – 7:35 pm ET: Indicative Analysis reports published to secured FTP sites
- 7:35 – 9:05 pm ET: CME runs conversion processing. Termination and new trade messages sent to clearing firms.
- 8:30 – 9:00 pm ET: CME publishes end-of-day trade registers (IRSTRs) to secured FTP sites
- 9:05 – 9:35 pm ET: CME processes non-economic trade amendments and sends clearing firms trade messages (Platform ID updates)

Trade Linkage:

In order to identify the link between each Pre-Conversion LIBOR Swap and the relevant Replacement Swap(s), CME will add a replacement Trade ID and Original Trade ID respectively in the History section of the clearing confirmation messages. In the Trade Register report (IRSTR), each replacement swap links back to the original swap through the Converted Trade ID.

Client IDs on each replacement swap will be the original swap's Client ID appended with an "L" for LIBOR swaps and an "S" for SOFR OIS.

Cash Compensation

- In order to neutralize the value transfer from the Conversion of the economic position of each LIBOR Swap into a Replacement Swap(s), CME will calculate a cash compensation that will be applied by CME to the SOFR Replacement Swap.
- The cash compensation fee amounts will settle on Monday, April 24, 2023.

Indicative Analysis Reporting

- CME will publish an indicative analysis report on April 21 with the production cash compensation amounts.
- File Name: IRS_IBORCONV_FFF_YYMMDD_EOD.csv

Please reference the presentation and videos in the below links for more details on the methodology and timeline:

<https://www.cmegroup.com/trading/interest-rates/files/cme-conversion-for-usd-libor-cleared-swaps.pdf>

<https://www.cmegroup.com/articles/2022/conversion-of-cleared-usd-libor-swaps-to-sofr.html>

For questions or testing assistance, please contact the CME Client Services Team at onboarding@cmegroup.com or 312.338.7112.

Regards,

CME Clearing