CME Group | Advisory Notice

TO: Clearing Member Firms
Back Office Managers

DATE: April 3, 2024

FROM: CME Clearing

NOTICE #: 24-095

SUBJECT: **Dress Rehearsal 2 for CDOR to CORRA Conversion of CAD Interest Rate Swaps**

CME will conduct a second Dress Rehearsal for the CAD CDOR to CORRA Swap Conversion in the New Release environment on **Friday, April 5**, beginning at 6:00 pm ET. This test simulates the Primary Conversion to be held on May 17, 2024 and includes all cleared CDOR swap types.

To facilitate this test, the corresponding Index Cessation Date of the underlying CDOR (Canadian Dollar Offered Rate) index is set to June 28, 2024. This setting is the same as the Production conversion and will give participants a preview of their future replacement swaps' economics.

Summary of Conversion Process

Following the close of business, CME will close out in-scope Pre-Conversion CAD CDOR Swaps and establish in the account of the position holder the following Replacement Swap(s):

Original Swap Type	Replacement Swap(s)
Fixed-float CDOR IRS	1 Fixed-float CORRA OIS, OR 1 Fixed-float CORRA OIS and 1 Short-dated CDOR IRS

- Each Replacement Swap will retain key trade attributes of the corresponding Pre-Conversion CDOR Swap.

Operational Information and Reporting

CME Clearing will provide the following information during the Dress Rehearsal:

- End of Day Trade Register report made available by the Clearing House to IRS clearing members and clients via an sFTP site;
- A FpML termination message will be sent to relevant CME clearing firms in respect of the termination of each relevant CDOR Swap; and
- A FpML clearing confirmation message will be sent to relevant CME clearing firms in respect of the establishment of each new relevant Replacement Swap(s).
- Indicative analysis report for the test portfolio

In order to identify the link between each Pre-Conversion CDOR 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. The IRS Trade Register also contains the original swap ID in the "CONVERTED_TRADE_ID" column of each Replacement Swap.

Operational Timeline: *(all times are estimates)*

- 6:00 – 6:10 pm ET: CME runs netting/blending and sends firms trade messages
- 6:10 – 6:20 pm ET: Indicative Analysis reports published
- 6:20 – 6:40 pm ET: CME runs conversion and sends termination and new trade messages to clearing firms
- 6:45 – 7:15 pm ET: CME publishes end-of-day trade registers with all conversion activity

Compensation Fees

- To neutralize the value transfer from the Conversion of the economic position of each CAD CDOR Swap into a Replacement Swap(s), CME will calculate a cash compensation.
- The cash compensation will be applied by CME to each CORRA Replacement Swap in the form of an "upfront fee", with fees for this test conversion paying on Monday, April 8.

Indicative Analysis Reporting

- CME will publish a new release specific indicative analysis report during the Dress Rehearsal
- File Name: IRS_IBORCONV_FFF_YYYMMDD_EOD**.nr**.csv (FFF is the 3 digit Firm ID)

Daily Conversion Test Schedule

- Beginning on April 8, CME will only accept spot and forward-starting CDOR IRS in the New Release environment
- Daily conversion runs will be held to simulate CME's production environment following the CDOR cessation date. The daily conversions will continue indefinitely in the New Release environment.

Please reference the presentation and documents in the below links for more details:
https://www.cmegroup.com/articles/2023/proposal-for-cme-group-cleared-cad-cdor-interest-rate-swaps.html
https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf

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

Regards,

CME Clearing