

TO: Clearing Member Firms
Back Office Managers

DATE: June 17, 2024

FROM: CME Clearing

NOTICE #: 24-171

SUBJECT: **Dress Rehearsal for BSBY to SOFR Conversion of USD Interest Rate Swaps**

CME will conduct a Dress Rehearsal for the USD BSBY to SOFR Swap Conversion in the New Release environment on **Monday, June 17**, beginning at 6:00 pm ET. This test simulates the Primary Conversion to be held on July 12, 2024 and includes all USD BSBY index tenors.

The corresponding Index Cessation Date of the underlying BSBY index is set to November 15, 2024 during the dress rehearsal. This date matches the Primary Conversion.

Summary of Conversion Process

Following the close of business, CME will close out in-scope Pre-Conversion USD BSBY (Bloomberg Short Term Bank Yield Index) Swaps and establish in the account of the position holder the following Replacement Swap(s):

Original Swap Type	Replacement Swap(s)
Fixed-float BSBY IRS	fixed-float SOFR OIS, OR fixed-float SOFR OIS and Short-dated fixed-float BSBY IRS

- Each Replacement Swap will retain key trade attributes of the corresponding Pre-Conversion BSBY 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 BSBY 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 BSBY 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
- 6:50 – 7:30 pm ET: CME publishes end-of-day trade registers with all conversion activity

Compensation Fees

- In order to neutralize the value transfer from the Conversion of the economic position of each USD BSBY Swap into a Replacement Swap(s), CME will calculate a cash compensation.
- The cash compensation will be applied by CME to each SOFR Replacement Swap in the form of an “upfront fee”, with fees for the dress rehearsal paying on Tuesday, June 18.

Indicative Analysis Reporting

- CME will publish a report in the test environment just prior to the dress rehearsal on Monday, June 17, with File Name: IRS_IBORCONV_FFF_YYMMDD_EOD.nr.csv

BSBY Clearing Support following the Conversion

- Following the production conversion, CME will only clear BSBY swaps with representative fixings (fixings published prior to the November 15 index cessation date)
- Clearing firms can test BSBY swap eligibility following the dress rehearsal
- Daily conversions are **NOT** in-scope for any BSBY swap products

Please reference the presentation and documents in the below links for more details:

<https://www.cmegroup.com/markets/interest-rates/files/conversion-plan-cme-cleared-bsby-interest-rate-swaps.pdf>

<https://www.cmegroup.com/articles/files/2024/usd-bsby-operational-material.pdf>

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

Regards,

CME Clearing