

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 24-189

DATE: 07/08/2024

SUBJECT: OTC IRS Production Advisory - BSBY Basis Swap Splitting

Following discussions with existing position holders of Bloomberg Short-Term Bank Yield Index (“BSBY”) Basis Swaps, ahead of the forthcoming BSBY IRS conversion scheduled for July 12, 2024, relevant parties have agreed with CME to the bilateral conversion of the small number of open BSBY Basis swaps cleared at CME into corresponding fixed-float IRS, which will take place on the nominated date of July 1 and/or July 8, 2024.

On the Nominated Conversion Date, CME will convert each in-scope CME cleared BSBY Basis Swap that is open in the account of the relevant Position Holder by splitting each BSBY Basis Swap into corresponding pairs of CME cleared fixed-float interest rate swaps. The BSBY Basis Swap Conversion will not result in any change in risk exposure or net cash flows for a position holder of a pre-Conversion BSBY Basis Swap, thus no risk or cash compensation is required for Position Holders.

In legal and contractual terms, the BSBY Basis Swap Conversion process will amend the terms of cleared trades in CME cleared BSBY Basis Swaps, resulting in the operational establishment of replacement cleared trades in the form of the replacement swaps. This is reflected in operational terms by the reporting of each replacement swap by CME to CME SDR with reference to the “Prior USI” of the relevant corresponding pre-Conversion BSBY Basis Swap. From an operational perspective within the CME clearing system, the BSBY Basis Swap Conversion will be processed by CME as a termination of each relevant pre-Conversion Basis Swap and the establishment of a new corresponding pair of cleared trades within the clearing system in the form of the relevant replacement swaps.

Beginning **Tuesday, July 8, 2024**, CME will cease clearing support of **basis swaps** referencing ‘USD-BSBY’ as the Floating Rate Option. From COB on the Conversion Date (July 12, 2024), except for the limited exception noted, CME will cease to accept all BSBY swaps for clearing as detailed on [Advisory 24-185](#).

Reporting and Messaging

- All information pertaining to the terminated basis swaps and cleared fixed-float swaps will be available on the IRS Trade Register (IRSTR) file.
 - The new “CONVERTED_TRADE_ID” column will be populated with the CME Cleared Trade ID of the original basis swap for each corresponding fixed-float swap.
 - A new “INDEX_CONVERSION” Terminating and Originating Event will be applied to the basis swap and corresponding fixed-float swaps respectively.
- CME clearing Confirmed messaging corresponding to the terminated basis swaps and fixed-float replacements will be sent to IRS Clearing Firms as a result of conversion processing.
 - A new “INDEX_CONVERSION” Terminating and Originating Event will be sent in messaging.
 - The “History” element will provide linkage between the original basis swap and fixed-float replacements.

For questions, please contact the CME Client Services Team at onboarding_clearing@cmegroup.com or +1 312 338 7112.

Regards,

CME Clearing