



Special Executive Report

DATE: May 15, 2020

SER#: 8541

SUBJECT: Amendments to the Eris US Dollar (USD) Swap Futures Contracts to Migrate to SOFR Discounting

Effective Sunday, October 18, 2020, for trade date Monday, October 19, 2020, and pending all relevant CFTC regulatory review periods, The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") will amend Rule 61103.A. ("Maturity Date Final Settlement Price") of the Eris US Dollar Swap Futures contracts (the "Contracts") to change the discounting mechanism from Federal Funds to Secured Overnight Financing Rate ("SOFR").

It should be noted that the December 2020 and March 2021 contract months will be listed for trading and clearing in June 2020.

Currently, the Contracts have a daily and final settlement price calculation which incorporate a Price Alignment Amount Value ("PAA"). The PAA is defined as applying the overnight effective Federal Funds rate to the Contract's Net Present Value ("NPV").

In accordance with the Alternative Reference Rates Committee ("ARRC") recommendations and market trends, Eris PAA will be defined as referencing SOFR. The change will apply to all ten (10) tenors of the Contract as noted below:

<i>Reference Tenor</i>	<i>Commodity Code</i>	<i>Rulebook Chapter</i>
2-Year Eris Swap Futures	LIT	61
3-Year Eris Swap Futures	LIC	
4-Year Eris Swap Futures	LID	
5-Year Eris Swap Futures	LIW	
7-Year Eris Swap Futures	LIB	
10-Year Eris Swap Futures	LIY	
12-Year Eris Swap Futures	LII	
15-Year Eris Swap Futures	LIL	
20-Year Eris Swap Futures	LIO	
30-Year Eris Swap Futures	LIE	

Please note that this change will not impact the floating rate interest payments, which will remain based on USD 3-month ICE LIBOR®.

Exhibit 1 and 2 provide amendments to Chapter 61 effective on June 15, 2020 and October 19, 2020 respectively, with additions **underscored** and deletions ~~struck through~~.

Please also note that the Exchange will not implement amendments to its Market Agreed Coupon ("MAC") U.S. Dollar Swap Futures contracts ("MAC Swap Futures"). However, the underlying interest rate swaps delivered as a result of MAC Swap Futures expiry for the June 2020 and September 2020 contract months will undergo the same discounting transition to SOFR plus a cash compensation adjustment, subject to implementation by CME Clearing. Contract months beginning with the December 2020 expiry will deliver into a clearing environment that uses SOFR Price Alignment & Discounting with no cash compensation adjustment.

Please refer questions to:

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Exhibit 1
CBOT Rulebook
Chapter 61
Eris US Dollar Swap Futures
(additions underscored)

<https://www.cmegroup.com/content/dam/cmegroup/rulebook/CBOT/III/61.pdf>

Effective on June 15, 2020

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61103. SETTLEMENT PROCEDURES

Delivery shall be by cash settlement.

61103.A. Maturity Date Final Settlement Price

The Final Settlement Price on the Maturity Date of each contract shall be as follows:

$$S_{\text{final}} = 100 + B_{\text{final}} - C_{\text{final}}$$

S_{final} = Settlement price at maturity

B_{final} = Historical fixed and floating amounts since contract inception through maturity

C_{final} = Eris PAA, at maturity

The Exchange and CME Clearing calculate Final Settlement Price to 4 decimals of precision (e.g., 100.1234).

Through Friday, October 16, 2020

Eris PAA is a cumulative value calculated daily by applying the overnight effective federal funds rate to the contract's NPV, using an Actual/360 day-count convention.

Beginning on Monday, October 19, 2020

Eris PAA is a cumulative value calculated daily by applying the secured overnight financing rate (SOFR) to the contract's NPV, using an Actual/360 day-count convention.

Eris PAA will start accruing on the first trade date.

[Remainder of Rule Unchanged.]

Exhibit 2
CBOT Rulebook
Chapter 61
Eris US Dollar Swap Futures
(deletions struck through)

<https://www.cmegroup.com/content/dam/cmegroup/rulebook/CBOT/III/61.pdf>

Effective on October 19, 2020

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Delivery shall be by cash settlement.

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The Final Settlement Price on the Maturity Date of each contract shall be as follows:

$$S_{\text{final}} = 100 + B_{\text{final}} - C_{\text{final}}$$

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