

12-203

TO: CDS Clearing Member Firms
Back Office Managers

FROM: CME Clearing

SUBJECT: **CDS PAI Production Launch – May 21st, 2012**

DATE: May 15, 2012

Please be advised that CME Clearing will introduce the **banking of daily price alignment interest (PAI)** for credit default swaps (CDS) in the **production** (live) environment **on May 21st, 2012**.

The consequence is that at end of day Monday, May 21st, 2012, CME Clearing will calculate price alignment interest on all open CDS positions in production for settlement the morning of Tuesday, May 22nd, 2012.

As a reminder:

- Price alignment functionality for CDS currently exists in the new release (UAT) test environment for Clearing Members to test.
- CME Clearing publishes a price alignment interest rate file each evening to the firmpub/IRS secure FTP directory.
 - This file contains USDPAI rate to be used for CDS. This file will continue to scale for additional PAI Rate types for the processing of other products including OTC IRS, so other rates will be present in this file in our test environment over the coming weeks. At this time, this file should only be used for CDS Processing only.

For additional information regarding the price alignment interest enhancement, including a specification for the price alignment interest rate file, please refer to Clearing Advisory # 11-203 located at -

<http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv11-203.pdf>.

Should you have questions, please contact the CME Client Services Team at onboarding@cmegroup.com.