

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

DATE: July 30, 2014

ADVISORY #: 14-299

SUBJECT: **Advisory for IRS Margin Model Parameter Change in NR**

Please note CME Clearing will be deploying modifications to CME Interest Rate Swap (IRS) log return parameters in the New Release (NR) environment. The changes will apply to all IRS currencies and will be in effect as of August 4 in NR. Data for each currency will shift by 4% before computing the log returns. This mirrors the already-implemented shifted log approach for Singapore Dollar (SGD)-denominated IRS (see Clearing House Advisory 13-444, dated 9/26/13) and reflects a robust, long-term approach that yields more desirable outcomes in both low and high interest rate regimes.

Additionally, CME Clearing is updating the IRS volatility floors for all currencies. The Production date for shifted log and impact to the production portfolios will be communicated in advance of migration to production.

If you have questions, please contact the Risk Research team at: qr_irs@cmegroup.com or call the Risk hotline at: 312-648-3813.