

TO: Clearing Member Firms
Back Office Managers

DATE: November 12, 2024

FROM: CME Clearing

NOTICE #: 24-348

SUBJECT: **Dress Rehearsal 3 for 28 Day TIIE to TIIE de Fondeo Conversion of MXN Interest Rate Swaps**

CME will conduct a third Dress Rehearsal for the MXN 28 Day TIIE to TIIE de Fondeo (F-TIIE) swap conversion in our test environment on **Thursday, November 14**, beginning at 6:00 pm ET. This test simulates the Primary Conversion to be held on Friday, November 22, 2024.

This rehearsal will create replacement swaps with the same attributes/economics as those created in the Primary Conversion. To accomplish this, CME will remove any cash flows settling between the dress rehearsal and the primary conversion. For example, a coupon with a payment date on Nov 18, 2024 would not be included on the replacement swaps as it would have settled prior to the primary conversion. This approach is consistent with how CME generates indicative conversion reporting for OTC clearing members and clients.

Summary of Conversion Process

Following the close of business, CME will close out in-scope Pre-Conversion 28D TIIE Swaps and establish in the account of the position holder the following Replacement Swap(s):

Original Swap Type	Replacement Swap(s)
Fixed-float 28D TIIE IRS	fixed-float F-TIIE OIS, OR fixed-float F-TIIE OIS and short-dated 28D TIIE IRS

- Each Replacement Swap will retain key trade attributes of the corresponding Pre-Conversion 28D TIIE 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 28D TIIE 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 28D TIIE 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 – 8:00 pm ET: CME runs conversion and sends termination and new trade messages to clearing firms
- 7:00 – 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 28D TIIE Swap into a Replacement Swap(s), CME will calculate a cash compensation.
- The cash compensation will be applied by CME to each F-TIIE Replacement Swap in the form of an “upfront fee”, with fees for this test paying on Friday, November 15.

Indicative Analysis Reporting

- CME will publish indicative analysis reports for test portfolios on the night of dress rehearsals, with File Name: IRS_IBORCONV_FFF_20241114_EOD.nr.csv

Daily Conversion Test Schedule

- Beginning on Friday, November 15, daily conversion runs will be held to simulate CME's production environment following the primary conversion date, with the first daily conversion on Monday, November 25. The daily conversions will continue indefinitely in the test environment.

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

<https://www.cmegroup.com/articles/2023/transition-from-28d-tiie-to-tiie-de-fondeo-f-tiie-for-cleared-mxn-interest-rate-swaps.html>

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

Regards,

CME Clearing