

BSBY Futures Fallbacks Implementation

CME Group announces October 12th, 2024* as the planned date to convert BSBY futures to corresponding SOFR contracts

Fallback approach for CME BSBY futures

BSBY Benchmark Cessation

- According to the announcement by Bloomberg Index Services on November 15th, 2023, the BSBY rate will cease to be published as a benchmark on November 15, 2024. Bloomberg determined not to calculate or recommend a fallback replacement rate for BSBY.

CME calculated BSBY Fallback Spread

- As communicated in the May 2024 CME Group Conversion Plan for CME Cleared BSBY interest rate swaps, CME has calculated a fallback spread between the 3-month BSBY Rate and the adjusted 3-month daily compounding SOFR of **12.878bps** for the purposes of effecting a conversion of CME cleared BSBY swaps into corresponding SOFR OIS.
- This proposed fallback spread was determined by CME consistent with the ISDA IBOR fallback methodology used for industry IBOR/RFR conversions, with November 15, 2023 as the “Spread Adjustment Fixing Date”, and the fallback spread has been validated with the broader marketplace.

BSBY Futures Conversion

- Based on market feedback and in alignment with the approach for converting OTC BSBY positions, CME Group has determined that BSBY futures will be converted into corresponding 3-month SOFR Futures positions, taking into account the CME-calculated fallback spread, using a mandatory conversion process on 10/12/2024, subject to regulatory review.
- The proposed methodology is similar to that used for the CME Eurodollar to CME SOFR Futures conversion in 2023 ahead of the non-representativeness of USD LIBOR.
- CME SOFR futures have been chosen as they represent the same time period as BSBY futures and are based on the primary official sector endorsed interest rate benchmark for USD. CME will de-list BSBY Futures following the conversion.

Fallback process for BSBY futures



SR3 Onset Price for conversion:

All existing Three-Month BSBY (BSB) futures contracts will be converted into the corresponding 3-month SOFR (SR3) futures as follows:

$$\text{SOFR Futures Onset Price} = \underbrace{\text{3-month BSBY Futures Settlement}}_{\text{Final settlement price}} + \underbrace{\text{Fallback Spread Adjustment}}_{\text{Fixed at 12.878 bps}}$$

* Final settlement price of BSBY will be to 4 decimal places to conform with existing client infrastructure, with the impact of the additional 0.002bp being handled by a balancing cash flow between longs and shorts (cash residual amount)

Operational timeline* – BSBY futures conversion

Friday
Oct 11, 2024

- 5:00 pm ET: BSBY futures are **no longer tradeable**
- 7:00 pm ET: Clearing firms submit, to CME, instructions to effect customer level conversion results (if applicable)
- 8:30 pm ET: Clearing firms report final longs and shorts for all positions
- End of Day (9:00 pm ET): Finalize EOD positions for October 11th.

Saturday
Oct 12, 2024

No processing

Sunday
Oct 13, 2024

- Start of Day: Establish SOD positions for Monday, October 14
- 4:00 pm ET: Run conversion processing to offset BSBY futures and establish resulting SOFR futures positions; Generate conversion transactions and clearing firm messaging
- 6:00 pm ET: CME opens markets for trading
- End of Day: Monday evening CME runs EOD cycle and notifies FCMs of conversion completion and provide related reporting

* Times provided above are estimates

BSBY Futures conversion reporting example

BSBY Futures conversion will take place through offsetting each start of day position at an equal and opposite quantity using the Final Settlement Price for the position. An onset will be used to re-establish the position in the corresponding SR3 futures contract, as shown below.

Position Type	Long Qty	Short Qty	Settlement Price	Offset/Onset Price	Cash Residual Amt
SOD position – BSBY (BSB) Futures	50	0	95.45		
Offset position – BSBY (BSB) Futures	0	50		95.45*	
EOD position – BSBY (BSB) Futures	0	0			
SOD position – SOFR (SR3) Futures	0	0	95.58		
Onset position – SOFR (SR3) Futures	50	0		95.5788**	2.50***
EOD position – SOFR (SR3) Futures	50	0			

* BSBY offset price will be set equal to the Final settlement price resulting in asymmetrical variation between BSB and SR3.

** SOFR onset price will be calculated from the BSBY offset settlement price. Note that the SOFR onset price will be rounded to nearest .0001. (95.5788)

*** A residual amount will be calculated as $.00002 \times 50 \times 2500$ multiplier = 2.50 (multiply by -1 for a short)

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