

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 24-195

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 04/23/24 Filing Description: Modification of Cleared OTC CAD Interest Rate Swap Products Referencing CDOR and Limitation of Acceptance for Clearing

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: See filing.

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

**Official Name(s) of Product(s) Affected:**

**Rule Numbers:**

April 23, 2024

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Modification of Cleared Over-the-Counter (“OTC”) Canadian Dollar (“CAD”) Denominated Interest Rate Swap Products Referencing the Canadian Dollar Offered Rate (“CDOR”) and Limitation of Acceptance for Clearing.  
CME Submission No. 24-195**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME” or the “Clearing House”), a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (“CEA” or “Act”) hereby certifies to the Commission the following modifications to certain CME cleared over-the-counter (“OTC”) Interest Rate Swap (“IRS”) products in connection with the scheduled cessation of all remaining tenors of the CAD Canadian Dollar Offered Rate (“CDOR”) benchmark rate following final publication on June 28, 2024:

- modifications applicable to certain CME cleared OTC CAD denominated IRS products that reference the CAD CDOR rate<sup>1</sup>, to convert cleared trades in such cleared swap products in each case into:
  - corresponding CME cleared overnight index swaps (“OIS”) referencing the Canadian Overnight Repo Rate Average (“CORRA”) interest rate benchmark; and
  - where applicable, corresponding short-dated CME cleared CAD CDOR IRS to account for remaining floating and fixed coupons under the original swap,

to take effect following close of business on Friday, May 17, 2024<sup>2</sup> (the “Primary Conversion Date”), with the exception of

- CAD CDOR IRS submitted for clearing after close of business on the Primary Conversion Date but before close of business on July 2, 2024, which shall be converted on July 2, 2024 (the “Secondary Conversion Date”) (the “CAD CDOR Conversion”); and
- the limitation of clearing support for CAD denominated IRS referencing CAD CDOR following the Secondary Conversion Date, with the exception of spot and forward starting CAD CDOR IRS with

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<sup>1</sup> CAD CDOR IRS in the final floating rate period where the last CAD CDOR fixing date is on or before June 28, 2024 will not be subject to the Conversion process and will mature and settle in accordance with their original terms.

<sup>2</sup> As with previous OTC IRS conversions, CME proposes to reserve the right in limited circumstances to amend the Primary Conversion Date in its sole and absolute discretion, for example where implementation of the conversion process on a previously communicated date could result in an unacceptable level of operational or market disruption or where financial stability issues could threaten the orderly transition.

a start date after close of business on the Secondary Conversion Date, in order to support such swaps arising from processing of bilateral Swaption expiries, which shall continue to be accepted for clearing by CME from close of business on the Secondary Conversion Date and shall be converted by CME into corresponding CAD CORRA referencing OIS at close of business on the date of acceptance for clearing by CME,

(the “CAD CDOR Transition”) to be effective from close of business (“COB”) on Friday, May 17, 2024.

CME is a systemically important derivatives clearing organization (“SIDCO”)<sup>3</sup> and offers clearing for all products traded on the CME exchange, The Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc., and Commodity Exchange, Inc. as well as other cleared products, and provides clearing services to third parties.

The modification to implement the CAD CDOR Conversion is set out in the Clearing Advisory Notice attached as Exhibit 1, effective Friday, May 17, 2024. No substantive amendments to the CME Rulebook are required to effect the CAD CDOR Conversion.<sup>4</sup> By publishing a Clearing Advisory Notice to the marketplace, CME will make public the limited withdrawal of clearing support for CAD CDOR IRS from the Secondary Conversion Date (except that CME will continue to provide clearing support for spot or forward starting CAD CDOR IRS where the start date of such swaps is after the Secondary Conversion Date, in order to support the clearing of swaps arising from the exercise of relevant bilateral Swaptions after the Secondary Conversion Date, until further notice).<sup>5</sup> The list of IRS contracts accepted for clearing by CME will be updated on the CME Group website to reflect the limitation on acceptance for clearing of the relevant IRS contracts and the product rules for CAD CDOR IRS will be amended in Rule 90102.E.1. (“Interest Rate Swaps Rate Options”), as indicated in the attached Exhibit 2.

The methodology for the CAD CDOR Conversion is substantially the same as the process utilized for the U.S. Dollar LIBOR (“USD LIBOR”) equivalent conversions effected by CME in 2023 under which CME effected the successful transition of CME cleared USD LIBOR OTC IRS to the nominated successor risk-free rate, the Secured Overnight Financing Rate (“SOFR”) ahead of the scheduled date of non-representativeness of USD LIBOR rates following publication on June 30, 2023 (the “USD LIBOR Conversion”).<sup>6</sup> The approach adopted by CME for the CAD CDOR Conversion is based on feedback from

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<sup>3</sup> On July 18, 2012, CME Inc. was designated as a systemically important financial market utility under Title VIII of the Dodd-Frank Act.

<sup>4</sup> CME Rule 90102.H (Application of Permanent Cessation Fallbacks) will not apply to the CAD CDOR IRS contracts which are the subject of this submission.

<sup>5</sup> CME will cease to accept new executions of CAD CDOR Swaps for clearing following the Index Cessation Effective Date, except those spot or forward starting CAD CDOR Swaps that arise as a result of bilateral Swaptions exercise and that may be submitted for clearing after close of business on the Index Cessation Effective Date. CME proposes to convert any CAD CDOR swap submitted for clearing after the Secondary Conversion Date, where the start date of such swap is on or after the date of submission, into a corresponding standardized CORRA OIS on the date of acceptance, utilizing the same methodology applicable to the Secondary Conversion Date process. The Clearing Advisory Notice will be in the form set out in Exhibit 1 and will advise market participants of the limited withdrawal of clearing support for the contracts.

<sup>6</sup> The proposed methodology for the CAD CDOR Conversion was published by CME in January 2024 following a period of consultation and is available on the CME website at: <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>. This document provides a summary of the non-substantive differences in approach to the 2023 USD LIBOR Transition. CME’s approach to the USD LIBOR Transition in 2023 is set out in Clearing Advisory 23-103- see <https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2023/03/Chadv23-103.pdf>. See also CME Submission 23-082, accessible at: <https://www.cmegroup.com/content/dam/cmegroup/market-regulation/rule-filings/2023/1/23-082.pdf>.

market participants during a consultation process completed by CME in January 2024. This approach allows for the majority of CAD CDOR Swaps to be converted on a single conversion date (the Primary Conversion Date) and also settles all remaining CAD CDOR payments prior to the final publication date of CAD CDOR, as well as accounting for the compounded fixings in compounding swaps, as discussed in more detail in this submission.

## 1. **Background**

### Scheduled cessation of CAD CDOR

On December 16, 2021 the Canadian Alternative Reference Rate working group (“CARR”) published a white paper that recommended that Refinitiv Benchmark Services (UK) Limited (“RBSL”), the administrator of CDOR, should cease the calculation and publication of CDOR after June 30, 2024<sup>7</sup>. The CARR concluded that certain aspects of CDOR’s architecture pose risks to its future robustness as an interest rate benchmark, in particular its reliance on expert judgment for rate inputs, and the CARR further recommended that the CAD interest rate market should transition to a new rate tied to observable arm’s length transactions and consistent with evolving best practices in global benchmark reform. In response, RBSL launched a public consultation that sought feedback from stakeholders in relation to the proposed cessation of CDOR.<sup>8</sup> Based on the response to this consultation, on May 16, 2022 RBSL announced that it would cease the calculation and publication of all remaining tenors of CDOR immediately following final publication on Friday June 28, 2024 (the “CDOR Cessation Date”) (the “RBSL Announcement”).<sup>9</sup> In coordination with the RBSL Announcement, the Ontario Securities Commission (“OSC”)<sup>10</sup> and the Autorité des marchés financiers (“AMF”)<sup>11</sup> each published Authorization Notices in connection with the RBSL announcement, authorizing the decision of RBSL to cease the provision of the remaining tenors of CDOR on the CDOR Cessation Date. The OSC, AMF and other regulatory authorities have required relevant market participants to ensure that contractual fallbacks should be implemented in bilateral uncleared, cleared and exchange traded derivative markets, triggered by the RBSL Announcement of the cessation of CDOR on the CDOR Cessation Date.

In response to the RBSL Announcement, on May 16, 2022, the International Swaps and Derivatives Association, Inc. (“ISDA”) also published a statement, confirming that the RBSL Announcement constitutes an Index Cessation Event under the ISDA 2020 IBOR Fallbacks Supplement, the 2021 ISDA Interest Rate Derivatives Definitions and the ISDA 2020 IBOR Fallbacks Protocol in respect of all remaining CAD CDOR settings referenced in derivative contracts incorporating the relevant ISDA terms, and ISDA further confirmed that, as a result, the fallback spread adjustment (which determines the fallback price of the resulting converted CORRA swap arising under the ISDA fallback methodology) published by Bloomberg

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<sup>7</sup> CARR white paper available at: <https://www.bankofcanada.ca/wp-content/uploads/2021/12/CARR-Review-CDOR-Analysis-Recommendations.pdf>

<sup>8</sup> RBSL consultation available at: [https://www.lseg.com/content/dam/ftse-russell/en\\_us/documents/consultation/future-of-cdor-consultation.pdf](https://www.lseg.com/content/dam/ftse-russell/en_us/documents/consultation/future-of-cdor-consultation.pdf)

<sup>9</sup> RBSL Announcement available at: [https://www.lseg.com/content/dam/ftse-russell/en\\_us/documents/announcement/cdor-cessation-notice.pdf](https://www.lseg.com/content/dam/ftse-russell/en_us/documents/announcement/cdor-cessation-notice.pdf) and [https://www.lseg.com/content/dam/ftse-russell/en\\_us/documents/consultation/cdor-outcome-statement.pdf](https://www.lseg.com/content/dam/ftse-russell/en_us/documents/consultation/cdor-outcome-statement.pdf)

<sup>10</sup> OSC statement available at: [https://www.osc.ca/sites/default/files/2022-05/ord\\_20220516\\_Canadian-dollar-offered-rate-and-refinitiv-benchmark-services-uk-limited.pdf](https://www.osc.ca/sites/default/files/2022-05/ord_20220516_Canadian-dollar-offered-rate-and-refinitiv-benchmark-services-uk-limited.pdf)

<sup>11</sup> AMF statement available at: <https://lautorite.qc.ca/fileadmin/lautorite/professionnels/structures-marche/indice-reference/2022-PDG-0032-cessation-CEDOR.pdf>

Index Services Limited (“BISL”) was fixed as of the date of the announcement for such contracts.<sup>12</sup> Under the terms of the ISDA contractual fallbacks for uncleared derivatives, following final publication of CAD CDOR on June 28, 2024, the fallbacks for CAD CDOR derivatives under ISDA’s documentation would be implemented so that CAD CDOR swaps will be amended such that references to the CAD CDOR rate as the relevant floating rate option will instead reference forms of CORRA plus the fixed fallback spread adjustment on the first Toronto business day immediately following June 28, 2024, being the first date on which CDOR will no longer be provided and on which the Fallback Rate (within the meaning of the ISDA contractual fallbacks) will apply (July 2, 2024, the “Index Cessation Effective Date”).

In response to the RBSL Announcement and the related ISDA statement, Bloomberg issued a Technical Notice confirming that May 16, 2022 was the “Spread Adjustment Fixing Date” for all CDOR tenors (other than the 6-month and 12-month tenors that were previously fixed on November 12, 2020) and Bloomberg published the fixed Spread Adjustment for CAD 3M CDOR of 0.32138% (the “Spread Adjustment”), as well as other relevant rates spread adjustment rates.<sup>13</sup>

The CARR welcomed RBSL’s decision and the clarity provided to financial markets and also noted the clear direction for market participants to transition their activities away from CDOR, leveraging the best practices established as part of wider Interbank Offered Rate (“IBOR”) transition projects<sup>14</sup> and in line with the published CDOR transition roadmap and milestones.<sup>15</sup>

As a result of the RBSL Announcement, given that CAD CDOR will cease to be published after June 28, 2024, market participants are required to put in place appropriate mechanisms to implement a transition from CAD CDOR to successor rates. As part of this industry-wide transition, CME and other major CCPs have each made public statements that they propose to undertake a CCP-led conversion of CAD CDOR swaps ahead of the Index Cessation Effective Date.<sup>16</sup> In the case of the proposed CME CAD CDOR Transition, CME has undertaken extensive engagement with market participants on its proposals to provide for an orderly transition away from CAD CDOR for CME-cleared IRS.<sup>17</sup>

### CORRA as Successor to CAD CDOR

The CARR was established in 2018 and comprises a group of financial sector firms and public sector institutions tasked with Canadian financial system reform to ensure that Canada’s interest rate benchmark regime is robust and resilient for the future. The initial focus of the CARR was to ensure that the CORRA rate was robust.

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<sup>12</sup> ISDA statements available at: <https://www.isda.org/2022/05/16/isda-statement-on-rbsl-cdor-announcement/> and <https://assets.isda.org/media/6f355af1/2207a41a-pdf/>

<sup>13</sup> See Bloomberg Technical Notice, available at [https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks\\_CDOR\\_Cessation\\_Technical-Note\\_220516.pdf](https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks_CDOR_Cessation_Technical-Note_220516.pdf)

<sup>14</sup> See CARRA press release May 16, 2022: <https://www.bankofcanada.ca/2022/05/carr-welcomes-rbsls-decision-to-cease-the-publication-of-cdor-after-june-28-2024/>

<sup>15</sup> CARR CDOR milestones available at: <https://www.bankofcanada.ca/wp-content/uploads/2023/02/CARR-milestones.pdf>

<sup>16</sup> See LCH SwapClear consultation outcome for CAD CDOR contract conversion dated October 2023:

[https://www.lch.com/system/files/media\\_root/lch-cad-cdor-conversion-consultation-outcome.pdf](https://www.lch.com/system/files/media_root/lch-cad-cdor-conversion-consultation-outcome.pdf)

<sup>17</sup> CME undertook a public consultation on the proposals for the CAD CDOR Transition in December 2023, as well as direct engagement with market participants and Clearing Member firms: <https://www.cmegroup.com/articles/2023/proposal-for-cme-group-cleared-cad-cdor-interest-rate-swaps.html>. In January 2024, CME shared the final details of the proposals to effect the “CCP-led” transition away from CAD CDOR ahead of the Index Cessation Effective Date: see <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>.

CORRA is an overnight risk-free interest rate benchmark that has been published since 1997. It is a robust, reliable and representative measure of Canada’s “risk-free rate” (RFR) – the rate at which market participants borrow/lend Government of Canada bonds and bills overnight. CORRA is very similar in construction to SOFR in the US. The Bank of Canada also established a CORRA Advisory Group (CAG), comprised of a diverse group of market participants from across Canada’s financial system, to advise the Bank of Canada on changes in the underlying repo market as well as make recommendations in relation to CORRA’s methodology should it need to change.

In 2020, the CARR was tasked with reviewing and analyzing the efficacy of CDOR and making recommendations for its future based on that analysis. Following its analysis, in December 2021 the CARR recommended that the calculation and publication of CDOR should cease after June 30, 2024<sup>18</sup> and further recommended that the CAD interest rate market should transition to a new rate tied to observable arm’s length transactions consistent with evolving best practices in global benchmark reform. CARR expects that any derivative that uses CDOR as a benchmark shall use the CORRA Fallback Rate within the meaning of the ISDA 2020 IBOR Fallbacks Protocol and the 2021 ISDA Interest Rate Derivatives Definitions.<sup>19</sup>

The Bank of Canada took over the calculation and publication of CORRA from RBSL on June 15, 2020 and implemented a new enhanced calculation methodology developed by CARR. The Bank of Canada calculates CORRA based on transaction-level repo data that government securities distributors (GSDs), including primary dealers, and the six largest federally regulated financial institutions in Canada submit to the Investment Industry Regulatory Organization of Canada (IIROC) through the Market Trade Reporting System (MTRS). The Bank of Canada believes that this approach makes CORRA more robust, reliable and representative, similar to overnight risk-free reference rates published by other central banks. It also aligns CORRA with the Principles for Financial Benchmarks published by the International Organization of Securities Commissions.<sup>20</sup>

The calculation methodology was developed under the guidance of the CARR, representing a wide range of market participants. It was also informed by CARR’s public consultations, held February to April 2019, on the methodology enhancements.<sup>21</sup>

CORRA is published each day that relevant banks are open for business in Toronto, Ontario, Canada. The rate for a given day is published on the Bank of Canada’s CORRA webpage at around 09:00 Eastern Time (ET) on the following business day. The Bank of Canada provides CORRA, its corresponding statistics and historical data as a public good, at no cost to users and data distributors.<sup>22</sup>

The Bank of Canada and CARR published CDOR transition roadmap and milestones has provided the framework for the CDOR transition to CORRA. According to the guidance provided on the CDOR transition by the CARR, market participants were expected to transition all their new derivative (bilateral, cleared and exchange traded) and securities transactions to referencing CORRA, with limited exceptions, after June

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<sup>18</sup> CARR recommendations available at: <https://www.bankofcanada.ca/wp-content/uploads/2021/12/CARR-Review-CDOR-Analysis-Recommendations.pdf>

<sup>19</sup> See CARR FAQs available at: <https://www.bankofcanada.ca/wp-content/uploads/2023/08/cdor-transition-faqs.pdf>

<sup>20</sup> See CARR CORRA methodology available at: <https://www.bankofcanada.ca/rates/interest-rates/corra/methodology-calculating-corra/>

<sup>21</sup> See CARR consultation available at: <https://www.bankofcanada.ca/wp-content/uploads/2019/07/results-carr-consultation.pdf>

<sup>22</sup> CORRA data available at: <https://www.bankofcanada.ca/rates/interest-rates/corra/#data>



30, 2023 with only limited activities referencing CDOR in derivatives and securities still permitted after June 30, 2023.<sup>23</sup>

The decline in outstanding notional of OTC derivatives referencing CDOR, and the corresponding growth in OTC derivatives referencing CORRA, has been tracked in data published by the OSC, showing the acceleration in the transition throughout 2023.<sup>24</sup> As at January 29, 2024, the CARR concluded that the institutional market has almost completely transitioned from CDOR to CORRA, with residual CDOR activity focused on converting legacy exposures to CORRA, particularly remaining derivative activity. Liquidity in CAD futures is now overwhelmingly concentrated in CORRA futures. The CARR reported that derivatives market participants are well aware of the transition, with clients seeking to wind down their CDOR swaps proactively highlighting that the trades are risk reducing and noting upcoming CCP conversions in 2024.<sup>25</sup>

CORRA swaps are widely traded and cleared. CME began supporting the clearing of CORRA OIS in October 2016, which has allowed industry participants to move activity of their own accord ahead of any mandatory CCP conversion events, if desired. As at February 29, 2024, global CORRA OIS cleared notional volume (including basis swaps) totaled CAD 27.974 trillion and open interest was CAD 6.181 trillion.<sup>26</sup>

### Contractual Fallbacks in Bilateral Uncleared Markets

CARR expects that any agreement, instrument or other obligation or asset that, by its terms, uses CDOR as a benchmark and is a derivative transaction shall use the benchmark replacement identified as the “Fallback Rate (CORRA)” in the ISDA 2020 IBOR Fallbacks Protocol and the 2021 ISDA Interest Rate Derivatives Definitions for each day on which CDOR would ordinarily be observed occurring on or after June 28, 2024.<sup>27</sup> As a result of this and broader initiatives in derivatives markets, the majority of bilateral uncleared OTC derivatives transactions referencing CAD CDOR now incorporate contractual fallbacks contained within the ISDA IBOR Fallbacks Supplement or ISDA IBOR Fallbacks Protocol or incorporate the equivalent contractual fallbacks contained within the 2021 ISDA Interest Rate Derivatives Definitions (the “2021 ISDA Definitions”) (which became effective on October 4, 2021).<sup>28</sup> For these bilateral uncleared IRS contracts incorporating the ISDA contractual fallbacks the announcement by RBSL constitutes an “Index Cessation Event” within the meaning of the relevant ISDA documentation, triggering the contractual fallbacks contained therein. The relevant ISDA contractual fallbacks operate in a way that causes affected IRS contracts to “fall back” to a “Fallback Rate” based on the nominated successor “risk-free” or “nearly risk-free” rate (“RFR”) which is calculated and made publicly available by BISL.<sup>29</sup> The relevant “Fallback

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<sup>23</sup> CARR FAQ available at: <https://www.bankofcanada.ca/wp-content/uploads/2023/08/cdor-transition-fags.pdf>

<sup>24</sup> OSC trend analysis available at: <https://www.osc.ca/en/industry/derivatives/cdorcorra-based-otc-derivatives-trend-analysis>

<sup>25</sup> CARR minutes, available at: <https://www.bankofcanada.ca/wp-content/uploads/2024/02/carr-minutes-january-29-2024.pdf>

<sup>26</sup> Source: ClarusFT CCPView (includes cleared volumes across both CME and LCH Ltd),

<https://www.clarusft.com/products/data/ccpview/>

<sup>27</sup> CARR FAQ available at: <https://www.bankofcanada.ca/wp-content/uploads/2023/08/cdor-transition-fags.pdf>

<sup>28</sup> Details on the ISDA IBOR Fallbacks Supplement and the ISDA IBOR Fallbacks Protocol are available at: <https://www.isda.org/2020/10/23/isda-launches-ibor-fallbacks-supplement-and-protocol/>. ISDA publishes a list of parties that have adhered to the ISDA IBOR Fallbacks Protocol at <https://www.isda.org/protocol/isda-2020-ibor-fallbacks-protocol/adhering-parties>.

<sup>29</sup> The ISDA Spread Adjustment methodology is designed to reflect a portion of the structural differences between interbank offered rates, such as CDOR, and the RFRs used for the fallbacks in the case of each IBOR rate. For a high level overview, please see <https://www.isda.org/2021/03/05/libor-cessation-and-the-impact-on-fallbacks/>. IBORs such as CDOR incorporate a credit risk premium and other factors, while RFRs are risk-free or nearly risk-free. Following the RBSL Announcement, the relevant spread adjustment for CAD CDOR settings has been fixed and published by BISL at: [https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks\\_CDOR\\_Cessation\\_Technical-Note\\_220516.pdf](https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks_CDOR_Cessation_Technical-Note_220516.pdf). BLOOMBERG is a trademark and service mark of Bloomberg Finance

Rate” replaces the relevant affected IBOR rate in the contract and is in each case calculated by BISL according to the industry-agreed methodology published by ISDA (the “ISDA Fallback Pricing Methodology”)<sup>30</sup>, based on the combination of the following components for each relevant tenor:

- Adjusted RFR: compounded setting in arrears RFR for each relevant term;<sup>31</sup>
- ISDA Spread Adjustment: median of the historical differences between the relevant IBOR rate for each tenor and the compounded RFR for that tenor over a five-year period prior to the relevant trigger event.<sup>32</sup>

Under the relevant ISDA fallback provisions, in the case of CAD CDOR rates, the relevant fallback will occur on the “Index Cessation Effective Date” within the meaning of the ISDA documentation, being July 2, 2024, the first Toronto banking day after final publication on June 28, 2024.<sup>33</sup>

As the nominated RFR successor to CAD CDOR, spread adjusted CORRA will be the Fallback Rate for bilateral uncleared derivative contracts under ISDA contractual fallbacks. BISL has published the ISDA Spread Adjustment for CAD CDOR settings following the RBSL Announcement on May 16, 2022.<sup>34</sup> As a result, following the RBSL Announcement, under the ISDA fallbacks swaps referencing all remaining CAD CDOR settings will transition to the relevant term and spread adjusted CORRA rate (incorporating the relevant ISDA Spread Adjustment) on the Index Cessation Effective Date.

#### Contractual Fallbacks under CME Rules and Market Participant-Driven Solution for Cleared Markets

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L.P. (“BFLP”). ISDA is a trademark and service mark of the International Swaps and Derivatives Association, Inc. (“ISDA”). Bloomberg Index Services Limited (“BISL” and, collectively with BFLP and their affiliates, “Bloomberg”) maintains and calculates the ‘fallback’ data comprising the ‘all in’ fallback rates and their component parts, the adjusted ‘risk-free’ reference rates and the spread adjustment (collectively with any other data or information relating thereto or contained therein, the “Data”) under an engagement between BISL and ISDA. The Data, including any sample calculations are provided for illustrative purposes only. Neither Bloomberg, nor ISDA guarantees the timeliness, accuracy, completeness of, or fitness for a particular purpose with respect to, the Data and each shall have no liability in connection with the Data. Without limiting the foregoing, neither Bloomberg nor ISDA makes any representations regarding whether the Data would be appropriate for derivative or non-derivative financial instruments, including derivatives transacted outside of standard ISDA documentation and related protocols. Market participants are encouraged to consider and analyze the details of the Data and determine independently whether they would be appropriate for any such use.

For further details, see: [https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks\\_CDOR\\_Cessation\\_Technical-Note\\_220516.pdf](https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks_CDOR_Cessation_Technical-Note_220516.pdf)

<sup>30</sup> BISL and its affiliates was selected by ISDA as the vendor to calculate and distribute the RFR adjustments determined in accordance with the ISDA Fallback Pricing Methodology. BISL calculates and publishes the Adjusted RFR according to the prescribed ISDA methodology, as set out in the IBOR Fallback Rate and Adjustments Rule Book published by BISL at [https://assets.bbhub.io/professional/sites/10/IBOR-Fallback-Rate-Adjustments-Rule-Book\\_V4.1\\_Jun2023.pdf](https://assets.bbhub.io/professional/sites/10/IBOR-Fallback-Rate-Adjustments-Rule-Book_V4.1_Jun2023.pdf).

<sup>31</sup> To determine the Adjusted RFR, the underlying RFR is compounded over an accrual period corresponding to the tenor of the relevant IBOR. The start of the accrual period is determined firstly by following the market convention Reference Spot Lag, and then applying a two business day backward shift, of Offset Lag. The compounded rate is annualized, and the day count convention is adjusted to match that of the relevant IBOR. See: <https://data.bloomberglp.com/professional/sites/10/IBOR-Fallbacks-Fact-Sheet.pdf>. For the purposes of application of the ISDA Fallback Pricing Methodology as a component of the Conversion processes, CME will calculate the adjusted RFR utilizing the ISDA methodology, as published by BISL.

<sup>32</sup> BISL calculates and publishes the ISDA Spread Adjustment according to the prescribed ISDA methodology, described in summary at <https://data.bloomberglp.com/professional/sites/10/IBOR-Fallbacks-Fact-Sheet.pdf>.

<sup>33</sup> See ISDA Announcement May 16, 2022: <https://assets.isda.org/media/6f355af1/2207a41a-pdf/>

<sup>34</sup> The relevant information on the ISDA Spread Adjustment for CAD CDOR settings published by BISL under the ISDA methodology is available at [https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks\\_CDOR\\_Cessation\\_Technical-Note\\_220516.pdf](https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks_CDOR_Cessation_Technical-Note_220516.pdf):



During the course of 2021, CME incorporated into the CME Rules certain contractual fallback language based on the ISDA fallback provisions:

- in January 2021, by way of Clearing Advisory [21-039](#), CME confirmed the incorporation into the CME Rules of certain IBOR contractual fallback provisions set out in the ISDA IBOR Fallbacks Supplement, which provided that on an “Index Cessation Effective Date,” affected contracts would fall back to the relevant Fallback Rate published by BISL calculated according to the ISDA Fallback Pricing Methodology based on the nominated RFR, incorporating the required term adjustments and the relevant ISDA Spread Adjustment;<sup>35</sup>
- in October 2021, concurrently with the implementation by ISDA of the 2021 ISDA Definitions, by way of amendment to the CME Rules and as set out in Clearing Advisory [21-335](#), CME revoked Clearing Advisory 21-039 and confirmed the incorporation into the CME Rules of the contractual fallback triggers and fallback provisions contained within the 2021 ISDA Definitions, replacing those substantially equivalent provisions contained in the ISDA IBOR Fallbacks Supplement and subsequent additional supplements by ISDA.

Within the meaning of the CME Rules, the announcement by RBSL on May 16, 2022, constitutes a “Permanent Cessation Trigger” in respect of CAD CDOR rates. Pursuant to CME Rule 90102.H. (“Application of Permanent Cessation Fallbacks”), the CME Rules provide that the Clearing House would, subject to other actions permitted by the CME Rules, apply the relevant Permanent Cessation Fallback provisions set out in the ISDA 2021 Definitions from the relevant “Index Cessation Effective Date” in respect of affected CME cleared CAD CDOR IRS contracts. This would have the effect, that from the “Index Cessation Effective Date”, the relevant CME cleared CAD CDOR Swaps would fall back to the relevant Fallback Rate published by BISL, based on the adjusted CORRA rate incorporating the relevant ISDA Spread Adjustment.

However, following market participant consultation<sup>36</sup>, and following the successful CCP-led conversion of USD LIBOR IRS in 2023, the overwhelming majority of market participant feedback has requested that CME should not follow the bilateral uncleared market process for the transition away from CAD CDOR rates. The industry consensus communicated to CME by market participants indicates that the significant majority of cleared market participants prefer an “early” and “CCP-led” transition of cleared CAD CDOR Swaps to the successor standardized cleared CORRA OIS. As with the USD LIBOR Transition, market participants communicated to CME their widely held concerns around a significant drawback of the bilateral uncleared market approach to contractual fallbacks, namely that the mere substitution of the adjusted CORRA for the CAD CDOR rate under a swap contract subject to a fallback event creates a misalignment between (i) the terms of the resulting post-fallback swap referencing the CORRA Fallback Rate and (ii) the terms of standardized OIS referencing CORRA.<sup>37</sup> Given these fundamental differences in contractual terms

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<sup>35</sup> CME Clearing Advisory 21-039 is available at:

<https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2021/01/Chadv21-039.pdf>.

<sup>36</sup> During December 2023 and January 2024, as part of ongoing discussions with market participants on this issue and following the successful transition of USD LIBOR swaps in 2023, CME has shared public details of the proposals to effect an “early” and “CCP-led” transition away from CAD CDOR ahead of the Index Cessation Effective Date: see <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>

<sup>37</sup> A standard OIS would typically apply a payment delay rather than shifting the observation period backwards. See ISDA User Guide to IBOR Fallbacks and RFRs: “It is important to note that the IBOR fallbacks do not work in precisely the same way as a standard OIS. For example, the IBOR fallbacks are based on a two-business-day backward shifted compounded RFR with a spread adjustment, whereas a standard OIS will typically apply a payment delay and will not apply the same spread adjustment. Therefore, counterparties may want to bilaterally amend IBOR-referencing derivatives transactions, even once the new fallbacks apply, in order to match current OIS conventions.” See <https://assets.isda.org/media/3062e7b4/c133e67f-pdf/>.

between the post-fallback swaps and standardized CORRA swaps, these swaps could not be treated as fungible with one another. In turn, the lack of fungibility between the resulting post-fallback CORRA swaps and standardized CORRA OIS could give rise to problems for market participants that wish to close out or hedge a position in the resulting post-fallback swaps given that the available liquidity in the post-fallback CORRA swaps would be expected to be significantly less than for standardized CORRA OIS. As a result, participants have raised concerns that entities wishing to unwind non-standardized CORRA swap contracts arising from contractual fallbacks would need to execute and book additional non-standard swaps in an uncertain liquidity environment.

On this basis, CME will not implement contractual fallbacks designed to align with fallback provisions applicable to these swaps in bilateral uncleared markets but will instead adopt a CCP-led approach to the transition of cleared CAD CDOR swaps, similar to that adopted by CME and other CCPs in respect of USD LIBOR transition in 2023, under which CCPs would “convert” cleared CAD CDOR swaps into standardized CORRA referencing OIS, accounting for the ISDA Spread Adjustment on the floating leg on the replacement CORRA referencing swap, to take place ahead of the Index Cessation Effective Date.<sup>38</sup>

As with the USD LIBOR Conversion in 2023, market participants have informed CME that the CCP-led conversion of CAD CDOR swap exposures into market standard CORRA swaps benefits the marketplace by:

- creating a single transparent liquidity pool for trading standardized CORRA swaps;
- providing participants with certainty that “legacy” and “new” contracts would be fungible with one another upon transition to CORRA; and
- supporting market standard CORRA OIS that is, in turn, widely supported by market participants and market infrastructure, thereby removing the need to apply the ISDA IBOR fallbacks protocols which market participants have identified as operationally challenging, specifically “Observation Period Shift” where both the rate and the weighting are determined on the basis of the relevant day of the ‘observation period’, rather than the weighting being determined based on the relevant day in the Calculation Period.

In response to this market participant feedback, CME has therefore determined that it will not implement the “Permanent Cessation Fallbacks” anticipated by CME Rule 90102.H. for CAD CDOR on the “Index

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<sup>38</sup> CME Rule 90102.H. (Application of Permanent Cessation Fallbacks) confirms the application of the Permanent Cessation Fallback provisions in the 2021 ISDA Definitions to CME cleared trades. Rule 90102.H. is expressed to be subject to the other chapters of or provisions of or made under the CME Rules and subject to and without prejudice to any specific actions that are determined by the Clearing House in its sole and absolute discretion to be necessary on the occurrence of a Permanent Cessation Trigger with respect to any Floating Rate Option referenced under an IRS Contract, each as defined in the 2021 ISDA Definitions. As set out in Clearing Advisory [21-335](#) and [CME Submission No. 21-431](#), Rule 90102.H. therefore does not limit CME’s ability to take alternative action in relation to circumstances that constitute a Permanent Cessation Fallback, for example and without limitation, to participate in a CCP-led transition away from a particular reference rate subject to a Permanent Cessation Fallback ahead of a transition date required under the 2021 Definitions. CME is able to exercise its discretion not to apply the “Permanent Cessation Fallbacks” from the ISDA 2021 Definitions incorporated into the CME Rules. In the case of the scheduled cessation of publication of CAD CDOR, in response to market participant feedback, CME does not propose to apply the “Permanent Cessation Fallbacks” within the ISDA 2021 Definitions and CME Rule 90102.H to CAD CDOR Swaps cleared by CME, except to the limited extent stated in the Clearing Advisory. Instead, based on consultations with market participants and consistent with broader cleared industry initiatives and its approach to the USD LIBOR Transition in 2023, CME proposes to effect the conversion of CAD CDOR Swaps into corresponding standardized CORRA OIS on the relevant Conversion Dates. As a result, the amendments to the terms of the CME Rules set out in the Clearing Advisory in respect of the CAD CDOR Conversion effectively disapply the Permanent Cessation Fallbacks set out in CME Rule 90102.H. for the purposes of the CAD CDOR Transition, except to the limited extent set out in the Clearing Advisory, in a similar manner to the approach adopted by CME for the USD LIBOR Transition in 2023.

Cessation Effective Date” as set out in the CME Rulebook and proposes instead that, subject to regulatory review, CME will implement the CAD CDOR Transition, as summarized below.

#### Summary of Proposed Conversion of CME cleared CAD CDOR Swaps

CME’s methodology for the CAD CDOR Transition is substantively the same as the USD LIBOR Conversion effected by CME in 2023 under which CME effected the successful conversion of cleared USD LIBOR OTC IRS into CME cleared SOFR OIS ahead of the scheduled date of non-representativeness of USD LIBOR rates following publication on June 30, 2023.<sup>39</sup>

Subject to regulatory review, CME proposes to transition certain CME cleared CAD CDOR Swaps by:

- converting such contracts to standardized OIS that reference CORRA with a start date equal to the start of the floating period following the Index Cessation Effective Date, to settle all remaining cash flows and account for a cash compensation fee<sup>40</sup>; and
- in certain cases, book an additional short-dated CDOR swap to settle all remaining CDOR fixings published prior to the Index Cessation Effective Date,

on the relevant Conversion Date determined by CME (and from the Secondary Conversion Date, on a daily basis for a limited category of contracts), utilizing a mandatory conversion process and the relevant methodology determined by CME, as summarized below:

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<sup>39</sup> See: <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>. Certain methodology changes to the 2023 USD LIBOR Transition processes have been implemented for the CAD CDOR Conversion to book replacement CORRA swaps that reference standard economic attributes.

<sup>40</sup> Using standard CORRA trade attributes ensures that the replacement CORRA swaps are supported by execution venues and back office systems.

For Short-dated CDOR swaps, Fixed Leg Day Counts and additional payment calendars are preserved from the original swap. For CORRA OIS: fixed day leg counts will be defaulted to the market standard convention “Act/365.fixed” for resulting CORRA OIS. Additional payment calendars (other than the Toronto (CATPO) calendar for payments and fixings will be defaulted to the market standard convention of Toronto CATO. No additional calendars are carried over.

Date	Conversion Date	CME cleared swaps subject to Conversion on date	Output of Conversion
May 17, 2024	Primary Conversion Date	<p>CAD CDOR IRS that contain fixing dates beyond June 28, 2024*.</p> <p>*Any CAD CDOR IRS that is in its final floating period where the last fixing is before COB June 28, 2024 but not settled, will be left to mature and will not undergo conversion.</p>	<p>For Seasoned Swaps:</p> <ul style="list-style-type: none"> <li>• Short-dated CAD CDOR Swap accounting for all remaining unsettled CAD CDOR fixings published prior to the Index Cessation Effective Date in respect of the original CAD CDOR Swap; and</li> <li>• Forward Starting CORRA OIS with start date of the maturity date of Short-Dated CAD CDOR Swap</li> <li>• Fixed cash flows and compounded cash flows on the replacement swaps may not match the original CDOR Swap in some cases (see examples)</li> </ul> <p>For Compounding Swaps, CME will take into account the CDOR fixings of seasoned compounding swaps:</p> <ul style="list-style-type: none"> <li>• Short-dated CAD CDOR Swap to settle the remaining CDOR fixings to be published prior to the Index Cessation Effective Date and corresponding fixed accruals in respect of the original CAD CDOR Swap; and</li> <li>• Forward Starting CORRA OIS with start date of the next floating coupon period and the daily compounded rate will be applied to all future floating periods</li> <li>• Fixed and float cash flow dates on the Short Dated CAD CDOR Swap may not match the original CDOR Swap. Initial stubs may be included on the CORRA OIS to settle CDOR compounding periods in the period following the Index Cessation Effective Date</li> </ul> <p>For Forward Starting Swaps with an effective date after the Index Cessation Effective Date:</p> <p>Forward Starting CORRA OIS with effective/maturity dates and fixed leg economic terms (excluding payment offset) of original CAD CDOR Swap</p> <ul style="list-style-type: none"> <li>• Single compensation fee is included and paid the following Toronto business day</li> <li>• 1-day payment offset is added to both legs of the CORRA OIS, consistent with market standard OIS conventions</li> </ul>
July 2, 2024	Secondary Conversion Date	<p>CAD CDOR IRS that contain fixing dates beyond June 28, 2024 and that were submitted for clearing after COB on the Primary Conversion Date and before COB on the Secondary Conversion Date</p>	<p>For Seasoned Swaps:</p> <ul style="list-style-type: none"> <li>• As for Primary Conversion</li> </ul> <p>For Compounding Swaps:</p> <ul style="list-style-type: none"> <li>• As for Primary Conversion</li> </ul> <p>For Forward Starting Swaps with an effective date after the Index Cessation Effective Date:</p> <ul style="list-style-type: none"> <li>• As for Primary Conversion</li> </ul>

Daily basis after Secondary Conversion Date	Ongoing Conversion on the date of acceptance for clearing by CME	CAD CDOR IRS that are spot or forward starting with a start date after COB on the Secondary Conversion Date, in order to support clearing and conversion of swaps that result from exercise of bilateral swaptions	Forward Starting CORRA OIS with effective/maturity dates and fixed leg economic terms (excluding payment offset) of original CAD CDOR Swap <ul style="list-style-type: none"> <li>• Single compensation fee is included and paid the following Toronto business day</li> <li>• 1-day payment offset is added to both legs of the CORRA OIS, consistent with market standard OIS conventions</li> </ul>
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### Conversion Processes - Adjustment Methodology

CME has published its detailed methodology for the Conversion processes, including worked examples, provided as Exhibit 3 to this Submission.<sup>41</sup> The relevant methodology is summarized below:

- each resulting CME cleared CORRA OIS arising from the Conversion process (each, a “Forward Starting CORRA OIS”) will account for the ISDA Spread Adjustment on the floating leg of the CORRA OIS swap, retaining the key economic terms of the original trade, subject to certain adjustments described below and determined by CME according to its published methodology;
- each resulting CME cleared short-dated CAD CDOR Swap arising from the Conversion process (each, a “Short-Dated CAD CDOR Swap”) is designed to account for any known CAD CDOR rate coupons that will be unpaid on the Index Cessation Effective Date, restating these accrual periods as Short-Dated CAD CDOR Swaps which will have economic terms as determined by CME according to its published methodology, the purpose of which is to reduce the differences in cashflow amounts for the projected cashflows;
- in order to neutralize the value transfer from the Conversion of the economic position of each original CAD CDOR Swap into each relevant Forward Starting CORRA OIS, CME will calculate a cash adjustment amount that will be based on the difference between the net present value (“NPV”) of the original CAD CDOR Swap and the combined NPV of the Forward Starting CORRA OIS and any Short-Dated CAD CDOR Swap on the relevant Conversion Date. The Cash Adjustment for each Forward Starting CORRA OIS will be equal and opposite to the change in NPV calculated by CME, and therefore may be a positive or negative amount depending on the position (the “Cash Adjustment”).<sup>42</sup> The Cash Adjustment amount will be applied by CME in the form of upfront “fees” on each resulting cleared Forward Starting CORRA OIS on the relevant Conversion Date;
- cash flows relating to the Cash Adjustment will be applied in the next end of day clearing cycle following the relevant Conversion Date;

<sup>41</sup> See <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>

<sup>42</sup> Where the holder of a Forward Starting CORRA OIS had benefited from a change in NPV, an upfront fee equal and opposite to that amount of change in NPV would be applied to that Forward Starting CORRA OIS and such amount would be due from the position holder at the next clearing cycle. Where the holder of a Forward Starting CORRA OIS experiences a negative change in NPV, an upfront fee equal and opposite to that amount of change in NPV would be applied to the Forward Starting CORRA OIS and such amount would be due to the position holder at the next clearing cycle. The net cash flow position for all participants is neutral. The net cash flow position for the Clearing House is neutral.

- the Cash Adjustment will ensure that the NPV change for position holders impacted by the Conversion will be neutralized;
- in each case, any Forward Starting CORRA OIS will be cleared as a CME cleared CORRA OIS (referencing the CAD-CORRA-OIS Compound Floating Rate Option) and any Short-Dated CAD CDOR Swap will be cleared as a CAD CDOR Swap.

#### Primary Conversion Date – Conversion Processes

##### *A: CAD CDOR IRS excluded from Primary Conversion*

The following CME cleared CAD CDOR IRS open on the Primary Conversion Date are excluded from the conversion process on the Primary Conversion Date:

- (i) CAD CDOR Swaps that mature on or before the Primary Conversion Date; and
- (ii) CAD CDOR IRS where the last CAD CDOR fixing date is on or before June 28, 2024, but which do not settle prior to June 28, 2024.

##### *B: Conversion of Seasoned and Compounding CAD CDOR Swaps on the Primary Conversion Date*

CME will convert each CME cleared CAD CDOR Swap open on the Primary Conversion Date that is not a Forward Starting Swap (each, a “Seasoned Swap”) into:

- (i) a corresponding standardized Forward Starting CORRA OIS, retaining the key economic terms of the original CAD CDOR Swap trade; and
- (ii) a Short-Dated CAD CDOR Swap accounting for all remaining CAD CDOR fixings in respect of the original CAD CDOR Swap that are unpaid and settle after the Primary Conversion Date,

in each case subject to certain adjustments determined by CME described above (in Adjustment Methodology), including the Cash Adjustment which shall be applied to each Forward Starting CORRA OIS, and applied according to its published methodology set out in Exhibit 3.

##### *C: Conversion of Forward Starting CAD CDOR Swaps with an effective date after the Index Cessation Effective Date on the Primary Conversion Date*

CME will convert each CME cleared CAD CDOR Swap that is a Forward Starting Swap and is open on the Primary Conversion Date into:

- a corresponding standardized Forward Starting CORRA OIS, retaining the key economic terms of the original CAD CDOR Swap trade,

in each case subject to certain adjustments determined by CME described above (in Adjustment Methodology), including the Cash Adjustment which shall be applied to each Forward Starting CORRA OIS, and applied according to its published methodology set out in Exhibit 3.

##### *D: Characteristics of each resulting Forward Starting CORRA OIS:*



Each Forward Starting CORRA OIS resulting from any Conversion process will:

- maintain the effective/maturity dates and fixed leg economic terms (excluding payment offset) of the original CAD CDOR Swap;
- include a payment offset (1D) added to both legs of the swap, consistent with market standard OIS conventions;
- include a single compensating upfront fee (the Cash Adjustment) to be paid the following Toronto business day;
- Fixed leg day counts defaulted to the market standard convention "Act/365.fixed";
- Additional Payment Calendars: defaulted to the market standard convention of Toronto (CATO). No additional calendars are carried over.

#### *E: Conversion approach to Compounding Swaps*

For compounding CAD CDOR Swaps, CME will respect the remaining CAD CDOR fixings of any seasoned compounding swaps:

- if the compounding CAD CDOR Swap is Forward Starting, with an effective date after the Index Cessation Effective Date, then the swap will be converted into only a Forward Starting CORRA OIS with the original payment frequencies on both legs. The Cash Adjustment shall be applied to the Forward Starting CORRA OIS;
- for any other cases:
  - CME will book a Short-Dated CAD CDOR Swap to settle the CDOR floating and fixed accruals;
  - the resulting Forward Starting CORRA OIS will be effective at the end of the next floating coupon period and the daily compounded rate will be applied to all future floating periods;
  - Fixed and float cash flows on the Short-Dated CAD CDOR Swap may not match the original CAD CDOR Swap.

#### *E: Conversion approach to Swap Stub Periods*

Stub periods require special processing when converting CAD CDOR Swaps as there are different methods used to specify the original Floating Rate Option.

- Short-dated CDOR Swaps: CME will carry over the stub type, period start, and period end dates. Stub periods will reference the 3M CDOR index.
- CORRA OIS: Forward starting stub periods will maintain the period start and end dates with a daily compounded overnight rate. The compounding method is the same as a standard period. Fallback spreads apply to stub periods.

### Secondary Conversion Date – Conversion Processes

#### *A: CAD CDOR IRS excluded from Secondary Conversion*

The following CME cleared CAD CDOR IRS open on the Secondary Conversion Date are excluded from the conversion process on the Secondary Conversion Date:

- (i) CAD CDOR Swaps that mature on or before the Secondary Conversion Date;
- (ii) CAD CDOR IRS where the last CAD CDOR fixing date is on or before June 28, 2024, but which do not settle prior to June 28, 2024; and
- (iii) Short-Dated CAD CDOR Swaps arising from the Primary Conversion.

*B: Conversion of CAD CDOR Swaps submitted prior to the Secondary Conversion Date*

With respect to any CAD CDOR Swap submitted for clearing after COB on the Primary Conversion Date but before COB on the Secondary Conversion Date (including Swaps that result from the exercise of a bilateral (uncleared) Swaption contract exercise ), at close of business on the Secondary Conversion Date CME will convert such CAD CDOR Swaps utilizing the applicable process applied by CME to relevant CAD CDOR Swaps on the Primary Conversion Date, as described above.

Limitation of Clearing Support for CAD CDOR Swaps after Secondary Conversion Date and Daily Conversion Process

From COB on the Secondary Conversion Date, except for the limited exception noted below, CME will cease to accept the relevant CAD CDOR Swaps for clearing.

Until further notice by CME to market participants, in order to continue to support clearing of any spot or forward starting CAD CDOR Swap that results from the exercise of a bilateral (uncleared) Swaption contract exercise after the Secondary Conversion Date, CME will accept for clearing any spot or forward settled CAD CDOR Swap that is submitted to CME for clearing following COB on the Secondary Conversion Date where the start date of such swap is on or after such date. At COB on the date of acceptance for clearing, CME will convert such CAD CDOR Swap contract utilizing the process applied by CME to forward starting CAD CDOR Swaps on the Primary Conversion Date, as described above.<sup>43</sup>

The CAD CDOR Conversion is a mandatory process and the terms set out in the Clearing Advisory (in the form appended as Exhibit 1) will apply to all cleared trades in CAD CDOR Swaps from May 17, 2024, subject to regulatory review.

Amendment to Primary Conversion Date in Limited Circumstances

CME will reserve the right to amend the proposed Primary Conversion Date in its sole and absolute discretion prior to the Primary Conversion in limited circumstances, for example, where implementation of the conversion process on the previously communicated date could, in the opinion of the Clearing House, result in an unacceptable level of operational or market disruption or where financial stability issues could

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<sup>43</sup> CME will convert the relevant CAD CDOR Swap into a CORRA OIS. There is no resulting Short-Dated CAD CDOR Swap.

threaten the orderly transition. In such circumstances, CME would communicate the amended Primary Conversion Date to market participants as soon as practicable upon making such determination.<sup>44</sup>

#### Legal and Operational Characterization; Messaging and Reporting to SDR

In legal and contractual terms, each Conversion process will amend the terms of cleared trades in CME cleared CAD CDOR Swaps, converting the terms of each cleared trade to a standardized CME cleared CORRA interest rate swap and, where applicable, a Short-Dated CAD CDOR Swap. From an operational perspective, each relevant Conversion will be processed by CME as a “termination” of each relevant CAD CDOR Swap and the establishment of a “new” corresponding cleared trade in CORRA OIS within the clearing system, the Forward Starting CORRA OIS or corresponding CORRA swap and, where applicable, a new Short-Dated CAD CDOR Swap.

To reflect the operational processes within the clearing system, CME will send:

- a termination message to relevant CME Clearing Members in respect of the termination of each relevant converted CAD CDOR Swap; and
- a clearing confirmation message to relevant CME Clearing Members in respect of the establishment of each new relevant Forward Starting CORRA OIS or corresponding CORRA swap and, as applicable, Short-Dated CAD CDOR Swap.

As part of the relevant Conversion process, a subset of Trade IDs from each original CAD CDOR Swap will be carried over to the relevant resulting CORRA OIS and Short-Dated CAD CDOR Swap. The CME Trade ID and USI/UTI are not carried over but, in order to identify the link between each original CAD CDOR Swap and the relevant resulting CORRA OIS and any Short-Dated CAD CDOR Swap, CME will add a replacement Trade ID and Original Trade ID respectively in the History section of the clearing confirmation messages.

CME will report the close out of each CAD CDOR Swap and the establishment of each corresponding Forward Starting CORRA OIS, Short-Dated CAD CDOR Swap and/or other resulting CORRA swap in the account of the relevant position holder to the CME SDR under Part 45 of the CFTC’s Regulations. With regard to reporting data submitted to SDR in respect of each resulting swap, CME will populate the “Prior USI” or “Prior UTI” field with the USI/UTI of the relevant original CAD CDOR Swap to reflect the nature of the Conversion process. For SDR reporting purposes, reporting rows will be generated and submitted to CME SDR terminating the USI/UTI of each original CAD CDOR Swap and CME will ensure that each resulting CORRA swap will be reported as a “New Trade.”

#### Treatment of IMM CAD CDOR Swaps

As set out in the methodology, based on feedback from market participants, CME proposes to convert CAD CDOR swaps referencing IMM CAD roll dates into CAD CORRA OIS referencing CAD IMM utilizing the standard CME conversion methodology. Following the CAD CDOR Transition, CME will communicate

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<sup>44</sup> CME Clearing has identified a provisional contingency fallback date of June 7, 2024, in the event that the May 17, 2024, date for the Primary Conversion is determined to be unsuitable as the date of Primary Conversion.

additional proposals to address IMM CAD roll conventions for the small number of affected position holders.<sup>45</sup>

## Examples of Cash Adjustment Amount Calculation and Processing

### *Calculation of Cash Adjustment Amount*

The Cash Adjustment amount is necessary to account for the difference in valuation between the original CAD CDOR Swap and the combined valuation of the resulting CORRA OIS and any related Short-Dated CAD CDOR Swap on the relevant Conversion Date. The difference in the NPV of each original CAD CDOR Swap and the corresponding replacement swaps on the relevant Conversion Date represents a gain or loss to the relevant position holder in each case. In order to neutralize the transfer in value between position holders arising from the transition, CME will apply a Cash Adjustment amount equal and opposite to the change in NPV resulting from the transition to each resulting CORRA OIS.

The Cash Adjustment amount will be calculated by CME on each relevant Conversion Date as follows (the "Conversion Calculation"):

- On or shortly after COB on the relevant Conversion Date, the Clearing House will conduct a standard valuation calculation during the end of day clearing cycle, to determine the NPV for each relevant original CAD CDOR Swap subject to the relevant Conversion process on that date, calculated utilizing CME's closing curve marks on the relevant Conversion Date for each position account and the ISDA Fallback Pricing Methodology.
- Upon establishment of each CORRA OIS and any Short-Dated CAD CDOR Swap within the clearing system, on or shortly after COB on the relevant Conversion Date, the Clearing House will conduct an additional calculation to determine the NPV for each CORRA OIS and any Short-Dated CAD CDOR Swap calculated utilizing CME's closing curve marks on the relevant Conversion Date for each position account.
- Note that the determination of the NPV of the original CAD CDOR Swap and the CORRA OIS and any Short-Dated CAD CDOR Swap will be calculated on an "adjusted" basis, where the adjusted NPV in each case is the NPV less the present value of any fee or coupon payment due to bank on the following Business Day.
- The difference between the two NPV calculations for each original CAD CDOR Swap and the corresponding replacement swap(s) represents the change in NPV arising from the conversion of the reference rate exposure of that position from the CAD CDOR rate to CORRA.

The relevant Cash Adjustment amount to be applied to each resulting CORRA OIS in each position account shall be equal and opposite to the relevant change in NPV calculated by CME in the Conversion Calculation. As the Cash Adjustment for each CORRA OIS will be equal and opposite to the change in NPV calculated by CME, it may be a positive or negative amount depending on the position.

### *Payment of Cash Adjustment Amount*

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<sup>45</sup> See: <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>

Where the holder of a resulting CORRA OIS had benefited from a change in NPV, i.e., where the resulting swap(s) NPV is greater than the corresponding original CAD CDOR Swap NPV, the Cash Adjustment will be a negative amount equal to that change in NPV. The Cash Adjustment amount will be applied to the resulting CORRA OIS as an upfront fee which will be due and paid from the position holder (to the Clearing House as central counterparty and other party to the cleared trade), at the next clearing cycle following the relevant Conversion Date, during which cycle settlement variation for positions in the CORRA OIS will be determined and outstanding exposures and payments netted and settled in accordance with CME Rule 814 (“Settlements, Settlement Variation Payment, and Option Value”). Accordingly, where the holder of a resulting CORRA OIS experiences a negative change in NPV, the Cash Adjustment will be a positive amount and will be applied to the CORRA OIS as an upfront fee which will be due and paid to the position holder (from the Clearing House, as central counterparty and other party to the cleared trade).

Given that the change in NPV calculated by the Conversion Calculation is offset exactly by the Cash Adjustment amount, indicated by the figure in the “Net Cash Flow” column in the examples in the table below, the net cash flow with respect to the NPV change is zero on both a per account basis and an overall product basis for the Clearing House.

### Cash Adjustment Examples

The example below demonstrates the operational processing of a Conversion for a hypothetical CAD CDOR Swap and the Cash Adjustment processes, reflecting the operational characterization of the process as a “termination” of the original CAD CDOR Swap and establishment of a “new” Forward Starting CORRA OIS and corresponding Short-Dated CAD CDOR Swap. As noted above, in legal terms, the Conversion is treated as an amendment of the terms of the relevant cleared trade.

As of COB on Friday, May 17, 2024

Value Date	Cleared Trade ID	Floating Rate Option	Status	NPV	NPV Adj.*	Previous NPV Adj.	Variation Margin	Upfront Payment	Fee Type	Payment Date	Net Cash Flow	
Original CAD CDOR Swap	05/17/2024	144223	CAD-CDOR	TERMINATED	0	0	18,000.00	-18,000.00	-	-	-	-18,000.00
Short-Dated CAD CDOR Swap	05/17/2024	126466	CAD-CDOR	CLEARED	5,000.00	5,000.00	0	5,000.00	-	-	-	5,000
Forward Starting CORRA OIS	05/17/2024	126467	CAD-CORRA-OIS Compound	CLEARED	14,000.00	13,000.00	0	13,000.00	1,000.00	UPFRONT_FEE	05/21/2024	14,000.00

\* NPV Adj. reflects the value of the swap removing any fee payments to be made the following business day. In the event of multiple replacement swaps, all Adjusted NPVs are added to calculate the Cash Adjustment.

### Cash Adjustment Calculation Example\*

Original CAD CDOR Swap Valuation NPV Adj. as at COB May 17, 2024 = 19,000.00 (shown as zero above since swap has terminated in conversion, from an operational perspective)  
 Forward Starting CORRA OIS Valuation + Short-Dated CAD CDOR Swap Valuation (NPV Adj. as at 05/17/2024) = 5,000.00 + 13,000.00 = 18,000.00  
 PnL Change = (13,000.00 + 5,000.00) – 19,000.00 = - 1,000.00  
 Cash Adjustment = Change in Adjusted NPV = 1,000.00

\* Note: In this example, the Cash Adjustment offsets the gain of 1,000.00 between the Original CAD CDOR Swap and the combined valuation of the Forward Starting CORRA OIS and the Short-Dated CAD CDOR Swap

Resulting swaps as of COB on Next Value Date – Variation Margin example

Value Date	Cleared Trade ID	Floating Rate Index	Status	NPV	NPV Adj.	Previous NPV Adj.	Variation Margin	Upfront Payment	Fee Type	Payment Date	Net Cash Flow
05/21/2024	126466	CAD CDOR	CLEARED	5,500.00	5,500.00	5,000.00	500.00	-	-	-	500.00
05/21/2024	126467	CAD-CDOR-OIS Compound	CLEARED	13,500.00	13,500.00	13,000.00	500.00	-	-	-	500.00

Calculation Breakdown (05/21/2024)

Original CAD CDOR Swap VM = NPV Adj. – Previous NPV Adj.

$$= 0 - 18,000.00 = -18,000.00$$

PnL Change = NPV Adj. (Forward Starting CORRA OIS) + NPV Adj. (Short Dated CAD CDOR swap) – NPV Adj. Original CAD CDOR Swap

$$= (13,000.00 + 5,000.00) - 19,000.00 = -1,000.00$$

Cash Adjustment Amount = (NPV Adj. of Original CAD CDOR Swap – NPV Adj. of Forward Starting CORRA OIS + NPV Adj. (Short Dated CAD CDOR swap)

$$= 19,000.00 - (5,000.00 + 13,000.00) = 1,000.00$$

NPV Adj. (Forward Starting CORRA OIS) = NPV – Upfront Payment

$$= 14,000.00 - (1,000.00) = 13,000.00$$

CME’s approach to “compensation” arising from change in NPV through the Cash Adjustment process is widely supported by market participants. The process has been discussed with Clearing Members and their customers and is understood to be consistent with the needs and expectations of market participants, and consistent with wider industry initiatives.

Clearing of Forward Starting CORRA OIS and Short-Dated CAD CDOR Swaps

Each Forward Starting CORRA OIS and Short-Dated CAD CDOR Swap will be cleared by CME in accordance with the CME Rules.

From the completion of the end of day clearing cycle on the relevant Conversion Date, each Forward Starting CORRA OIS and any Short-Dated CAD CDOR Swap resulting from any Conversion process will for the remaining lifecycle of the relevant cleared trade be subject to valuation and settlement variation (as defined in the CME Rules) for each clearing cycle following the relevant Conversion Date.

From the completion of the end of day clearing cycle on the relevant Conversion Date, each Short-Dated CAD CDOR Swap will be cleared by CME and shall not be subject to any Conversion or Fallback process under the CME Rules.

Fees for CAD CDOR Conversion Process

CME will apply a transaction fee per line item for conversion of any CME cleared interest rate swaps that reference CAD CDOR (a “Conversion Fee”). In each case, the Conversion Fee for Clearing Member House positions shall be a fee of \$10 and the Conversion Fee for Customer positions shall be a fee of \$50 which



shall be applied by the Clearing House per line item subject to the relevant Conversion and shall apply on the resulting Forward Starting CORRA OIS transactions.<sup>46</sup>

Fee Type	Trade Types	Products	Source, Terminate Reason (TR), Create Reason (CR)	HOUSE FM / NONFM	CUSTOMER Standard Client Schedule
CORRA Conversion Fee	All	All	CR = Index Conversion	\$10 per line item*	\$50 per line item*

\*This fee will be charged on the resulting CORRA referencing trades except for Short-Dated CAD CDOR Swaps (or the terminated CAD CDOR swaps) which will not be charged.

For bilateral swaption exercises that result in a Forward Starting CORRA OIS under the legacy index reference rate, CME will conduct a daily conversion of such trades to CORRA OIS and will apply a charge of \$10 (for House positions) and \$50 (for Customer positions) per converted trade to the position and to which new trade clearing fees apply.

CME will apply a Conversion Fee of \$10 for each House Forward Starting CORRA OIS and a Conversion Fee of \$50 for each Customer Forward Starting CORRA OIS that is established as a result of the relevant Conversion process in each case.

Limitation of Acceptance for Clearing for CAD CDOR Referencing Swaps Following Secondary Conversion Date

From close of business on the Secondary Conversion Date, the Clearing House will cease to accept for clearing trades in CAD CDOR Swaps except that, in order to support ongoing clearing and conversion of spot or forward starting CAD CDOR Swap trades resulting from exercise of a bilateral (uncleared) Swaption contract after the Secondary Conversion Date, CME will continue to accept CAD CDOR Swaps for clearing where the Start Date of the submitted CAD CDOR Swap is on or after the Cleared Date (date of submission) of the submitted CAD CDOR Swap, which must be after close of business on the Secondary Conversion Date.

CME will implement validation processes that shall apply from the Secondary Conversion Date which will provide that:

- If the Start Date of the submitted CAD CDOR Swap is on or after the Cleared Date, the trade will be accepted for clearing by CME; and

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<sup>46</sup> The Conversion Fee shall not apply to: Short-Dated CAD CDOR Swaps resulting from the Conversion process or to the termination of CAD CDOR Swaps. For bilateral swaption exercises that result in a cleared swap under the legacy IBOR index, a Conversion Fee corresponding to the appropriate account type per converted trade will be applied to the position in addition to the new trade clearing fees.

- If the Start Date of the submitted CAD CDOR Swap is before the Cleared Date, the trade will not be accepted for clearing by CME.

Where an eligible CAD CDOR Swap is submitted for clearing with a Cleared Date that is on or after close of business on the Secondary Conversion Date (a “Residual Swap”), immediately on acceptance of the trade for clearing CME shall be deemed to apply the Permanent Cessation Fallbacks in CME Rule 90102.H. and shall amend the terms of the Residual Swap such that the references to CAD CDOR as the Floating Rate Option rate shall be deemed to refer to the CORRA Fallback Rate as the successor floating rate option to the CAD CDOR rate of such Residual Swap for the purposes of clearing the trade prior to conversion at COB.

At COB on the date of acceptance for clearing by CME of such Residual Swap, CME will apply the Conversion process to such trade to convert the Residual Swap into a corresponding Forward Starting CORRA OIS, utilizing the methodology for the relevant Primary Conversion Date.

## **2. Implementation of CAD CDOR Transition**

No amendments to the Rulebook are necessary to implement the CAD CDOR Transition.

The CAD CDOR Conversion will be implemented via Advisory Notice published by the Clearing House setting out the terms of each Conversion, in the form set out in Exhibit 1. The Advisory Notice will be made available to Clearing Members, market participants and the general public via the CME website. The Advisory Notice will be binding on position holders in all CAD CDOR Swaps on and after May 17, 2024.

In order to reflect the limited acceptance of CAD CDOR IRS from the Secondary Conversion Date, the product rules for CAD CDOR Swaps will be amended in Rule 90102.E.1. (“Interest Rate Swaps Rate Options”). Exhibit 2 below provides amendments to Rule 90102.E.1. in blackline format.

Each of the CAD CDOR Transition, the relevant Conversion and Cash Adjustment process is a mandatory process and market participants will be notified in the Advisory Notice that the CAD CDOR Transition will apply to all positions in CAD CDOR Swaps on the relevant Conversion Date, except those maturing on or before the relevant Conversion Date. Market participants will be reminded that they should consider the terms and impact of the CAD CDOR Transition as set out in the Advisory Notice and take appropriate action prior to the relevant Conversion Date. Position holders that do not wish to participate in the CAD CDOR Transition must close out any cleared trades in relevant CAD CDOR Swaps prior to the relevant Conversion Date.

In addition to the information provided in each Advisory Notice, the Clearing House will provide to Clearing Members the following information applicable to positions in the relevant CAD CDOR Swaps (as applicable) on the relevant Conversion Date, or as otherwise specified below:

- End of Day Trade Register report made available by the Clearing House only to IRS clearing members and clients via an sFTP site;
- CME OTC IRS Bookkeeping document, made available to IRS Clearing Members and their customers on request;
- FpML Confirmations in respect of the operational termination of CAD CDOR Swap and the establishment of each relevant replacement swap; and

- Cash Adjustment Report made available by the Clearing House only to IRS Clearing Members and clients via an sFTP site, illustrating the NPV for each original CAD CDOR Swap and the revised NPV for each Forward Starting CORRA OIS (combined with any Short-Dated CAD CDOR Swap, as applicable) and the Cash Adjustment at the trade level for each position account. This report will be available as an “Indicative Analysis Report” in the CME Production Environment on a daily basis until the Secondary Conversion Date. The actual Cash Adjustment amounts will be indicated in the IRS Trade Register at COB on the relevant Conversion Date.

#### Limited application of CME Rule 90102.H

CME will not apply the Permanent Cessation Fallbacks in CME Rule 90102.H. (“Application of Permanent Cessation Fallbacks”) in respect of any IRS Contract referencing CAD CDOR Swaps, except in relation to any cleared CAD CDOR Swap trade where the start date of the submitted CDOR swap is on or after close of business on the Index Cessation Effective Date.

### **3. Governance, Industry Consultation, Comments/Opposing Views:**

As with the USD LIBOR Transition carried out by CME in 2023, the conversion of cleared CAD CDOR Swaps by the amendment of cleared trades into corresponding CORRA OIS by CCPs is seen by market participants as a critical element in the overall process of ensuring an orderly and efficient transition from CAD CDOR in derivatives markets.

In CME’s engagement with market participants in relation to IBOR transition during 2022 and 2023, market participants expressed a clear preference for CME to implement a modified approach to the bilateral ISDA fallbacks for IBOR swaps. In the case of CAD CDOR transition, market participants have requested that CME should follow the approach adopted for the USD LIBOR Transition, utilizing the ISDA Spread Adjustment and ISDA Fallback Pricing Methodology to support a CCP-led and compensated conversion of cleared CAD CDOR swaps into corresponding standardized CORRA swaps, accounting for the ISDA Spread Adjustment on the floating leg of the replacement swap, a short period ahead of the Index Cessation Effective Date, rather than rely fully on the ISDA-derived contractual fallbacks that would otherwise apply under the CME Rules on the Index Cessation Effective Date.

The industry consensus communicated to CME by market participants indicates that the significant majority of cleared market participants prefer such an “early” and CCP-led conversion of cleared CAD CDOR Swaps into standardized successor CORRA swaps (accounting for the ISDA Spread Adjustment as part of the conversion process) as it has certain advantages for market participants over full reliance on the ISDA-derived contractual fallbacks. In particular, market participants noted that application of the ISDA contractual fallbacks without modification would give rise to resulting positions that would not be on the same terms, and not fungible with, standardized cleared CORRA swaps. This could create difficulties for participants wishing to unwind non-standardized resulting CORRA swap contracts; to do so, market participants would need to execute and book additional non-standard swaps in an uncertain liquidity environment. During CME’s industry engagement processes, market participants have informed CME that the CCP-led conversion of CAD CDOR swap exposures into market standard CORRA OIS (whilst

accounting for the relevant ISDA Spread Adjustment on the conversion) ensures sufficient alignment with the ISDA contractual fallbacks approach in bilateral uncleared swaps but also benefits the marketplace by:

- Creating a single transparent liquidity pool for trading CORRA OIS;
- Providing participants certainty that “legacy” and “new” contracts would be fungible with one another upon transition to the CORRA fallback; and
- Supporting market standard CORRA OIS that are themselves widely supported by market participants and market infrastructure, thereby removing the need to operationally support the “Observation Period Shift” (within the meaning of the ISDA 2021 Definitions) concept that operates under the ISDA IBOR Fallbacks.<sup>47</sup>

As with the USD LIBOR Transition in 2023, market participants, industry groups and regulators recognize these benefits of a CCP-led conversion and CME’s proposed approach has been well publicized and understood, as demonstrated by the successful USD LIBOR transitions led by CME and other major CCPs in 2023.

In addition, in providing their support for CCP-led conversion, market participants have indicated that an “early” transition of CAD CDOR swaps to CORRA OIS can and should be scheduled before the June 2024 time period to ease potential operational congestion for cash and derivatives market participants and CCPs given the scheduled transition for bilateral uncleared derivatives markets around the Index Cessation Effective Date.

Given the feedback from market participants, CME has determined to convert CAD CDOR Swaps to corresponding CORRA OIS ahead of the Index Cessation Effective Date.

CME has consulted with a diverse cross-section of market participants to obtain feedback on the operational processes for the CAD CDOR Transition. As noted above, the proposed processes are substantively similar to the approach adopted by CME in 2023 to effect the USD LIBOR Transition, in relation to which CME had conducted extensive outreach and engagement in 2022 and 2023. As part of ongoing discussions with market participants on the proposals for the CAD CDOR Conversion, in December 2023 and January 2024, CME shared public details of the proposals to effect an “early” and “CCP-led” transition away from CAD CDOR ahead of the Index Cessation Effective Date<sup>48</sup>. The final proposal was published by CME in January 2024, which includes a detailed operational methodology presentation providing full operational level detail on the processes that CME will follow to implement the transition.<sup>49</sup>

Following the successful USD LIBOR Transition in 2023, market participants are familiar with CME’s approach and methodology implementing changes to the reference terms of IRS contracts and operational processes to effect cash compensation to reflect valuation changes having been tested in both test and production environments.

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<sup>47</sup> The methodology for conversion utilized by CME will account for the payment lag arising from conversion into a standardized RFR swap.

<sup>48</sup> See: <https://www.cmegroup.com/articles/2023/proposal-for-cme-group-cleared-cad-cdor-interest-rate-swaps.html>

<sup>49</sup> See: <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>

During the consultation process, there were no substantive opposing views raised by market participants with respect to the proposals for the CAD CDOR Transition as set out in the text of the Advisory Notice.

The Clearing House IRS Risk Committee reviewed the CAD CDOR Transition proposal in the April 2024 meeting of the IRS Risk Committee and no objections were raised to the Conversion proposals.<sup>50</sup>

CME is not aware of any other substantive opposing views with respect to the CAD CDOR Transition or the text of the Advisory Notice.

CME recognizes that the CAD CDOR Transition and each relevant Conversion will have an impact on market participants holding open positions in CAD CDOR Swaps. As a result, as part of the preparations for the CAD CDOR Transition, CME will provide market participants with information, reporting tools and operational “dress rehearsals” to promote operational readiness and to ensure that CME clearing members and their customers understand the processes of the transition and are operationally ready for the relevant Conversion Dates.<sup>51</sup> CME has conducted dress rehearsals for clearing member testing on the following dates:<sup>52</sup>

- March 8, 2024 – Primary Conversion dress rehearsal
- April 5, 2024 – Secondary Conversion dress rehearsal<sup>53</sup>

The initial publication by CME Clearing of “indicative analysis reports” to illustrate example Cash Adjustment amounts for test portfolios on any conversion day commenced on February 26, 2024 and will be available for both clearing members and clients until July 2, 2024.

#### **4. Derivatives Clearing Organization Core Principles (“DCO Core Principles”) Analysis in Connection with the CAD CDOR Transition and Advisory Notices**

CME reviewed the DCO Core Principles as set forth in the CEA. During the review, CME identified the following DCO Core Principles as potentially being impacted:

DCO Core Principle D – Risk Management: Following extensive market consultation, the implementation of the CAD CDOR Transition via the Advisory Notice has been designed to be straightforward from an operational processing perspective.

The CAD CDOR Transition ensures that each resulting conversion swap will retain the key economic terms of the corresponding original CAD CDOR Swap to the extent practicable, in accordance with CME’s

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<sup>50</sup> CME will effect the Rule amendments under the authority of CME under Chapter 2 (Government) of the CME Rulebook which provides (at Rule 230.(j)) that the CME Board of Directors shall “make and amend the Rules; provided the Board may also delegate authority to make and amend the rules as it deems appropriate.”

<sup>51</sup> Following the second dress rehearsal, from April 8, 2024, for CAD CDOR Swaps cleared in New Release, CME will run a daily conversion cycle in the New Release environment to establish resulting swaps in the New Release environment. See: <https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2024/04/Chadv24-095.pdf>

<sup>52</sup> See: <https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2024/03/Chadv24-072.pdf>

<sup>53</sup> See: <https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2024/04/Chadv24-095.pdf>

published methodology, and shall include the relevant ISDA Spread Adjustment. Further, pricing the original CAD CDOR Swaps under the ISDA Fallback Pricing Methodology to compute the Cash Adjustment ensures that the CAD CDOR Swap value is fair and is not subject to market manipulation. As a result, differences in projected cash flow amounts are reduced which ensures the Conversion will result in a minimal change in risk exposure for a position holder of an original CAD CDOR Swap.

Based on extensive outreach to customers, CME understands that market participants support this approach and its close alignment with the approach of other CCPs.

DCO Core Principle L – Public Information: The implementation of the CAD CDOR Transition via the Advisory Notices and the operational elements of the conversions will affect market participants holding CAD CDOR swaps. A summary of the CAD CDOR Transition was provided to market participants and made publicly available as part of a public consultation process that ended in January 2024.<sup>54</sup> CME has taken appropriate steps to provide market participants with sufficient information to enable those market participants to identify and evaluate effectively the risk associated with holding positions in CAD CDOR Swaps at the time of the relevant Conversions and thereafter. The operational workflows and legal basis for the CAD CDOR Transition have been made publicly available. As noted above, as part of the preparations for the CAD CDOR Transition, CME will provide market participants with a number of operational “Dress Rehearsal” testing environments for the relevant Conversion processes, to simulate the processes for the relevant Conversion Date.

CME will report the operational processes relating to the CAD CDOR Transition in accordance with Part 45 of the CFTC’s Regulations, as described above.

DCO Core Principle N – Antitrust Considerations: The CAD CDOR Transition will not result in any unreasonable restraint of trade or impose any material anticompetitive burden. The CAD CDOR Transition reflects a critical step in an industry-wide initiative to transition interest rate swaps and other products away from CAD CDOR, in line with the objectives of market participants and industry working groups, which is widely supported by market participants as promoting the orderly transition away from CAD CDOR. CME has engaged with market participants to obtain feedback on the processes for the CAD CDOR Transition and has not received any comments regarding antitrust/fair competition concerns. The absence of such concerns is expected, given that it is well-established that the transition away from IBORs to alternative reference rates that are supported by a sufficiently liquid market was initiated and strongly encouraged by government authorities in the United States and in Canada. The transparent process that has followed make clear that the approach to implementation of fallbacks for IBORs, including CAD CDOR, is designed to mitigate risks to financial stability identified by regulators and not to harm competition.

The modifications to the CME Rulebook to effect the CAD CDOR Conversion will be implemented via Advisory Notice published by the Clearing House setting out the terms of the CAD CDOR Transition, in the form set out in Exhibit 1 (the “CAD CDOR Conversion Advisory Notice”). The CAD CDOR Conversion Advisory Notice will be binding on all position holders and Clearing Members and shall be effective on May 17, 2024 and thereafter. The list of IRS Rate Options in CME Rule 90102.E.1. (Interest Rate Swaps Rate

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<sup>54</sup> See CME publication “CME Conversion for CAD CDOR Cleared Swaps, January 2024, accessible at <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>



Options) in Chapter 901 (“Interest Rate Swaps Contract Terms”) of the CME Rulebook will be updated accordingly from close of business on May 17, 2024.

Pursuant to Section 5c(c)(1) of the CEA and CFTC Regulation 40.6(a), CME certifies that the Rule Amendments in the form of the Clearing Advisory in Exhibit 1 comply with the CEA and the regulations thereunder.

CME certifies that this submission has been concurrently posted on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (312) 466 7478 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Timothy Elliott  
Managing Director & Chief Regulatory Counsel

Attachments: Exhibit 1 –CME Clearing Advisory Notice – CAD CDOR Conversion  
Exhibit 2 – Amendments to CME Chapter 901 (blackline format)  
Exhibit 3 – CME Methodology for CAD CDOR Transition

## Exhibit 1 CME Clearing Advisory Notice



TO: Clearing Member Firms  
Back Office Managers

DATE: [ ], 2024

FROM: CME Clearing

NOTICE #: 24-[ ]

SUBJECT: **Modification of Cleared Over-the-Counter (“OTC”) Canadian Dollar (“CAD”) Denominated Interest Rate Swap Products Referencing the Canadian Dollar Offered Rate (“CDOR”) and Limitation of Acceptance for Clearing**

### **Background**

On May 16, 2022 Refinitiv Benchmark Services (UK) Limited (“RBSL”), the administrator of CDOR, announced that it would cease the calculation and publication of all remaining tenors of CDOR immediately following final publication on Friday June 28, 2024 (the “CDOR Cessation Date”) (the “RBSL Announcement”).<sup>1</sup>

In response to the RBSL Announcement, on May 16, 2022, the International Swaps and Derivatives Association, Inc. (“ISDA”) published a statement confirming that the RBSL Announcement constitutes an Index Cessation Event under the ISDA 2020 IBOR Fallbacks Supplement, the 2021 ISDA Interest Rate Derivatives Definitions and the ISDA 2020 IBOR Fallbacks Protocol in respect of all remaining CAD CDOR settings referenced in derivative contracts incorporating the relevant ISDA terms. ISDA further confirmed that, as a result, the fallback ISDA Spread Adjustment (which determines the Fallback Rate of a CAD CDOR swap as defined under the ISDA contractual documentation) published by Bloomberg Index Services Limited (“BISL”) was fixed as of the date of the announcement for such contracts.<sup>2</sup>

The ISDA contractual fallbacks for uncleared derivatives provide that CAD CDOR swaps will be amended to reference the relevant Fallback Rate forms of the Canadian Overnight Repo Rate Average rate (“CORRA”) incorporating the fixed ISDA Spread Adjustment on the first Toronto business day immediately following the CDOR Cessation Date (July 2, 2024, the “Index Cessation Effective Date” within the meaning of the ISDA contractual fallbacks).

In response to the RBSL Announcement and the related ISDA statement, Bloomberg issued a Technical Notice confirming that May 16, 2022 was the “Spread Adjustment Fixing Date” for all CDOR tenors (other than the 6-month and 12-month tenors that were previously fixed on November 12, 2020) and Bloomberg

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<sup>1</sup> RBSL Announcement available at: [https://www.lseg.com/content/dam/ftse-russell/en\\_us/documents/announcement/cdor-cessation-notice.pdf](https://www.lseg.com/content/dam/ftse-russell/en_us/documents/announcement/cdor-cessation-notice.pdf) and [https://www.lseg.com/content/dam/ftse-russell/en\\_us/documents/consultation/cdor-outcome-statement.pdf](https://www.lseg.com/content/dam/ftse-russell/en_us/documents/consultation/cdor-outcome-statement.pdf)

<sup>2</sup> ISDA statements available at: <https://www.isda.org/2022/05/16/isda-statement-on-rbsl-cdor-announcement/> and <https://assets.isda.org/media/6f355af1/2207a41a-pdf/>

published the fixed Spread Adjustment for CAD 3M CDOR of 0.32138% (the “Spread Adjustment”), as well as other relevant spread adjustment rates.<sup>3</sup>

As a result of the RBSL Announcement, given that CAD CDOR will cease to be published after June 28, 2024, market participants are required to put in place appropriate mechanisms to implement a transition from CAD CDOR to successor rates.

CME cleared CAD CDOR IRS Contracts (the “Affected CAD CDOR Swaps”) currently incorporate the ISDA “fallback” provisions to provide for contractual fallback to the spread and term adjusted CORRA rate on an Index Cessation Effective Date.<sup>4</sup> However, following industry consultation and the successful implementation of previous IBOR conversion processes effected by CME, rather than rely on existing contractual fallbacks in CME Rule 90102.H. (“Application of Permanent Cessation Fallbacks”) for CAD CDOR IRS on the “Index Cessation Effective Date”, CME will, subject to regulatory review:

- undertake a series of CCP-led conversions of CAD CDOR swaps into:
  - corresponding standardized CORRA overnight index swaps (“OIS”) accounting for the ISDA Spread Adjustment on the floating leg of such OIS (each resulting swap, a “Forward Starting CORRA OIS”); and
  - where applicable, corresponding short-dated CME cleared CAD CDOR IRS (“Short Dated CAD CDOR Swap) to account for remaining floating and fixed coupons under the original CAD CDOR swap),

with a cash adjustment mechanism to compensate for any resulting change in valuation and accounting for the ISDA Spread Adjustment; and

- following the relevant “Index Cessation Effective Date,” provide a limited clearing service in respect of CAD CDOR Swaps in order to continue to support clearing of any CAD CDOR Swap that is spot or forward starting and results from the exercise of a bilateral (uncleared) Swaption contract exercise after the Index Cessation Effective Date. CME will subject any eligible swaps accepted for clearing after the Index Cessation Effective Date to a similar conversion process on the day of acceptance of such swap for clearing,

(such processes, together, the “CAD CDOR Transition”). Eligible Affected CAD CDOR Swaps will be subject to conversion following close of business on Friday, May 17, 2024 (the “Primary Conversion Date”).<sup>5</sup> CAD CDOR IRS submitted for clearing after close of business on the Primary Conversion Date but before close of business on July 2, 2024, shall be subject to conversion following close of business on July 2, 2024 (the “Secondary Conversion Date”).

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<sup>3</sup> See Bloomberg Technical Notice, available at [https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks\\_CDOR\\_Cessation\\_Technical-Note\\_220516.pdf](https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks_CDOR_Cessation_Technical-Note_220516.pdf)

<sup>4</sup> In January 2021, CME implemented certain changes to the CME Rulebook to incorporate “fallback” provisions into CME cleared IRS to provide for contractual fallback to a relevant alternative spread and term adjusted RFR on the permanent discontinuation or “non-representativeness” of certain key IBORs, including GBP, CHF and JPY LIBORs. See <https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2021/01/Chadv21-039.pdf>. In October 2021, concurrently with the implementation by ISDA of the 2021 ISDA Definitions, by way of amendment to the CME Rules and as set out in Clearing Advisory 21-335, CME revoked Clearing Advisory 21-039 and confirmed the incorporation into the CME Rules of the contractual fallback triggers and fallback provisions contained within the 2021 ISDA Definitions in CME Rule 90102.H (“Application of Permanent Cessation Fallbacks”), replacing those substantially equivalent provisions contained in the ISDA IBOR Fallbacks Supplement and subsequent additional supplements by ISDA.

<sup>5</sup> CME proposes to reserve the right in limited circumstances to amend the Primary Conversion Date in its sole and absolute discretion, for example where implementation of the conversion process on a previously communicated date could result in an unacceptable level of operational or market disruption or where financial stability issues could threaten the orderly transition.

The conversion processes that form the CAD CDOR Transition have been determined by CME based on extensive discussions with market participants and are designed to ensure alignment with wider industry initiatives for transition of cleared CAD CDOR IRS products.

This Clearing Advisory sets out the terms of the CAD CDOR Transition and shall be binding on Clearing Members and position holders of CME cleared IRS Contracts in Affected CAD CDOR Swaps from close of business on May 17, 2024.

### **Summary of Conversion Process**

Subject to regulatory review, CME will transition CME cleared CAD CDOR Swaps by converting each Affected CAD CDOR Swap on the relevant Conversion Date determined by CME and specified in the table below by category of cleared contract (and thereafter on a daily basis for a limited category of contracts), utilizing in each case a mandatory conversion process, as summarized below:

Date	Conversion Date	CME cleared swaps subject to Conversion on date	Output of Conversion
May 17, 2024	Primary Conversion Date	<p>CAD CDOR IRS that contain fixing dates beyond June 28, 2024*.</p> <p>*Any CAD CDOR IRS that is in its final floating period where the last fixing is before COB June 28, 2024 but not settled, will be left to mature and will not undergo conversion.</p>	<p>For Seasoned Swaps:</p> <ul style="list-style-type: none"> <li>Short-dated CAD CDOR Swap accounting for all remaining unsettled CAD CDOR fixings published prior to the Index Cessation Effective Date in respect of the original CAD CDOR Swap; and</li> <li>Forward Starting CORRA OIS with start date of the maturity date of Short-Dated CAD CDOR Swap</li> <li>Fixed cash flows and compounded cash flows on the replacement swaps may not match the original CDOR Swap in some cases (see examples)</li> </ul> <p>For Compounding Swaps, CME will take into account the CDOR fixings of seasoned compounding swaps:</p> <ul style="list-style-type: none"> <li>Short-dated CAD CDOR Swap to settle the remaining CDOR fixings to be published prior to the Index Cessation Effective Date and corresponding fixed accruals in respect of the original CAD CDOR Swap; and</li> <li>Forward Starting CORRA OIS with start date of the next floating coupon period and the daily compounded rate will be applied to all future floating periods</li> <li>Fixed and float cash flow dates on the Short Dated CAD CDOR Swap may not match the original CDOR Swap. Initial stubs may be included on the CORRA OIS to settle CDOR compounding periods in the period following the Index Cessation Effective Date</li> </ul> <p>For Forward Starting Swaps with an effective date after the Index Cessation Effective Date:</p> <p>Forward Starting CORRA OIS with effective/maturity dates and fixed leg economic terms (excluding payment offset) of original CAD CDOR Swap</p> <ul style="list-style-type: none"> <li>Single compensation fee is included and paid the following Toronto business day</li> <li>1-day payment offset is added to both legs of the CORRA OIS, consistent with market standard OIS conventions</li> </ul>
July 2, 2024	Secondary Conversion Date	CAD CDOR IRS that contain fixing dates beyond June 28, 2024 and that were submitted for clearing after COB on the Primary Conversion Date and before COB on the Secondary Conversion Date	<p>For Seasoned Swaps:</p> <ul style="list-style-type: none"> <li>As for Primary Conversion</li> </ul> <p>For Compounding Swaps:</p> <ul style="list-style-type: none"> <li>As for Primary Conversion</li> </ul> <p>For Forward Starting Swaps with an effective date after the Index Cessation Effective Date:</p> <ul style="list-style-type: none"> <li>As for Primary Conversion</li> </ul>
Daily basis after Secondary Conversion Date	Ongoing Conversion on the date of acceptance for clearing by CME	CAD CDOR IRS that are spot or forward starting with a start date after COB on the Secondary Conversion Date, in order to support clearing and conversion of swaps that result from exercise of bilateral swaptions	<p>Forward Starting CORRA OIS with effective/maturity dates and fixed leg economic terms (excluding payment offset) of original CAD CDOR Swap</p> <ul style="list-style-type: none"> <li>Single compensation fee is included and paid the following Toronto business day</li> <li>1-day payment offset is added to both legs of the CORRA OIS, consistent with market standard OIS conventions</li> </ul>

Conversion Processes for Affected CAD CDOR Swaps on the relevant Conversion Date

CME has published its detailed methodology, including worked examples, for the relevant conversion processes (each a “Conversion”), which is provided as Exhibit 3 to CME submission [24-195] and is available on the CME website.<sup>6</sup> The relevant methodology for the conversion of each original CAD CDOR IRS is summarized below:

- each resulting CME cleared CORRA OIS arising from the Conversion process (each, a “Forward Starting CORRA OIS”) will account for the ISDA Spread Adjustment on the floating leg of the CORRA OIS, retaining the key economic terms of the original trade, subject to certain adjustments described below and determined by CME according to its published methodology;
- each resulting CME cleared short-dated CAD CDOR Swap arising from the Conversion process (each, a “Short-Dated CAD CDOR Swap”) is designed to account for any known CAD CDOR rate coupons that will be unpaid on the Index Cessation Effective Date, restating these accrual periods as Short-Dated CAD CDOR Swaps which will have economic terms as determined by CME according to its published methodology, the purpose of which is to reduce the differences in cashflow amounts for the projected cashflows;
- in order to neutralize the value transfer from the Conversion of the economic position of each original CAD CDOR Swap into each relevant Forward Starting CORRA OIS, CME will calculate a cash adjustment amount that will be based on the difference between the net present value (“NPV”) of the original CAD CDOR Swap and the combined NPV of the Forward Starting CORRA OIS and any Short-Dated CAD CDOR Swap on the relevant Conversion Date. The Cash Adjustment for each Forward Starting CORRA OIS will be equal and opposite to the change in NPV calculated by CME, and therefore may be a positive or negative amount depending on the position (the “Cash Adjustment”).<sup>7</sup> The Cash Adjustment amount will be applied by CME in the form of upfront “fees” on each resulting cleared Forward Starting CORRA OIS on the relevant Conversion Date;
- cash flows relating to the Cash Adjustment will be applied in the next end of day clearing cycle following the relevant Conversion Date;
- the Cash Adjustment will ensure that the NPV change for position holders impacted by the Conversion will be neutralized;
- in each case, any Forward Starting CORRA OIS will be cleared as a CME cleared CORRA OIS (referencing the CAD-CORRA-OIS Compound Floating Rate Option) and any Short-Dated CAD CDOR Swap will be cleared as a CAD CDOR Swap.

#### Primary Conversion Date – Conversion Processes

##### *A: CAD CDOR IRS excluded from Primary Conversion*

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<sup>6</sup> See <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>

<sup>7</sup> Where the holder of a Forward Starting CORRA OIS had benefited from a change in NPV, an upfront fee equal and opposite to that amount of change in NPV would be applied to that Forward Starting CORRA OIS and such amount would be due from the position holder at the next clearing cycle. Where the holder of a Forward Starting CORRA OIS experiences a negative change in NPV, an upfront fee equal and opposite to that amount of change in NPV would be applied to the Forward Starting CORRA OIS and such amount would be due to the position holder at the next clearing cycle. The net cash flow position for all participants is neutral. The net cash flow position for the Clearing House is neutral.



The following CME cleared CAD CDOR IRS open on the Primary Conversion Date are excluded from the conversion process on the Primary Conversion Date:

- (i) CAD CDOR Swaps that mature on or before the Primary Conversion Date;
- (ii) CAD CDOR IRS where the last CAD CDOR fixing date is on or before June 28, 2024, but which do not settle prior to June 28, 2024.

*B: Conversion of Seasoned and Compounding CAD CDOR Swaps on the Primary Conversion Date*

CME will convert each CME cleared CAD CDOR Swap open on the Primary Conversion Date that is not a Forward Starting Swap (each, a “Seasoned Swap”) into:

- (i) a corresponding standardized Forward Starting CORRA OIS, retaining the key economic terms of the original CAD CDOR Swap trade; and
- (ii) a Short-Dated CAD CDOR Swap accounting for all remaining CAD CDOR fixings in respect of the original CAD CDOR Swap that are unpaid and settle after the Primary Conversion Date,

in each case subject to certain adjustments determined by CME described above (in Adjustment Methodology), including the Cash Adjustment which shall be applied to each Forward Starting CORRA OIS, and applied according to its published methodology.

*C: Conversion of Forward Starting CAD CDOR Swaps with an effective date after the Index Cessation Effective Date on the Primary Conversion Date*

CME will convert each CME cleared CAD CDOR Swap that is a Forward Starting Swap and is open on the Primary Conversion Date into:

- a corresponding standardized Forward Starting CORRA OIS, retaining the key economic terms of the original CAD CDOR Swap trade,

in each case subject to certain adjustments determined by CME described above (in Adjustment Methodology), including the Cash Adjustment which shall be applied to each Forward Starting CORRA OIS, and applied according to its published methodology set out in Exhibit 3 to CME Submission [24-195].

*D: Characteristics of each resulting Forward Starting CORRA OIS:*

Each Forward Starting CORRA OIS resulting from any Conversion process will:

- maintain the effective/maturity dates and fixed leg economic terms (excluding payment offset) of the original CAD CDOR Swap;
- include a payment offset (1D) added to both legs of the swap, consistent with market standard OIS conventions;
- include a single compensating upfront fee (the Cash Adjustment) to be paid the following Toronto business day;
- Fixed leg day counts will be defaulted to the market standard convention “Act/365.fixed”;
- Additional Payment Calendars will be defaulted to the market standard convention of Toronto (CATO). No additional calendars are carried over.

### *E: Conversion approach to Compounding Swaps*

For compounding CAD CDOR Swaps, CME will respect the remaining CAD CDOR fixings of any seasoned compounding swaps:

- if the compounding CAD CDOR Swap is Forward Starting, with an effective date after the Index Cessation Effective Date, then the swap will be converted into only a Forward Starting CORRA OIS with the original payment frequencies on both legs. The Cash Adjustment shall be applied to the Forward Starting CORRA OIS;
- for any other cases:
  - CME will book a Short-Dated CAD CDOR Swap to settle the CDOR floating and fixed accruals;
  - the resulting Forward Starting CORRA OIS will be effective at the end of the next floating coupon period and the daily compounded rate will be applied to all future floating periods;
  - Fixed and float cash flows on the Short-Dated CAD CDOR Swap may not match the original CAD CDOR Swap.

### *E: Conversion approach to Swap Stub Periods*

Stub periods require special processing when converting CAD CDOR Swaps as there are different methods used to specify the original Floating Rate Option.

- Short-dated CDOR Swaps: CME will carry over the stub type, period start, and period end dates. Stub periods will reference the 3M CDOR index.
- CORRA OIS: Forward starting stub periods will maintain the period start and end dates with a daily compounded overnight rate. The compounding method is the same as a standard period. Fallback spreads apply to stub periods.

## Secondary Conversion Date – Conversion Processes

### *A: CAD CDOR IRS excluded from Secondary Conversion*

The following CME cleared CAD CDOR IRS open on the Secondary Conversion Date are excluded from the conversion process on the Secondary Conversion Date:

- (i) CAD CDOR Swaps that mature on or before the Secondary Conversion Date;
- (ii) CAD CDOR IRS where the last CAD CDOR fixing date is on or before June 28, 2024, but which do not settle prior to June 28, 2024; and
- (iii) Short-Dated CAD CDOR Swaps arising from the Primary Conversion.

### *B: Conversion of CAD CDOR Swaps submitted prior to the Secondary Conversion Date*

With respect to any CAD CDOR Swap submitted for clearing after COB on the Primary Conversion Date but before COB on the Secondary Conversion Date (including Swaps that result from the exercise of a bilateral (uncleared) Swaption contract exercise ), at close of business on the Secondary Conversion Date CME will convert such CAD CDOR Swaps utilizing the applicable process applied by CME to relevant CAD CDOR Swaps on the Primary Conversion Date, as described above.

### Limitation of Clearing Support for CAD CDOR Swaps after Secondary Conversion Date and Daily Conversion Process

From COB on the Secondary Conversion Date, except for the limited exception noted below, CME will cease to accept the relevant CAD CDOR Swaps for clearing.

Until further notice by CME to market participants, in order to continue to support clearing of any spot or forward starting CAD CDOR Swap that results from the exercise of a bilateral (uncleared) Swaption contract exercise after the Secondary Conversion Date, CME will accept for clearing any spot or forward settled CAD CDOR Swap that is submitted to CME for clearing following COB on the Secondary Conversion Date where the start date of such swap is on or after such date. At COB on the date of acceptance for clearing, CME will convert such CAD CDOR Swap contract utilizing the process applied by CME to forward starting CAD CDOR Swaps on the Primary Conversion Date, as described above.<sup>8</sup>

The CAD CDOR Conversion is a mandatory process and the terms set out in this Clearing Advisory will apply to all cleared trades in CAD CDOR Swaps from May 17, 2024, subject to regulatory review.

### Amendment to Primary Conversion Date in Limited Circumstances

CME will reserve the right to amend the proposed Primary Conversion Date in its sole and absolute discretion prior to the Primary Conversion in limited circumstances, for example, where implementation of the conversion process on the previously communicated date could, in the opinion of the Clearing House, result in an unacceptable level of operational or market disruption or where financial stability issues could threaten the orderly transition. In such circumstances, CME would communicate the amended Primary Conversion Date to market participants as soon as practicable upon making such determination.<sup>9</sup>

### Cash Adjustment Amount Calculation and Processing

#### *Calculation of Cash Adjustment Amount*

The Cash Adjustment amount is necessary to account for the difference in valuation between the original CAD CDOR Swap and the combined valuation of the resulting CORRA OIS and any related Short-Dated CAD CDOR Swap on the relevant Conversion Date. The difference in the NPV of each original CAD CDOR Swap and the corresponding replacement swaps on the relevant Conversion Date represents a gain or loss to the relevant position holder in each case. In order to neutralize the transfer in value between position holders arising from the transition, CME will apply a Cash Adjustment amount equal and opposite to the change in NPV resulting from the transition to each resulting CORRA OIS.

The Cash Adjustment amount will be calculated by CME on each relevant Conversion Date as follows (the "Conversion Calculation"):

- On or shortly after COB on the relevant Conversion Date, the Clearing House will conduct a standard valuation calculation during the end of day clearing cycle, to determine the NPV

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<sup>8</sup> CME will convert the relevant CAD CDOR Swap into a CORRA OIS. There is no resulting Short-Dated CAD CDOR Swap.

<sup>9</sup> CME Clearing has identified a provisional contingency fallback date of June 7, 2024, in the event that the May 17, 2024, date for the Primary Conversion is determined to be unsuitable as the date of Primary Conversion.

- for each relevant original CAD CDOR Swap subject to the relevant Conversion process on that date, calculated utilizing CME's closing curve marks on the relevant Conversion Date for each position account and the ISDA Fallback Pricing Methodology.
- Upon establishment of each CORRA OIS and any Short-Dated CAD CDOR Swap within the clearing system, on or shortly after COB on the relevant Conversion Date, the Clearing House will conduct an additional calculation to determine the NPV for each CORRA OIS and any Short-Dated CAD CDOR Swap calculated utilizing CME's closing curve marks on the relevant Conversion Date for each position account.
  - Note that the determination of the NPV of the original CAD CDOR Swap and the CORRA OIS and any Short-Dated CAD CDOR Swap will be calculated on an "adjusted" basis, where the adjusted NPV in each case is the NPV less the present value of any fee or coupon payment due to bank on the following Business Day.
  - The difference between the two NPV calculations for each original CAD CDOR Swap and the corresponding replacement swap(s) represents the change in NPV arising from the conversion of the reference rate exposure of that position from the CAD CDOR rate to CORRA.

The relevant Cash Adjustment amount to be applied to each resulting CORRA OIS in each position account shall be equal and opposite to the relevant change in NPV calculated by CME in the Conversion Calculation. As the Cash Adjustment for each CORRA OIS will be equal and opposite to the change in NPV calculated by CME, it may be a positive or negative amount depending on the position.

#### *Payment of Cash Adjustment Amount*

Where the holder of a resulting CORRA OIS had benefited from a change in NPV, i.e., where the resulting swap(s) NPV is greater than the corresponding original CAD CDOR Swap NPV, the Cash Adjustment will be a negative amount equal to that change in NPV. The Cash Adjustment amount will be applied to the resulting CORRA OIS as an upfront fee which will be due and paid from the position holder (to the Clearing House as central counterparty and other party to the cleared trade), at the next clearing cycle following the relevant Conversion Date, during which cycle settlement variation for positions in the CORRA OIS will be determined and outstanding exposures and payments netted and settled in accordance with CME Rule 814 ("Settlements, Settlement Variation Payment, and Option Value"). Accordingly, where the holder of a resulting CORRA OIS experiences a negative change in NPV, the Cash Adjustment will be a positive amount and will be applied to the CORRA OIS as an upfront fee which will be due and paid to the position holder (from the Clearing House, as central counterparty and other party to the cleared trade).

Given that the change in NPV calculated by the Conversion Calculation is offset exactly by the Cash Adjustment amount, indicated by the figure in the "Net Cash Flow" column in the examples in the examples below, the net cash flow with respect to the NPV change is zero on both a per account basis and an overall product basis for the Clearing House.

The Cash Adjustment process is a mandatory process that will apply in respect of cleared trades in affected CAD CDOR Swaps in scope of the relevant Conversion process on the relevant Conversion Date.

#### *Cash Adjustment Examples*

The example below demonstrates the operational processing of a Conversion for a hypothetical CAD CDOR Swap and the corresponding Cash Adjustment processes, reflecting the operational characterization of the process as a "termination" of the original CAD CDOR Swap and establishment of a "new" Forward

Starting CORRA OIS and corresponding Short-Dated CAD CDOR Swap. As noted above, in legal terms, the Conversion is treated as an amendment of the terms of the relevant cleared trade.

As of COB on Friday, May 17, 2024

	Value Date	Cleared Trade ID	Floating Rate Option	Status	NPV	NPV Adj.*	Previous NPV Adj.	Variation Margin	Upfront Payment	Fee Type	Payment Date	Net Cash Flow
Original CAD CDOR Swap	05/17/2024	144223	CAD-CDOR	TERMINATED	0	0	18,000.00	-18,000.00	-	-	-	-18,000.00
Short-Dated CAD CDOR Swap	05/17/2024	126466	CAD-CDOR	CLEARED	5,000.00	5,000.00	0	5,000.00	-	-	-	5,000
Forward Starting CORRA OIS	05/17/2024	126467	CAD-CORRA-OIS Compound	CLEARED	14,000.00	13,000.00	0	13,000.00	1,000.00	UPFRONT_FEE	05/21/2024	14,000.00

\* NPV Adj. reflects the value of the swap removing any fee payments to be made the following business day. In the event of multiple replacement swaps, all Adjusted NPVs are added to calculate the Cash Adjustment.

#### Cash Adjustment Calculation Example\*

Original CAD CDOR Swap Valuation NPV Adj. as at COB May 17, 2024 = 19,000.00 (shown as zero above since swap has terminated in conversion, from an operational perspective)

Forward Starting CORRA OIS Valuation + Short-Dated CAD CDOR Swap Valuation (NPV Adj. as at 05/17/2024) = 5,000.00 + 13,000.00 = 18,000.00

PnL Change = (13,000.00 + 5,000.00) – 19,000.00 = - 1,000.00

Cash Adjustment = Change in Adjusted NPV = 1,000.00

\* Note: In this example, the Cash Adjustment offsets the gain of 1,000.00 between the Original CAD CDOR Swap and the combined valuation of the Forward Starting CORRA OIS and the Short-Dated CAD CDOR Swap

#### Resulting swaps as of COB on Next Value Date – Variation Margin example

Value Date	Cleared Trade ID	Floating Rate Index	Status	NPV	NPV Adj.	Previous NPV Adj.	Variation Margin	Upfront Payment	Fee Type	Payment Date	Net Cash Flow
05/21/2024	126466	CAD CDOR	CLEARED	5,500.00	5,500.00	5,000.00	500.00	-	-	-	500.00
05/21/2024	126467	CAD-CDOR-OIS Compound	CLEARED	13,500.00	13,500.00	13,000.00	500.00	-	-	-	500.00

#### Calculation Breakdown (05/21/2024)

Original CAD CDOR Swap VM = NPV Adj. – Previous NPV Adj.  
= 0 - 18,000.00 = -18,000.00

PnL Change = NPV Adj. (Forward Starting CORRA OIS) + NPV Adj. (Short Dated CAD CDOR swap) – NPV Adj. Original CAD CDOR Swap

= (13,000.00 + 5,000.00) – 19,000.00 = - 1,000.00

Cash Adjustment Amount = (NPV Adj. of Original CAD CDOR Swap – NPV Adj. of Forward Starting CORRA OIS + NPV Adj. (Short Dated CAD CDOR swap)

= 19,000.00 – (5,000.00 + 13,000.00) = 1,000.00

NPV Adj. (Forward Starting CORRA OIS) = NPV – Upfront Payment

= 14,000.00 – (1,000.00) = 13,000.00

CME's approach to "compensation" arising from change in NPV through the Cash Adjustment process is widely supported by market participants. The process has been discussed with Clearing Members and their customers and is understood to be consistent with the needs and expectations of market participants, and consistent with wider industry initiatives.

Clearing of swaps arising from Conversion processes

Each resulting swap will be cleared by CME in accordance with the CME Rules.

From the completion of the end of day clearing cycle on the relevant Conversion Date, each resulting swap will for the remaining lifecycle of the relevant cleared trade be subject to valuation and settlement variation (as defined in the CME Rules) for each clearing cycle following the relevant Conversion Date.

**Fees for CAD CDOR Transition Conversion Process**

CME will apply a transaction fee per line item for conversion of any CME cleared interest rate swaps that reference CAD CDOR (a "Conversion Fee"). In each case the Conversion Fee for Clearing Member House positions shall be a fee of \$10 and the Conversion Fee for Customer positions shall be a fee of \$50 which shall be applied by the Clearing House per line item subject to the relevant Conversion and shall apply on the resulting Forward Starting CORRA OIS transactions.<sup>10</sup>

Fee Type	Trade Types	Products	Source, Terminate Reason (TR), Create Reason (CR)	HOUSE FM / NONFM	CUSTOMER Standard Client Schedule
CORRA Conversion Fee	All	All	CR = Index Conversion	\$10 per line item*	\$50 per line item*

\*This fee will be charged on the resulting CORRA referencing trades except for Short-Dated CAD CDOR Swaps (or the terminated CAD CDOR swaps) which will not be charged.

For bilateral swaption exercises that result in a Forward Starting CORRA OIS under the legacy index reference rate, CME will conduct a daily conversion of such trades to CORRA OIS and will apply a charge of \$10 (for House positions) and \$50 (for Customer positions) per converted trade to the position and to which new trade clearing fees apply.

CME will apply a Conversion Fee of \$10 for each House Forward Starting CORRA OIS and a Conversion Fee of \$50 for each Customer Forward Starting CORRA OIS that is established as a result of the relevant Conversion process in each case.

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<sup>10</sup> The Conversion Fee shall not apply to: Short-Dated CAD CDOR Swaps resulting from the Conversion process or to the termination of CAD CDOR Swaps. For bilateral swaption exercises that result in a cleared swap under the legacy IBOR index, a Conversion Fee corresponding to the appropriate account type per converted trade will be applied to the position in addition to the new trade clearing fees.

## **Rationale for CAD CDOR Transition Process**

The CCP-led conversion of cleared CAD CDOR Swaps by the amendment of cleared trades into corresponding standardized CORRA OIS is seen by market participants as a critical element in the overall process of ensuring an orderly and efficient transition from CAD CDOR rates in derivatives markets, with a similar rationale and process to the relevant IBOR conversions performed to date by CME and other CCPs.

In CME's engagement with market participants in relation to the proposals for the CAD CDOR transition in 2023 / early 2024, market participants expressed a clear preference for CME to implement a modified approach to fallbacks similar to that adopted for the USD LIBOR OTC IRS transition in June 2023 (and in certain other previous CCP-led IBOR transitions) rather than to fully operationalize the relevant ISDA-derived fallbacks in CME Rule 90102.H (Application of Permanent Cessation Fallbacks). On this basis, CME proposes to disapply Rule 90102.H in relation to relevant CAD CDOR IRS and instead to utilize the ISDA Spread Adjustment and ISDA Fallback Pricing Methodology to impose a mandatory conversion of cleared CAD CDOR swaps into corresponding standardized CAD CORRA OIS (and, where applicable, short-dated CDOR swap to account for remaining CDOR fixings), accounting for the relevant ISDA Spread Adjustment on the floating leg of the replacement OIS, a short period ahead of the "Index Cessation Effective Date".

The industry consensus communicated to CME by market participants indicates that the significant majority of cleared market participants prefer such an "early" and CCP-led conversion of cleared CAD CDOR Swaps into standardized CORRA OIS swaps as it has certain advantages for market participants over full reliance on the ISDA-derived contractual fallbacks. In particular, market participants noted that application of the ISDA contractual fallbacks without modification would give rise to resulting positions that would not be on the same terms as, and therefore not directly fungible with, standardized cleared CORRA OIS. This could create difficulties for participants wishing to unwind non-standardized resulting CORRA swap contracts; in order to do so, firms would need to execute and book additional non-standard swaps in an uncertain liquidity environment. During CME's industry engagement processes, market participants have informed CME that its proposed conversion approach benefits the marketplace by:

- creating a single transparent liquidity pool for trading CORRA OIS;
- providing participants certainty that "legacy" and "new" contracts would be fungible with one another upon transition to the CORRA fallback; and
- supporting market standard CORRA OIS that are themselves widely supported by market participants and market infrastructure, thereby removing the need to operationally support the "Observation Period Shift" (within the meaning of the ISDA 2021 Definitions) concept that operates under the ISDA IBOR Fallbacks.<sup>11</sup>

Market participants, industry groups and regulators recognize these benefits of a CCP-led conversion and CME's proposed approach has been well publicized and understood. Market participants support the relevant conversion dates selected by CME in order to ease potential operational congestion for cash and derivatives market participants and CCPs due to the scheduled cessation of CAD CDOR on June 28, 2024.

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<sup>11</sup> The methodology for conversion utilized by CME will account for the payment lag arising from conversion into a standardized CORRA OIS.



CME has consulted with a diverse cross-section of market participants to obtain feedback on the operational processes for the CAD CDOR Transition. CME undertook a public consultation on the proposals for the CAD CDOR Transition in December 2023 and also engaged directly with market participants and Clearing Member firms.<sup>12</sup> In January 2024 CME shared the final details of the proposals to effect the “CCP-led” transition away from CAD CDOR ahead of the Index Cessation Effective Date.<sup>13</sup> CME has provided market participants with the opportunity to participate in operational testing and has conducted dress rehearsals on the following dates to encourage operational readiness:<sup>14</sup>

- March 8, 2024 – Primary Conversion dress rehearsal
- April 5, 2024 – Secondary Conversion dress rehearsal<sup>15</sup>

The initial publication by CME Clearing of "indicative analysis reports" to illustrate example Cash Adjustment amounts for test portfolios on any conversion day commenced on February 26, 2024 and will be available for both clearing members and clients until July 2, 2024.

### **Legal and Operational Characterization**

In legal and contractual terms, each Conversion process will amend the terms of cleared trades in CME cleared CAD CDOR Swaps, converting the terms of each cleared trade to a standardized CME cleared CORRA interest rate swap and, where applicable, a Short-Dated CAD CDOR Swap. From an operational perspective, each relevant Conversion will be processed by CME as a “termination” of each relevant CAD CDOR Swap and the establishment of a “new” corresponding cleared trade in CORRA OIS within the clearing system, the Forward Starting CORRA OIS or corresponding CORRA swap and, where applicable, a new Short-Dated CAD CDOR Swap, as described in more detail below.

### **Operational Information**

To reflect the operational processes within the clearing system, CME will send:

- a termination message to relevant CME Clearing Members in respect of the termination of each relevant converted CAD CDOR Swap; and
- a clearing confirmation message to relevant CME Clearing Members in respect of the establishment of each new relevant Forward Starting CORRA OIS or corresponding CORRA swap and, as applicable, Short-Dated CAD CDOR Swap.

As part of the relevant Conversion process, a subset of Trade IDs from each original CAD CDOR Swap will be carried over to the relevant resulting CORRA OIS and Short-Dated CAD CDOR Swap. The CME Trade ID and USI/UTI are not carried over but, in order to identify the link between each original CAD CDOR Swap and the relevant resulting CORRA OIS and any Short-Dated CAD CDOR Swap, CME will add a replacement Trade ID and Original Trade ID respectively in the History section of the clearing confirmation messages.

### **Reporting to SDR**

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<sup>12</sup> See: <https://www.cmegroup.com/articles/2023/proposal-for-cme-group-cleared-cad-cdor-interest-rate-swaps.html>

<sup>13</sup> See: <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>

<sup>14</sup> See: <https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2024/03/Chadv24-072.pdf>

<sup>15</sup> See: <https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2024/04/Chadv24-095.pdf>

CME will report the close out of each CAD CDOR Swap and the establishment of each corresponding Forward Starting CORRA OIS, Short-Dated CAD CDOR Swap and/or other resulting CORRA swap in the account of the relevant position holder to the CME SDR under Part 45 of the CFTC's Regulations. With regard to reporting data submitted to SDR in respect of each resulting swap, CME will populate the "Prior USI" or "Prior UTI" field with the USI/UTI of the relevant original CAD CDOR Swap to reflect the nature of the Conversion process. For SDR reporting purposes, reporting rows will be generated and submitted to CME SDR terminating the USI/UTI of each original CAD CDOR Swap and CME will ensure that each resulting CORRA swap will be reported as a "New Trade."

### Trade Messaging and Reports

CME Clearing will provide the following information in relation to Affected Contracts:

- End of Day Trade Register report made available by the Clearing House only to IRS clearing members and clients via an sFTP site;
- CME OTC IRS Bookkeeping document, made available to IRS Clearing Members and their customers on request;
- FpML Confirmations for Affected Contracts and Conversion Swaps; and
- CDOR to CORRA Cash Adjustment Report made available by the Clearing House only to IRS Clearing Members and clients via an sFTP site, illustrating the NPV for each original CAD CDOR Swap and the revised NPV for each Conversion Swap and the Cash Adjustment at the trade level for each position account. This report will be available as an "Indicative Analysis Report" (IBORCONV report) in the CME Production Environment will be published until July 2, 2024. The actual Cash Adjustment amounts will be indicated in the IRS Trade Register at COB on the relevant Conversion Date.

### Implementation of CAD CDOR Conversion

This Advisory Notice sets out the binding rules and operational processes under which CME Clearing will implement each element of the CAD CDOR Conversion, including the modification and operational close out of CAD CDOR IRS Contracts and the establishment of replacement corresponding CAD CORRA standardized OIS interest rate swaps and, where applicable, Short-Dated CAD CDOR Swaps, which will be implemented by CME with respect to open cleared trades in affected CME cleared products at the relevant Conversion Date. The CAD CDOR Conversion is a mandatory process and the terms set out below in this Clearing Advisory will apply to all cleared trades in CAD CDOR Swaps from May 17, 2024, [subject to regulatory review].

Capitalized terms not defined below shall have the meaning set out in the CME Rules.

### CME Cleared Contracts Subject to the CAD CDOR Conversion and this Advisory Notice

The Conversion processes will apply to all cleared trades in CME cleared Interest Rate Swaps that:

- (i) reference CAD CDOR as the interest rate swap rate option (the "Floating Rate Option")<sup>16</sup>;
- (ii) are open at close of business ("COB") on the relevant Conversion Date; and
- (iii) do not mature on the relevant Conversion Date or are not in the final floating rate period where the last CAD CDOR fixing date is on or before June 28, 2024,

(the "Affected Contracts").<sup>17</sup>

## **Terms and Operation of Conversion Processes**

### **Primary Conversion**

1. The "Primary Conversion Date" shall be May 17, 2024 except where the Clearing House determines in its sole and absolute discretion prior to the Primary Conversion process that implementation of the conversion process on May 17, 2024, or such other previously communicated date, could:
  - (a) result in an unacceptable level of operational or market disruption, or
  - (b) threaten the orderly transition due to issues of financial stability,in which case the Clearing House shall determine an alternative date as the "Primary Conversion Date" in its sole and absolute discretion prior to the Primary Conversion and shall communicate the revised Primary Conversion Date to market participants as soon as practicable upon making such determination.
2. Except with respect to cleared CAD CDOR IRS to which paragraph 4 below applies, at or shortly after COB on the Primary Conversion Date, CME Clearing will amend the terms of each eligible cleared trade in CAD CDOR IRS that is open at COB on the Primary Conversion Date in the account of the relevant position holder (each such cleared trade, a "Pre-Conversion Swap") such that the cleared trade shall be converted into:
  - (a) a corresponding CME cleared Overnight Index Swap ("OIS") referencing the Canadian Overnight Repo Rate Average ("CORRA") interest rate benchmark, with start date matching the start of the floating period following July 2, 2024 (each, a "CORRA OIS Conversion Swap"); and
  - (b) a short-dated CAD CDOR replacement swap accounting for CAD CDOR floating period coupons on the Pre-Conversion Swap, with start and end dates matching the remaining CAD CDOR floating periods with unsettled coupons (each, a "Short-Dated CAD CDOR Swap"),(each, a "Conversion Swap"), in the position account of the relevant position holder, with the terms of each such Conversion Swap determined according to CME's published methodology.

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<sup>16</sup> CAD CDOR Swaps comprise any CME cleared IRS referencing "CAD-BA-CDOR" or "CAD-CDOR" as the Floating Rate Option.

<sup>17</sup> Note that forward rate agreements referencing CAD CDOR ("FRAs") are excluded from the scope of the CAD CDOR Conversion. CME has ceased clearing CAD CDOR FRAs with effective dates after June 28, 2024, removing FRAs from the conversion scope. CAD CDOR FRAs with effective dates on or prior to this date remain eligible for clearing. CAD CDOR IRS where the last CAD CDOR fixing date is before June 28, 2024 but which do not settle before such date are also excluded from the Conversion processes.

### Secondary Conversion

3. With respect to each cleared CAD CDOR IRS that is accepted for clearing by CME after COB on the Primary Conversion Date and prior to COB on July 2, 2024 (the "Secondary Conversion Date"), at or shortly after COB on the Secondary Conversion Date, CME Clearing will amend the terms of each such cleared trade in the account of the relevant position holder (each such cleared trade, a "Pre-Conversion Swap") such that the cleared trade shall be converted into:
  - (a) a corresponding CME cleared OIS referencing the CORRA interest rate benchmark, with start date matching the start of the floating period following July 2, 2024 (each, a "CORRA OIS Conversion Swap"); and
  - (b) a short-dated CAD CDOR replacement swap accounting for CAD CDOR floating period coupons on the Pre-Conversion Swap, with start and end dates matching the remaining CAD CDOR floating periods with unsettled coupons (each, a "Short-Dated CAD CDOR Swap"),(each, a "Conversion Swap"), in the position account of the relevant position holder, with the terms of each such Conversion Swap determined according to CME's published methodology.

### Daily Conversions after Secondary Conversion Date

4. With respect to each cleared CAD CDOR IRS that:
  - (a) has a start date on or after COB on the Secondary Conversion Date; and
  - (b) is accepted for clearing by CME after COB on or after the Secondary Conversion Date,at or shortly after COB on the date of acceptance of the trade for clearing, CME Clearing will amend the terms of each such cleared trade in CAD CDOR IRS in the account of the relevant position holder (each such cleared trade, a "Pre-Conversion Swap") such that the cleared trade shall be converted into a corresponding CME cleared CORRA OIS (a "CORRA OIS Conversion Swap") in the position account of the relevant position holder, with the terms of such CORRA OIS Conversion Swap determined according to CME's published methodology.

### Conversion Processing

5. At or shortly after COB on, as applicable:
  - (a) the Primary Conversion Date;
  - (b) the Secondary Conversion Date; or
  - (c) each Business Day following the Secondary Conversion Date on which CME accepts for clearing CAD CDOR IRS that satisfy the requirements in paragraph 4 above,(each a "Conversion Date"),

with respect to each relevant position account, CME will calculate the difference in net present value (“NPV”) at COB on such relevant Conversion Date (at closing curve levels on the relevant Conversion Date) between:

- (i) each Pre-Conversion Swap subject to Conversion on such Conversion Date; and
- (ii) the corresponding Conversion Swap(s),

(the “Conversion Calculation”).

6. CME Clearing will determine settlement variation for each Conversion Swap on the relevant Conversion Date (at closing curve levels on the relevant Conversion Date) for valuation for the end of day clearing cycle on the relevant Conversion Date.
7. At the next end of day clearing cycle following the relevant Conversion Date, for each Conversion Swap, CME Clearing will:
  - (a) apply as an upfront fee to each CORRA OIS Conversion Swap (or Conversion Swap, as applicable) an offsetting cash compensation amount that is equal and opposite to the difference in NPV between the Conversion Swap(s) and the corresponding Pre-Conversion Swap, as determined by CME Clearing during the Conversion Calculation (the “Cash Adjustment”):
    - i. where the Conversion Calculation determines that the NPV of the relevant Conversion Swap(s) is greater than the NPV of the corresponding Pre-Conversion Swap, the Cash Adjustment applied to the CORRA OIS Conversion Swap will be negative;
    - ii. where the Conversion Calculation determines that the NPV of the relevant Conversion Swap(s) is less than the NPV of the corresponding Pre-Conversion Swap, the Cash Adjustment applied to the CORRA OIS Conversion Swap will be positive; and
  - (b) settle outstanding exposures and payments from the end of day clearing cycle (including for the avoidance of doubt, settlement variation and the Cash Adjustment) in accordance with CME Rule 814. The relevant Cash Adjustment will offset the change in NPV for the relevant Conversion Swap(s) such that the net cash flow in respect of the Conversion will be zero for each cleared trade in such Affected Contract per account.
8. Following the relevant Conversion Date, each CORRA OIS Conversion Swap will be cleared by CME subject to the terms of the Rules applicable to CAD CORRA OIS.
9. CME will account for the relevant ISDA Spread Adjustment published by Bloomberg Index Services Limited (the “ISDA Spread Adjustment”) in determining the floating amount of each CORRA OIS Conversion Swap in each case in accordance with CME’s published methodology.

#### Conversion Process Fees

10. CME will apply to each resulting CORRA OIS Conversion Swap (or such other Conversion Swap, as determined by CME) a fixed conversion surcharge of:
  - (a) \$10 for each CORRA OIS Conversion Swap that is established as a result of the Conversion process in respect of each relevant Pre-Conversion Swap in Clearing Member House accounts; and
  - (b) \$50 for each CORRA OIS Conversion Swap that is established as a result of the Conversion process in respect of each relevant Pre-Conversion Swap for Customer positions, (each, the "Conversion Fee").

#### Miscellaneous Provisions

11. Except as expressly stated in this paragraph in relation to IRS Contracts falling within paragraph 4 ("Residual Swaps"), CME will not apply the Permanent Cessation Fallbacks in CME Rule 90102.H (Application of Permanent Cessation Fallbacks) in respect of any Affected Contract or position resulting from the CAD CDOR Conversion process. On acceptance for clearing of a Residual Swap on or after COB on the Secondary Conversion Date, for the purposes of clearing such Residual Swap prior to conversion, CME will amend the terms of the Residual Swap such that any reference to CAD CDOR shall be deemed to be a reference to the relevant nominated successor Fallback Rate published by Bloomberg Index Services Limited for such Residual Swap prior to conversion at COB in accordance with paragraph 4.
12. CME shall make such further amendments to the terms of Affected Contracts as it deems necessary in its sole and absolute discretion to implement the terms of this Advisory Notice.
13. The terms of this Advisory Notice and each relevant Conversion process are binding on Clearing Members and position holders in all Affected Contracts, effective May 17, 2024. To the extent that there is any conflict between the Rules and the terms of this Advisory Notice with respect to any Conversion process, this Advisory Notice shall prevail. For the purposes of this Advisory Notice, Rule 90103.A (Contract Modifications; CME Rules) shall not apply to the extent it purports to restrict modification to the terms of IRS Contracts that are the subject of this Advisory Notice.

Each Conversion process on a relevant Conversion Date is a mandatory process. Each Conversion and the relevant Cash Adjustment in each case will therefore apply to all positions in cleared trades in relevant Affected Contracts on the relevant Conversion Date, as set out in this Advisory Notice. Market participants should consider the terms and impact of each relevant Conversion as set out in this Advisory Notice and take appropriate action prior to the relevant Conversion Date. Position holders that do not wish to participate in a Conversion process must close out any positions in relevant Affected Contracts prior to the relevant Conversion Date.

#### **Limitation of Acceptance for Clearing for Affected Contracts Following Secondary Conversion Date**

From COB on the Secondary Conversion Date, with the exception of Residual Swaps that meet the relevant requirements in paragraph 4 above, after COB on the Secondary Conversion Date, CME Clearing will cease to accept for clearing trades in the Affected Contracts.

From COB on the Secondary Conversion Date, CME Clearing will continue to accept Residual Swaps that meet the requirements in paragraph 4 above. Such trades will be subject to the relevant Conversion process described above in paragraphs 4 to 9.

The list of IRS Rate Options in CME Rule 90102.E.1. (Interest Rate Swaps Rate Options) in Chapter 901 ("Interest Rate Swaps Contract Terms") of the CME Rulebook will be updated accordingly from close of business on May 17, 2024, as detailed in CME Submission [24-195].

Additional details regarding the Conversion may be viewed in **CME Submission No. [24-195]**.

Inquiries regarding the aforementioned may be directed to:

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**Exhibit 2  
CME Rulebook**

(additions underscored; deletions ~~overstruck~~)

**Chapter 901  
Interest Rate Swap Contract Terms**

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**90102. CONTRACT TERMS**

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**90102.E. Rate Options**

**90102.E.1. Interest Rate Swaps Rate Options**

With respect to an IRS Contract, the Floating Rate Option elected by the IRS Clearing Participant in accordance with Rule 90002.F from the following Floating Rate Options names specified in the 2006 ISDA Definitions or Floating Rate Options names specified in the ISDA Definitions Floating Rate Matrix, or combination of rate options:

	<b>2006 ISDA Definitions Floating Rate Option (“FRO”) Name</b>	<b>2021 ISDA Definitions FRO Name</b>
1.	USD-LIBOR-BBA****	USD-LIBOR****
<b>****As set out in CME Clearing Advisory Notice 23-096, effective July 3, 2023, CME will cease to accept for clearing IRS Contracts referencing USD-LIBOR-BBA or USD-LIBOR except where the start date of such swap is on or after July 3, 2023.</b>		
2.	USD-Federal Funds-H.15-OIS-COMPOUND	USD-Federal Funds-OIS Compound
3.	USD-Federal Funds-H. 15	USD-Federal Funds
4.	EUR-EURIBOR-Reuters	EUR-EURIBOR
5.	EUR-EURIBOR-Telerate (as defined in the 2000 ISDA Definitions, as published by ISDA)	Not applicable
6.	GBP-LIBOR-BBA*	GBP-LIBOR*
<b>*As set out in CME Clearing Advisory Notice 21-434, effective January 4, 2022, CME will cease to accept for clearing IRS Contracts referencing GBP-LIBOR-BBA or GBP-LIBOR except where the start date of such swap is on or after January 4, 2022.</b>		
7.	GBP-SONIA-COMPOUND	GBP-SONIA-OIS Compound
8.	JPY-LIBOR-BBA**	JPY-LIBOR**
<b>**As set out in CME Clearing Advisory Notice 21-434, effective January 4, 2022, CME will cease to accept for clearing IRS Contracts referencing JPY-LIBOR-BBA or JPY-LIBOR except where the start date of such swap is on or after January 4, 2022.</b>		
9.	JPY-TONA-OIS-COMPOUND	JPY-TONA-OIS Compound
10.	CHF-LIBOR-BBA***	CHF-LIBOR***
<b>***As set out in CME Clearing Advisory Notice 21-434, effective January 3, 2022, CME will cease to accept for clearing IRS Contracts referencing CHF-LIBOR-BBA or CHF-LIBOR except where the start date of such swap is on or after January 3, 2022.</b>		
11.	CAD-BA-CDOR****	CAD-CDOR****

**\*\*\*\*As set out in CME Clearing Advisory Notice [ ], effective July 3, 2024, CME will cease to accept for clearing IRS Contracts referencing CAD-BA-CDOR or CAD-CDOR except where the start date of such swap is on or after July 3, 2024.**

12.	CAD-CORRA-OIS-COMPOUND	CAD-CORRA-OIS Compound
13.	AUD-BBR-BBSW	AUD-BBSW
14.	AUD-AONIA-OIS-COMPOUND	AUD-AONIA-OIS Compound
15.	SEK-STIBOR-SIDE	SEK-STIBOR
16.	DKK-CIBOR-DKNA13	DKK-CIBOR
17.	DKK-CIBOR2-DKNA13	DKK-CIBOR2
18.	NOK-NIBOR-NIBR	NOK-NIBOR
19.	NOK-NIBOR-OIBOR	NOK-NIBOR
20.	HKD-HIBOR-HKAB	HKD-HIBOR
21.	NZD-BBR-FRA	NZD-BKBM FRA
22.	HUF-BUBOR-Reuters	HUF-BUBOR
23.	PLN-WIBOR-WIBO	PLN-WIBOR
24.	CZK-PRIBOR-PRBO	CZK-PRIBOR
25.	ZAR-JIBAR-SAFEX	ZAR-JIBAR
26.	MXN-TIIE-Banxico	MXN-TIIE
27.	USD-SOFR-COMPOUND	USD-SOFR-OIS Compound
28.	EUR-EuroSTR-COMPOUND	EUR-EuroSTR-OIS Compound
29.	CHF-SARON-OIS-COMPOUND	CHF-SARON-OIS Compound
30.	USD-BSBY	USD-BSBY
31.	Not supported	SGD-SORA-OIS Compound
32.	Not supported	MXN-TIIE ON-OIS Compound
33.	Not supported	PLN-WIRON-OIS Compound

[Remainder of Rule unchanged.]

**Exhibit 3**  
**CME Methodology for CAD CDOR Transition**

<https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf>