



## Mexico 28D-TIIE Conversion

### Background

As part of the industry-wide move away from certain benchmarks to alternative risk-free rates (“RFRs”) and following the announcements made by the Banco de México in relation to its restriction, as of 1 January 2025, on regulated financial entities entering into new derivative contracts referencing 28-day Interbank Equilibrium Interest Rate in local currency (Tasa de Interés Interbancaria de Equilibrio, “TIIE”) (“28D-TIIE”), the LCH is looking to transition all 28D-TIIE referencing cleared trades to TIIE de Fondo or “F-TIIE” overnight index swaps (OIS).

The Banco de México have acknowledged that there are limited exceptions where it may be appropriate for regulated financial entities to enter into new 28D-TIIE referencing derivative contracts, one exception being where swap contracts are entered into prior to 1 January 2026 which have a contract maturity date on or before 31 December 2025. This means that any swaps with fixings including and after 3 December 2025, will not be covered by the exception due to the T+1 market convention for 28D-TIIE fixings.

Therefore, products in scope of the CCP transition are 28D-TIIE Interest Rate Swaps relying on fixings occurring after 2 December 2025; products out of scope of the CCP transition are any 28D-TIIE Interest Rate Swaps that are fully fixed on or before 2 December 2025

### Key CCP MXN 28D TIIE Transition ‘Go-Live Events’ – H2 2024

Transition Events for MXN 28D-TIIE	Products to be transitioned per Central Counterparty Clearing House	
	Chicago Mercantile Exchange (CME)	London Clearing House (LCH) Limited
Weekend of 23 -24 November 2024	All CME cleared MXN 28D-TIIE swaps that contain fixings on and after December 3, 2025  CME does not support MXN FRAs or basis swaps for clearing	All LCH cleared MXN-28D TIIE swaps that contain fixings on and after December 3, 2025  LCH does not support MXN FRAs or basis swaps for clearing

## About Benchmark Reform

As part of the industry-wide move away from certain benchmarks to RFRs, and further to announcements made by ICE Benchmark Administration, the United Kingdom Financial Conduct Authority and other regulators that existing LIBOR rates would no longer be supported, CCPs announced that;

- (i) from the end of 2021, the CHF/EUR/GBP/JPY LIBOR benchmarks; and
- (ii) from the middle of 2023, the USD LIBOR benchmark,
- (iii) from the middle of 2024, the MXN 28D TIE benchmark,
- (iv) from the end of 2024, the Euroyen TIBOR benchmark

would not be available to use in cleared interest rate swap contracts.

In 2024 CCPs are converting the benchmarks in **MXN 28D-TIE** linked trades cleared on their platforms to RFRs approved by industry regulators.

Currency/Product	New Risk Free Rate (RFR)
Mexico 28D TIE	F-TIE overnight index swaps (OIS).

## What are the differences in approach between CCPs?

LCH and CME have published their methodologies for converting from MXN 28D-TIE to the new RFR, F-TIE OIS, as part of the 2024 transition. Following the successful conversion of CHF/EUR/GBP/JPY LIBOR in 2021 and USD LIBOR in 2023, each CCP has elected to follow a similar approach for the MXN 28D TIE conversion. The individual approaches are broadly similar and are set out further below.

Please note that the details of these changes are dictated by the CCPs and not Barclays.

## What are Overlay Swaps?

An overlay swap is a mechanism through which coupons defined using the MXN 28D TIE rate before 3 December 2025 are preserved. This ensures that these coupons, which need to be paid at some point beyond this depending on their tenor, retain their original MXN 28D TIE-referenced value.

Where overlay bookings, or swaps, are required, the contract in question will have on its floating leg, MXN 28D TIE as its floating rate option while such MXN 28D TIE is representative (i.e. on or prior to 3 December 2025), and the relevant RFR as the floating rate option thereafter. With trade capture systems that handle only one floating rate option per floating leg, overlay bookings will offset the early, duplicative element of the RFR leg while reinstating MXN 28D TIE for all the periods on the original trade for which MXN 28D TIE remains representative and has not been settled.

## What is the LCH approach to MXN 28D TIIE transition?

Following previous successful conversions, LCH has elected to follow a similar approach for the 28D-TIIE conversions, as outlined below:

- Over the conversion weekend, all in-scope MXN 28D-TIIE trades will be converted to F-TIIE equivalents
- Overlay bookings will be used as an operational device to achieve cashflow continuity/preservation on each trade that involves payments in respect of 28D-TIIE periods that are already fixed or will fix ahead of 3 December 2025
  - Both House and Client accounts will receive pairs of outright MXN 28D-TIIE vs Fixed (0%) and FTIIE vs Fixed (0%) bookings
  - The effective date of the overlay booking will match that of the original MXN 28D-TIIE, which will facilitate reconciliation. Overlays will mature on the period end date relating to the last MXN 28D-TIIE fixing occurring on or prior to 2nd December 2025. The periodicity (28D) will be inherited from the floating leg of the original MXN 28D-TIIE swap. The Fixed leg day count fraction will be inherited from the fixed leg of the original swap
- Any NPV changes between the Input 28D-TIIE Contract and the Output F-TIIE Contract for all periods relying on 28D-TIIE fixings as from 3rd December 2025 onwards will be handled by cash compensation
  - In line with previous conversion events, cash compensation will be delivered via a single net cash compensation F-TIIE swap at the clearing account level, with a minimum remaining term to maturity and notional of 1 MXN

In terms of fees, LCH will apply both fallback and conversion fees. Fallback fees will be charged at £5 GBP per cleared contract, and for conversion, a fee of £30 GBP per contract will apply.

Further information can be found [here](#)

## What is the CME approach to MXN 28D TIE transition?

Following successful conversions in 2023 the CME has elected to follow a similar approach for the 28D-TIE conversions, as outlined below:

- Each 28D-TIE swap is converted into 28D-TIE and/or F-TIE replacement swaps;
- Resulting replacement swap(s) will differ slightly by economic terms. Operationally, the process will be a close-out (termination) of the original swap and establishment of new replacement contracts. However, the legal characterization of this conversion event will be as an amendment of the original contract.
- Key economics are copied over to both the 28D-TIE and F-TIE replacement swaps;
- A forward starting F-TIE replacement overnight index swap (OIS) that will maintain the legacy swap's fixed rate, replace the 28D floating rate with daily compounding F-TIE plus the 24bps Bank of Mexico modification formula spread, and will apply a 2D payment offset to both the fixed and floating legs. This swap will become effective once the 28D-TIE replacement swap expires, and its maturity will match the original legacy swap
- The Bank of Mexico spread adjustment of 24 bps will be applied to the floating leg of the F-TIE replacement swap;
- Cash compensation is applied as an upfront fee to the F-TIE replacement swap;
  - A cash adjustment in the form of an upfront fee will be included on the forward starting F-TIE replacement OIS to account for any NPV differences between the legacy 28D TIE swap (valued under the Bank of Mexico modification methodology) and the corresponding replacement swaps (related to the changes outlined above) booked by CME at the point of conversion. This will be and paid/received in cash at Conversion Date + 1 (following Mexico Business day) (25 November 2024)
- CME will maintain pre 3 December 2025 28D-TIE coupons through the conversion process, restating these accrual periods in the 28D-TIE replacement swap

The CME conversion fees are \$50 per line-item fees on F-TIE replacement swaps

**Please consult the CME rulebook for specific information on terms and conditions of CME services.**

## Key JSCC Euroyen TIBOR ‘Go-Live Events’ – H2 2024

Transition Events for Euroyen TIBOR	Products to be transitioned by the JSCC
Weekend of 23-24 November 2024	All JSCC cleared Euroyen TIBOR swaps that contain fixings on and after 30 December 2024

### About Benchmark Reform

As part of the industry-wide move away from certain benchmarks to RFRs, and further to announcements made by ICE Benchmark Administration, the United Kingdom Financial Conduct Authority and other regulators that existing LIBOR rates would no longer be supported, CCPs announced that;

- from the end of 2021, the CHF/EUR/GBP/JPY LIBOR benchmarks; and
- from the middle of 2023, the USD LIBOR benchmark,
- from the middle of 2024, the MXN 28D TIIE benchmark
- from the end of 2024, the Euroyen TIBOR benchmark

would not be available to use in cleared interest rate swap contracts.

In 2024 the JSCC is converting the benchmarks in Euroyen TIBOR linked trades cleared on their platforms to RFRs approved by industry regulators.

Currency/Product	New Risk Free Rate (RFR)
Euroyen TIBOR	Tokyo Overnight Average Rate (“TONA”)

### What are Overlay Swaps?

An overlay swap is a mechanism through which coupons defined using the ZTIBOR rate before 30 December 2024 are preserved. This ensures that these coupons, which need to be paid at some point beyond this depending on their tenor, retain their original ZTIBOR referenced value.

Where overlay bookings, or swaps, are required, the contract in question will have on its floating leg, Euroyen TIBOR as its floating rate option while such Euroyen TIBOR is representative (i.e. on or prior to 30 December 2024), and the relevant RFR as the floating rate option thereafter. With trade capture systems that handle only one floating rate option per floating leg, overlay bookings will offset the early, duplicative element of the RFR leg while reinstating Euroyen TIBOR for all the periods on the original trade for which Euroyen TIBOR remains representative and has not been settled.

## What is the JSCC approach to Euroyen TIBOR transition?

JSCC has announced the Euroyen TIBOR Conversion event for the weekend 23-24 November 2024 covering:

- IRS Fix-Float
- Basis Swap Tenor Swap (JPY)
- Basis Swap-Curve Swap

As part of the industry-wide move away from certain benchmarks to alternative risk-free rates (“RFRs”) and following the announcements made by the Japan Securities Clearing Corporation (“JSCC”) IRS Risk Operation Subcommittee in relation to the cessation of Euroyen TIBOR (“ZTIBOR”) as a benchmark, the JSCC is looking to transition all Euroyen TIBOR -linked cleared trades to the relevant RFR, ahead of the upcoming Euroyen TIBOR index cessation date on 30 December 2024.

As part of the JSCC transition, it is proposed that any Euroyen TIBOR -linked cleared trades (except for those with a final fixing or maturing before the cessation date 30 December 2024) will be converted to reference the Tokyo Overnight Average Rate (“TONA”).

Such upcoming Euroyen TIBOR transition to TONA follows similar transition events in relation to the LIBOR benchmarks which took place during 2021 e.g. the transition from JPY LIBOR.

- Euroyen TIBOR will be converted to TONA with an ISDA fallback spread adjustment
- Any residual valuation differences will be cash compensated as ‘Upfront Fees’
  - In line with previous conversion events the JSCC cash compensation amounts equal to the variation, will be added to Variation Margin (VM) and other cash settlement amount and paid/received in cash on the 2nd business day following the Conversion Base Date (Tuesday 26 November 2024).
- Representative Euroyen TIBOR fixings will be preserved using pairs of ‘Overlay Swaps’
  - Overlay Swaps are designed to preserve cashflow continuity on each trade that involves payments in respect of representative Euroyen TIBOR that are already fixed or will fix ahead of the conversion date.
  - In order to retain the result of the Euroyen TIBOR Fixing before OIS Conversion and during the period from OIS Conversion to the cessation of Euroyen TIBOR for the unsettled Euroyen TIBOR-referencing leg, an Euroyen TIBOR-OIS basis swap with a maturity date at the end of the calculation period of the Euroyen TIBOR-referencing leg to be fixed with the Euroyen TIBOR rate will be generated to offset the OIS coupon payment of the post-conversion OIS

In terms of fees, JSCC will apply a conversion fees. Conversion fees will be charged at JPY 3,500 per cleared contract.

[Please refer to the JSCC consultation which has been released for further information.](#)

**Please note that the transitions described above are driven by the CCPs and not by Barclays. This communication is for information only and is based on public information provided to the market by the CCPs.**

*Barclays is not able to provide advice to you in respect of these changes and for that reason you may want to seek independent legal, financial and tax advice.*

## Useful Links

<https://www.cmegroup.com/>

<https://www.lch.com/>

<https://www.m-x.ca/en>

## Glossary

Capitalised terms used in this communication but not defined herein shall bear the meaning as ascribed to them in the CCP rulebooks.

CCP	Central Clearing Counterparty
CDOR	Canadian Dollar Offered Rate
CME	Chicago Mercantile Exchange
CHF	Swiss Francs
COB	Close of Business
CORRA	Canadian Overnight Repo Rate Average
EUR	Euro
ETD	Exchange Traded Derivatives
Eurex	Eurex Clearing AG
FRO	Floating Rate Option
GBP	British Sterling
HKEx	Hong Kong Exchange
IBOR	Inter Bank Offered Rate
IRS	Interest Rate Swap
JPY	Japanese Yen
LCH	LCH Limited
LIBOR	London Interbank Offered Rate
OI	Open Interest
OIS	Overnight Indexed Swap
OTC	Over The Counter
SIBOR	Singapore Interbank Offered Rate
SOFR	Secured Overnight Financing Rate
SOR	Singapore Swap Offer Rate
SORA	Singapore Overnight Average Rate
THBFX	Thai Baht Interest Rate Fixing
THOR	Thai Overnight Repurchase Rate
TIIE	Interbank Equilibrium Interest Rate (Tasa de interés interbancaria de equilibrio)
TIIE ON	Overnight Interbank Equilibrium Interest Rate (Tasa de interés interbancaria de equilibrio)
TONAR	Tokyo Overnight Average Rate
VNS	Variable Notional Swaps
ZCS	Zero Coupon Swaps
ZTIBOR	Euroyen TIBOR



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