

## Chapter 24

### 5-Year Interest Rate Swap Futures

#### **24100. SCOPE OF CHAPTER**

This chapter is limited in application to trading of 5-Year Interest Rate Swap futures. The procedures for trading, clearing, inspection, delivery and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

#### **24101. CONTRACT SPECIFICATIONS**

The contract grade shall be the final settlement price (Rule 24103.B.) of the unit of trading (Rule 24102.B.) on the last day of trading (Rule 24102.F.).

The final settlement price shall be based upon the ISDA<sup>®</sup> Benchmark Rate<sup>\*</sup> for a 5-year U.S. dollar interest rate swap for the last day of trading, as published on the last day of trading on Reuters page ISDAFIX1<sup>sm</sup> (or on such other Reuters page or by such other means as shall be designated by ISDA for the purpose of publishing and disseminating ISDA Benchmark Rates for U.S. dollar interest rate swaps). Determination of the final settlement price on the basis of said ISDA Benchmark Rate shall be as prescribed in Rule 24103.

Hereafter in this chapter, the ISDA Benchmark Rate for a 5-year U.S. dollar interest rate swap shall be referenced as “the ISDA Benchmark,” and ISDAFIX1 (or such other Reuters page or such other means as shall be designated by ISDA for the purpose of publishing and disseminating ISDA Benchmark Rates for U.S. dollar interest rate swaps) shall be referenced as “Reuters.”

#### **24102. TRADING SPECIFICATIONS**

Trading in 5-Year Interest Rate Swap futures is regularly conducted in the first four consecutive contracts in the March-June-September-December quarterly cycle. The number of months open for trading at a given time shall be determined by the Exchange.

##### **24102.A. Trading Schedule**

The hours of trading for 5-Year Interest Rate Swap futures shall be determined by the Exchange. On the last day of trading in an expiring future, the close of the expiring future shall begin at 10:00 a.m. Chicago time and trading shall be permitted thereafter for a period not to exceed one minute.

##### **24102.B. Trading Unit**

The unit of trading shall be the notional price of the fixed-rate side of a 5-year interest rate swap that has notional principal equal to \$100,000, and that exchanges semiannual interest payments at a fixed rate of 4 percent per annum, measured according to a 30/360 daycount convention, for floating interest rate payments, based on the 3-month London interbank offered rate (hereafter, LIBOR) and measured according to an actual/360 daycount convention, and that otherwise conforms to the terms prescribed by ISDA<sup>®</sup> for the purpose of computing the daily fixing of ISDA Benchmark Rates<sup>\*</sup> for U.S. dollar interest rate swaps.

##### **24102.C. Price Increments**

The price of 5-Year Interest Rate Swap futures shall be quoted in points. One point equals \$1,000.00. Par shall be on the basis of 100 points. The minimum price fluctuation shall be one-half of one thirty-second of one point (\$15.625 per contract) except for intermonth spreads, for which the minimum price fluctuation shall be one-fourth of one thirty-second of one point (\$7.8125 per contract). Contracts shall not be made on any other price basis.

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<sup>\*</sup> ISDA<sup>®</sup> is a registered trademark, and ISDAFIX<sup>sm</sup> is a registered service mark, of the International Swaps and Derivatives Association, Inc. ISDA Benchmark mid-market par swap rates are collected at 10:00 a.m. Chicago time by Reuters Limited and ICAP plc and published on Reuters page ISDAFIX1. Source: Reuters Limited.

##### **24102.D. Reserved**

##### **24102.E. Reserved**

##### **24102.F. Termination of Trading**

The last trading day of a 5-Year Interest Rate Swap futures contract shall be the second London business day before the third Wednesday of the contract's delivery month. After trading in expiring contracts has ceased, expiring contracts that remain open shall be liquidated by cash settlement as prescribed in Rule 24103.

**24103. DELIVERY ON FUTURES CONTRACTS**

Delivery against 5-Year Interest Rate Swap futures contracts shall be made by cash settlement through the Clearing House following normal variation margin procedures. Final settlement price shall be calculated on the last day of trading after Reuters has published the ISDA<sup>®</sup> Benchmark for the last day of trading. Generally, such publications will occur at 10:30 a.m. Chicago time on the last day of trading.

If Reuters fails to report the ISDA Benchmark for the last day of trading on the last day of trading, then the final settlement price shall be based upon the ISDA Benchmark for the next available business day to be reported by Reuters. If such ISDA Benchmark has not been reported within five (5) Exchange business days following the last day of trading, then the contract final settlement price shall be based upon the ISDA Benchmark for the last business day preceding the last day of trading.

**24103.A. Final Settlement Value**

The final settlement value shall be determined as follows:

$$\text{Final Settlement Value} = \$100,000 * [ 4/r + (1 - 4/r)*(1 + r/200)^{-10} ]$$

where r represents the ISDA Benchmark for the last day of trading, expressed in percent terms. For example, if the ISDA Benchmark for the last day of trading is five and one quarter percent, then r is equal to 5.250.

**24103.B. Final Settlement Price**

The final settlement price shall be the final settlement value (Rule 24103.A.) rounded to the nearest one-quarter of one thirty-second of a price point.

Example: Suppose the ISDA Benchmark on the last day of trading is 5.500. The final settlement value will be \$93,519.94. To render this in terms of price points and quarters of thirty-seconds of price points, note that it is between 93-16.5/32nds and 93-16.75/32nds (where each price point equals \$1,000) --

93-16.75/32nds	=	\$93,523.4375
Final settlement value	=	\$93,519.94
93-16.5/32nds	=	\$93,515.625

The final settlement value is nearer to 93-16.75/32nds. Thus, the contract final settlement price is obtained by rounding up to 93-16.75/32nds.

In the event that the final settlement value is at the exact midpoint between any two adjacent quarters of one thirty-second of a price point, the final settlement price will be obtained by rounding up to the nearest one-quarter of a thirty-second of a price point