Ready, SEF, Go? Trade DSFs

ALL THE BENEFITS OF A FUTURES CONTRACT WITH INTEREST RATE SWAP EXPOSURE

In a capital-constrained world that continues to evolve with the changing regulatory landscape, Deliverable Swap Futures offer a capital-efficient, liquid solution for gaining interest rate swap exposure.

Built in close collaboration with the buy side and sell side, these contracts provide market participants with a true alternative for their business needs – a choice with rapidly growing volume and open interest, flexible execution and the unparalleled capital and operational efficiencies of a standardized product – without the operational readiness concerns of working with swap execution facilities.
**EXECUTION CERTAINTY IN AN UNCERTAIN WORLD**

With the SEF mandate effective on February 15, clients are looking for alternatives to trading on a SEF. Because DSFs are listed futures contracts, they do not require any operational readiness hurdles beyond your existing futures trading systems.

DSFs have strong liquidity and broad market maker support in both the central limit order book and privately negotiated block trades, including 10 firms who have publicly stated their readiness to supply block trade liquidity.

<table>
<thead>
<tr>
<th>Tenor</th>
<th>Book Liquidity</th>
<th>Block Liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Bid-Ask Size</td>
<td>Average Bid-Ask Spread (basis points equivalent)</td>
</tr>
<tr>
<td>2-Year DSF</td>
<td>$70 Million</td>
<td>0.9</td>
</tr>
<tr>
<td>5-Year DSF</td>
<td>$40 Million</td>
<td>0.6</td>
</tr>
<tr>
<td>10-Year DSF</td>
<td>$25 Million</td>
<td>0.5</td>
</tr>
<tr>
<td>30-Year DSF</td>
<td>$15 Million</td>
<td>0.5</td>
</tr>
</tbody>
</table>

1-Based on feedback from a subset of liquidity providers under normal market conditions, late August to early September 2013.

**CAPITAL EFFICIENCIES THROUGH A STANDARDIZED PRODUCT**

As futures contracts, Deliverable Swap Futures offer benefits that allow firms to:

- Gain exposure to interest rate swaps with **reduced margin levels** afforded to standardized products
- Get **automatic risk offsets** with our liquid Treasury and Eurodollar interest rate futures and options
- Avoid **additional funding costs** charged by OTC Clearing Members – expenses not associated with listed futures
**STRONG VOLUME AND OPEN INTEREST GROWTH**

A diverse set of market participants – including asset managers, banks, hedge funds, mortgage servicers and proprietary trading firms – is already taking advantage of the capital efficiencies of this product. Volume continues to increase with:

- **$11.4 billion (114,000+ contracts)** in record open interest – December 11
- **$4.2 billion (42,250 contracts)** in record volume – December 3
- **$1.2 billion (12,000+ contracts)** in record December ADV – 33% higher than September
- **Record Large Open Interest Holders** in 5-Year and 10-Year DSFs

**DSF MARKET ACTIVITY**

**5-YEAR & 10-YEAR DELIVERABLE SWAP FUTURES**

**NUMBER OF LARGE OPEN INTEREST HOLDERS**

Data shown through January 31, 2014

**Source: CFTC**

**FUTURE PRODUCT EXPANSIONS**

In close collaboration with the buy side and sell side, CME Group continues to work to meet the needs of the market, with future expansions that include:

- **Coming 14 April 2014!** Euro-denominated futures contracts
- 7-year and 15-year tenors
- Portfolio margining of Cleared OTC IRS with Deliverable Swap Futures

For more information and resources to get started with Deliverable Swap Futures, visit cmegroup.com/dsf or call +1 866 716 7274.
These contacts are listed with, and subject to, the rules and regulations of CBOT.

All data as of January 31, 2014, except where otherwise noted. Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract’s value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade. Swaps trading is not suitable for all investors, involves the risk of loss and should only be undertaken by investors who are eligible contract participants (ECPs) within the meaning of section 1(a)18 of the Commodity Exchange Act. Swaps are a leveraged investment, and because only a percentage of a contract’s value is required to trade, it is possible to lose more than the amount of money deposited for a swap position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade.

The information within this presentation has been compiled by CME Group for general purposes only. CME Group assumes no responsibility for any errors or omissions. Although every attempt has been made to ensure the accuracy of the information within this presentation, CME Group assumes no responsibility for any errors or omissions. Additionally, all examples in this presentation are hypothetical situations, used for explanation purposes only, and should not be considered investment advice or the results of actual market experience.

CME Group is the trademark of CME Group, Inc. The Globe logo, Globex® and CME® are trademarks of Chicago Mercantile Exchange, Inc. CBOT® is the trademark of the Board of Trade of the City of Chicago Inc. NYMEX, New York Mercantile Exchange, and ClearPort are trademarks of New York Mercantile Exchange Inc. COMEX is a trademark of Commodity Exchange Inc. All other trademarks are the property of their respective owners. All matters pertaining to rules and specifications herein are made subject to and are superseded by official CME, CBOT, NYMEX, CME Europe and CME Group rules. Current rules should be consulted in all cases concerning contract specifications. Chicago Mercantile Exchange Inc. is a Recognised Overseas Clearing House (ROCH) recognised by the Bank of England. Chicago Mercantile Exchange Inc., Board of Trade of the City of Chicago, and New York Mercantile Exchange, are Recognised Overseas Investment Exchanges (ROIEs) recognised by the Financial Conduct Authority. CME Clearing Europe Limited is a Recognised Clearing House (RCH) recognised by the Bank of England. Issued by CME Marketing Europe Limited which is authorised and regulated by the Financial Conduct Authority.

© 2014 CME Group. All rights reserved.