INTEREST RATES

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.

	Book Liquidity		Block Liquidity[1]	
Tenor	Average Bid-Ask Size	Average Bid-Ask Spread (basis points equivalent)	Minimum Block Threshold (Notional)	Indicative Bid-Ask Spread (basis points equivalent)
2-Year DSF	$70 Million	0.9	$300 Million	0.6
5-Year DSF	$40 Million	0.6	$150 Million	0.5
10-Year DSF	$25 Million	0.5	$100 Million	0.4
30-Year DSF	$15 Million	0.5	$50 Million	0.4

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

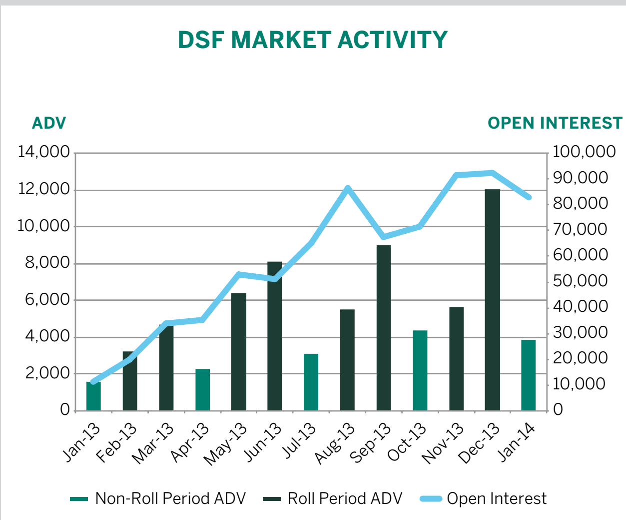
As futures contracts, Deliverable Swap Futures offer benefits that allow firms to:

- 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

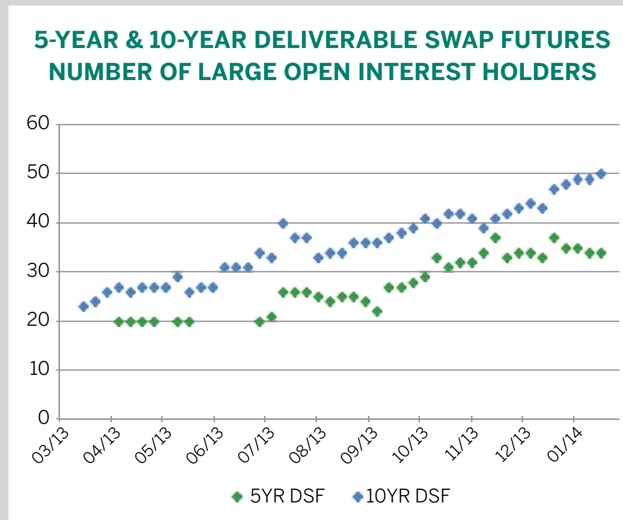
STRONG VOLUME AND OPEN INTEREST GROWTH

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



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.

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