

Eris USD Swap Futures Complex Moves to CME Group Q4'18

EXPANDED ECOSYSTEM ACCESS TO ACCELERATE DISTRIBUTION

Transition Overview

- In 4Q 2018, all primary Eris Standard contracts will trade and clear at CME Group instead of trading on Eris Exchange and clearing at CME
- This will combine the leading swap futures contract by open interest with the leading futures exchange – complementing the world's deepest centralized pool of USD interest rate liquidity
- Eris Swap Futures will commence trading on CME's Globex platform, and will be available to all existing CME clients through CME Direct and third-party front-end platforms

What is Changing

- Operations: FCMs & ISVs can/will use existing connectivity to CME Group, instead of Eris Exchange
- Orders will be matched on CME's Globex platform, and no longer on Eris SwapBook
- Quoting: Eris@CME Group contracts will trade on a futures price consistent with the settlement price, instead of swap NPV as is convention for OTC MAC swaps and Eris futures today
- Available Contracts: All Eris Primary Standard contracts will move to CME Group. Eris Flexes, Ultraforwards and Invoice Swap Futures will no longer be listed
- Off-The-Run Contracts: In addition to Block trading, aged positions (past the effective date) will be traded via RFQ on CME Direct and CME Globex instead of SwapBook

Eris USD Swap Futures	Current	4Q 2018
Exchange DCM	Eris Exchange	CBOT (CME Group)
Trading Platform	Eris SwapBook	CME Globex
Quoting/Trading Format	Net Present Value	Futures Price
Settlement Format	Futures Price	Futures Price
Pay/Rec Direction	Long/Buy = Pay Fixed	Long/Buy = Rec Fixed

What is Not Changing

- Clearing: Eris@CME Group contracts will continue to centrally clear at CME Clearing, and receive margin offsets vs other futures. There will be no change to the margining model
- Contract Terms: Quarterly IMM effective dates, 2, 3, 4, 5, 7, 10, 12, 15, 20 & 30Y underlying tenors, pre-determined fixed coupons vs 3M LIBOR, \$100k contract size
- Mechanics: No forced quarterly expiry/delivery, contracts can be left outstanding to underlying maturity
- Settlement/Valuation: Contracts will maintain the Eris Methodology® including Price Alignment Interest for pricing & settlement, and the live Eris curve data will be available

Product Codes

After the transition, Eris product codes will no longer follow the six character "Zcode" format. Eris@CME Group product codes will mirror existing Bloomberg tickers – followed by contract effective month / year (H, M, U, Z).

Eris Product Codes	2Y	3Y	4Y	5Y	7Y	10Y	12Y	15Y	20Y	30Y
Current	ZA9102	ZB9103	ZB9104	ZB9105	ZC9107	ZC9110	ZD9112	ZD9115	ZD9120	ZD9130
4Q 2018	LIT	LIC	LID	LIW	LIB	LIY	LII	LIL	LIO	LIE

Example: Eris@CME Group 5y contract effective June 2019 will be "LIWM9."

The Key Benefits of Eris@CME Group?

- Utilizing existing connectivity to CME Group immediately removes a primary onboarding hurdle for FCMs and third party systems which have to add Eris as a separate exchange today
- Price format: Buy = Rec fixed quoting simplifies installation for trading desks implementing Eris alongside other futures and fixed income instruments
- More defined framework for long term Eris product goals:
 - Margin offsets between Eris and OTC IRS within CME Clearing
 - Options on Eris Swap Futures (swaptions)

Transition Example

- Participant is currently long one Eris@Eris contract (paying fixed on \$100k notional)
- After migration, participant will be short one Eris@CME Group contract (still paying fixed)
- The components of the price will reverse in sign and the price will change, but the P&L will not be impacted

	Current: Eris@Eris	Long 1 Contract	4Q: Eris@CME Group	Short 1 Contract	
	A (NPV)	\$2,000	A (NPV)	(\$2,000)	
	B (Past Pmts)	\$500	B (Hist Pmts)	(\$500)	
	C (PAI*)	\$10	C (PAI*)	(\$10)	
Eris Futures Price: Price = 100 + A + B - C	100 + 2 + 0.50 - 0.01 =	102.490	100 - 2 - 0.50 + 0.01 =	97.510	Eris Futures Price: Adjusted for direction change
	Entry Price	101.000	Adjusted Entry Price	99.000	
	Price Gain/(Loss)	1.490	Price Gain/(Loss)	1.490	
	\$ P&L (per \$100k)	\$1,490	\$ P&L (per \$100k)	\$1,490	
		P&L Unchanged			

* PAI: Price Alignment Interest, equivalent to accumulated interest earned (paid) on collateral posted (received) for the analogous OTC swap

More information and FAQs: erisfutures.com/eris-cme

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