

DATE: May 17, 2018

TO: Clearing Member Firms

FROM: CME Clearing

ADVISORY #: 18-193

SUBJECT: **Eris Swap Futures Migration to CBOT, Q4 2018**

CME Group and Eris Exchange have entered into an exclusive licensing agreement to list USD Eris Interest Rate Swap futures (Eris futures), which already clear at CME Clearing. Pending all relevant CFTC regulatory review periods, Eris futures will be listed with and subject to the rules and regulations of the Chicago Board of Trade (CBOT) starting in the fourth quarter of 2018 on a date to be announced. Open interest in Eris futures contracts will be transferred to CBOT at that time.

Upon transfer, Eris futures will trade alongside CBOT MAC Swap futures, bringing together the two leading interest rate swap futures products on a single exchange. Until then, Eris futures will remain listed for trading at the Eris Exchange and will continue to be cleared at CME Clearing, where they are eligible for margin offsets with other interest rate futures products listed on the CME Group Exchanges.

The joint news release by CME Group and Eris Exchange announcing this transfer is available at:

http://www.cmegroup.com/media-room/press-releases/2018/5/10/cme_group_to_listusderisinterestrateswapfutures.html

A FAQ on the transfer is available at:

<http://www.erisfutures.com/eris-cme-faqs>

Upon completion of the transfer, Eris futures contracts will trade on the CME Globex electronic trading platform, and block trades and Exchange for Related Position (EFRP) transactions may be submitted to CME Clearing for clearing and guarantee via CME Clearport. Eris futures contracts also will be supported on CME Direct as well. All CBOT member firms will be eligible to clear Eris futures, and contract users will no longer need to maintain trading connections with the Eris Exchange.

Listing rules and product codes

Eris futures will be listed as March Quarterly contracts with IMM swap start dates, with pre-specified fixed swap rates, and with pre-specified swap tenors of 2, 3, 4, 5, 7, 10, 12, 15, 20, and 30 years. Product codes will be three-byte values (rather than the six-byte values starting with Z that are currently used), as follows --

<u>Tenor</u>	<u>Product Code</u>
2Y	LIT
3Y	LIC
4Y	LID
5Y	LIW
7Y	LIB
10Y	LIY
12Y	LII
15Y	LIL
20Y	LIO
30Y	LIE

For example, the product code for 2-Year Eris Standard Swap Futures, currently ZA9102, will become LIT.

Pricing and market-side conventions:

Although Eris futures contract prices will continue to trade in a decimal format as they currently do, the pricing convention will change. At present, orders for any given Eris futures contract are matched on the Eris Exchange on the basis of the NPV of the contract's future cash flows. Upon completion of the transfer to CBOT, contract orders will be matched on the basis of trade prices based on a Futures Price, incorporating the present value of future cash flows, past historical cash flows, and PAI.

Additionally, the market-side convention for quoting and trading will change. Upon completion of the transfer to CBOT, the holder of a long position in an Eris futures contract will be the receiver of fixed-rate interest and the payor of floating-rate interest, thereby making Eris swap futures contracts consistent with the market-side conventions that apply to other interest rate futures products listed on the CME Group Exchanges.

The table below enumerates minimum price increments ("tick sizes") for Eris futures contracts with different swap tenors.

Contract-grade swap tenor (yrs)	2, 3	4, 5	7, 10, 12, 15	20, 30
Tick size (\$/contract)	\$2.00	\$5.00	\$10.00	\$20.00
Tick size (pct/yr) (0.001=1/10th of a basis point)	0.002	0.005	0.010	0.020
Minimum settlement price increment	\$0.10 per contract 0.0001 percent per yr (ie, 1/100 th of 1 basis point/yr)			

Contract month convention

Identical to the contract month convention for the existing CBOT MAC swap futures, the contract month (“contract period code”) for any Eris future will reference the starting month of the contract-grade swap exposure. This means that the last day of trading and the final settlement date will be forward from the contract month by the tenor of the contract-grade swap.

For example, for a December 2018 Eris futures contract with a 5-year swap tenor, its last day of trading and final settlement date would occur on a specified day in December 2023.

Systems impacts

The transfer to CBOT will entail no impact to systems, other than that the Eris contracts will be traded and cleared as CBOT contracts instead of appearing as CME contracts as at present.

Margin offsets

All existing margin offsets against other products traded on the CME Group exchanges will be preserved after the transfer.

Open Interest Migration

CME Clearing will migrate open interest in Eris Standard Swap Futures from the Eris Exchange to CBOT on the specified transfer date in Q4 2018. CME Clearing will coordinate the open interest transfer with clearing member firms that carry open interest in Eris Standard Swap Futures.

Testing opportunities

The Exchange will shortly announce the schedules for testing and for open interest transfer, as well as opportunities for market participants in Eris futures listed on CBOT.

For further information, please contact CME Clearing at 312-207-2525 or ccs@cme.com.