

DATE: July 12, 2018

TO: Clearing Member Firms

FROM: CME Clearing

ADVISORY #: 18-286

SUBJECT: **Update: Eris Swap Futures Migration to CBOT, December 2, 2018**

Following the announcement of CME and Eris licensing agreement and pending all relevant CFTC regulatory review periods, Eris futures will be listed on the Chicago Board of Trade (CBOT) on Sunday December 2, 2018 for business day Monday, December 3, 2018. Open interest in Eris futures contracts will be transferred to CBOT at that time.

This notice supersedes Clearing Advisory 18-193 published on May 17<sup>th</sup>:

<http://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2018/05/Chadv18-193.pdf>

As a reminder, 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.

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.

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. Basically, if you were short before the conversion, you will be long after the conversion and vice versa.

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 <sup>th</sup> 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 Monday, December 3, 2018. CME Clearing will coordinate the open interest transfer with clearing member firms that carry open interest in Eris Standard Swap Futures.

### **Testing opportunities**

Testing Eris Swap Futures on CME Globex and ClearPort will be available on Tuesday, October 2, 2018. Testing will only be available in New Release environment. It will include open interest transfer to CBOT DCM, trade execution on Globex and ClearPort under exchange CBOT as well as post trade processing for allocations, register files and reports.

Firms participants can directly execute Eris futures in Globex or ClearPort or can be requested by [Certification Support for Electronic Trading \(CSET\)](#) team in the U.S. at +1 312 930 2322, in Europe at +44 20 3379 3803 or in Asia at +65 6593 5593 while testing in New Release.

Clearing confirms data will be routed via firms CBOT MQ channels. Clearing data will be included in firms' CBOT register files and CBOT reports.

For testing PCS and CGM data files submission, firms should include Eris Futures into CBOT PCS and CGM files.

For further information, please contact CME Clearing at 312-207-2525 or [ccs@cmegroup.com](mailto:ccs@cmegroup.com).