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## Market Notice #13-M01: \$100,000 Notional Value

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TO: Eris Exchange Market Participants

FROM: Eris Exchange Control Center

ADVISORY: #13-M01

DATE: March 18, 2013

SUBJECT: Modifying contract notional value to \$100,000

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### Background

This Market Notice serves to notify Participants of Eris Exchange, LLC ("Eris Exchange" or "Exchange") that the Exchange will Change the contract definition from \$1,000,000 notional per contract to \$100,000 notional per contract of all Eris Exchange futures contracts (Eris Flexes and Eris Standards).

The target date for this change is currently Monday, June 3, 2013. Forthcoming communications will confirm final target date, as well as target dates for implementation of the changes in the Eris Exchange DEMO environments for Eris SwapBook and Eris BlockBox, and the New Release environment for CME Clearing and CME Market Data.

This market notice is intended to announce this change publicly, and to provide preliminary information regarding impacts to firms. Eris Exchange anticipates disseminating an Exchange Advisory with revised product specifications within three to four weeks of this Market Notice, as well as submitting any relevant regulatory rule certifications.

### Description of Change

Upon launch, the notional value size of all existing Eris Exchange contracts (including contracts with open interest) will change from US \$1,000,000 to US \$100,000. Eris Exchange and CME Clearing are executing a "hard cutover" of existing contract codes to accomplish this change; no new contract codes are being created, and at the time of the change, existing open interest will be modified by CME Clearing (in coordination with Clearing Firms) to reflect the new notional value.

Trading in Eris Standards and off-coupon Eris Flexes will continue to be negotiated in terms of NPV per contract, and the futures price for all products will continue to be stated in per-contract terms, using an index of 100. Accordingly, a change in price from 100.0000 to 101.0000, which currently represents a change in value of \$10,000 per contract in favor of the buyer, will in the future represent a \$1,000 change in value per contract in favor of the buyer.

## Rationale for Change

Eris Exchange is enacting this change in response to numerous requests from existing and prospective market participants. Asset Managers, in particular, have expressed that a \$100,000 contract size will give them greater flexibility to trade on behalf of accounts that are not suitable for the existing \$1,000,000 contract size.

## Anticipated Impacts

### *Eris SwapBook electronic trading platform*

- **Market Data Changes:** ISVs/Quoters will need to make the changes to calculate properly the translation from notional value to contract size, effectively dividing notional values by \$100,000 instead of \$1,000,000 as is currently required.
  - At this point Eris Exchange does NOT foresee making any changes to FIX tags.
  - The Eris SwapBook DEMO environment will be available for testing in late April or early May. Please contact the Eris Control Center to coordinate testing.
  - Firms receiving Eris Exchange market data via the CME MDP will be required to make similar changes; please contact your CME account manager for more information.
- **Order Submission Changes:** The minimum tick size for all NPV-quoted Eris futures will be modified to conform to the new contract size. Eris Exchange will announce precise tick sizes upon dissemination of the revised product specifications in late March or early April.

### *CME Clearing*

- **Implementation of Change:** CME will enact a hard cutover, in which all changes associated with the \$1,000,000 notional per contract to \$100,000 notional per contract will be applied to CME systems. These changes will occur over a weekend, and the current estimated target date is for the first trading day with the new contract size to be June 3, 2013.
- **Impact to Instrument Codes:** There will be no impact to existing instrument codes as well as no new instrument codes.
- **One-Time Adjustment to Open Positions:** Any open interest in Eris Exchange contracts held at the time of cutover will be modified by CME Clearing (in coordination with Clearing Firms) to multiply positions by ten. In the coming weeks, CME Clearing will announce whether this transition will be effected through manual intervention or through position transfer.
- **Margin Considerations:** CME Clearing will adjust margin levels applied to Eris Standards and Eris Flexes instruments to conform with the new contract size, with new levels at or near one-tenth the size of existing margins.
- **Spread credits:** CME Clearing will adjust Spread credit ratios to conform with the new contract size.

### *Other Impacts*

- **Exchange Fees:** Eris Exchange will publish a revised fee schedule to conform with the new contract size.

- **Large Position Reporting Levels:** The Large Position Reporting levels for Eris Exchange futures will be increased to conform with the new contract size. Clearing firms will need to adjust the reportable levels in their back office systems to reflect the new levels.
- **Minimum Block Size:** The current Minimum Block Size requirements are expressed in notional terms in Eris Exchange Rule 601, and will remain unchanged. The number of contracts required to meet the Minimum Block Size will increase by a factor of ten, commensurate with the reduction in contract size. For example, whereas currently the \$50,000,000 Minimum Block Size for a 2-year Eris Standard is equivalent to 50 contracts, following the change the Minimum Block Size will be equivalent to 500 contracts.

Remaining Tenor	Minimum Block Size: Notional	Reporting Time
Less than 5 years	\$50mm	15 minutes
5 years or more	\$25mm	15 minutes

#### More Information

For more information, please contact the Eris Control Center.

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