Exchange Advisory

TO:	Eris Exchange Market Participants
FROM:	Eris Exchange Control Center and Market Regulation Department
ADVISORY:	#13-05
DATE:	May 16, 2013
SUBJECT:	Rulebook Amendments Related to the Reduction in the Notional Value of Eris Exchange Contracts from $1,000,000 to $100,000.

Background

This Exchange Advisory serves to notify Participants of Eris Exchange, LLC ("Eris Exchange" or "Exchange") that:

I. The Exchange is amending Eris Exchange Rule 533 (Position Limit, Position Accountability and Reportable Level Table) and Rule 1101 (Eris Interest Rate Swap Futures Contract Specifications) (the "Amendments").

II. The Exchange has filed a notification with the Commodity Futures Trading Commission to amend Exchange Rules 533 and 1101. **The Amendments will be effective June 3, 2013**.

The purpose of the Amendments is to facilitate the reduction in the notional value of all Eris Exchange Interest Rate Swap Futures Contracts (the "Contracts") from $1,000,000 to $100,000. The Exchange first notified Participants of its intent to reduce the notional value of the Contracts via Market Notices sent on March 18, 2013 and April 4, 2013 (the "Notices"). The Notices also contained a summary of operational changes associated with the reduction in the notional value of the Contracts, including the proportional adjustment of historical volume, open interest, and trade data.

The reportable and position accountability levels (the "Levels") for the Contracts are $300 million and $600 million notional respectively. The Amendments did not alter these Levels. However, in the interest of simplicity, the Exchange lists the Levels in Rule 533 by number of contracts. Consequently, the Exchange has amended the Position Limit and Reportable Level Table in Rule 533 to account for the decrease in the notional value of the Contracts.

Similarly, the Exchange has amended Rule 1101 to reflect the reduction in the notional value of the Contracts.

The Amendments, as well as the text of the amended Rules, including all additions and deletions are set forth in Attachments A and B.

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ATTACHMENT A

RULE 533. Position Limit, Position Accountability and Reportable Level Table (excerpt)

Position Limit and Reportable Level Table:

Contract Name	Commodity Code	Tenor of each discrete Commodity Code	Rule	Reportable Futures Level for each discrete Commodity Code	Position Accountability for each discrete Commodity Code	Position Limit for each discrete Commodity Code
Interest Rate Swap Futures Contract	A*nnnn*	Less than or equal to 2 years	1101	3000	6000	N/A
Interest Rate Swap Futures Contract	B*nnnn*	Greater than 2 years and less than or equal to 5 years	1101	3000	6000	N/A
Interest Rate Swap Futures Contract	C*nnnn*	Greater than 5 years and less than or equal to 10 years	1101	3000	6000	N/A
Interest Rate Swap Futures Contract	D*nnnn*	Greater than 10 years	1101	3000	6000	N/A

Eris Exchange
The Future of Swaps

RULE 1101. Eris Interest Rate Swap Futures Contract Specifications (excerpt)

(a) Flex Contract Specifications:

Contract Structure	~~$1 million~~ $100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = ~~$1 million~~ $100,000 face.
Quoting Convention – Off-Market Swap Futures	During the Spot, Forward and Seasoned periods of a given Contract, market participants can negotiate the Net Present Value (NPV) per Contract. NPV is expressed in per contract terms for the Buyer (fixed rate payer). Each Off-Market Swap Future negotiated in NPV terms has an implicit futures-style trade price of $Trade\ Price\ = 100 + A_{negotiated} + B_t - C_t$ where $A_{negotiated}$ is the NPV per Contract agreed upon between the counterparties (divided by ~~10,000~~ 1,000 to normalize units to $100 face amount), B_t is the value of the historical fixed and floating amounts, and C_t is Eris PAI™ at time t. The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties. The NPV per Contract can be negotiated in the following increments/tick sizes: • ~~$10~~ $1 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is less than two years. • ~~$25~~ $2 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 2 years and less than 4 years. • ~~$50~~ $5 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 4 years and less than 7 years. • ~~$100~~ $10 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 7 years and less than 20 years. • ~~$200~~ $20 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 20 years.

(b) Standard Contract Specifications

(1) 2 Year Standard Contract Specifications:

Contract Structure	~~$1 million~~ $100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = ~~$1 million~~ $100,000 face
Quoting Convention	Net Present Value (NPV) per Contract will be used for trade execution. NPV is expressed in per contract terms for the Buyer (fixed rate payer). Each Swap Future negotiated in NPV terms has an implicit futures-style trade price of $Trade\ Price\ = 100 + A_{negotiated} + B_t - C_t$ where $A_{negotiated}$ is the NPV per Contract agreed upon between the counterparties (divided by ~~10,000~~ 1,000 to normalize units to $100 face amount), B_t is the value of the historical fixed and floating amounts, and C_t is Eris PAI™ at time t. The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties. The NPV per Contract can be negotiated in the following increments/tick sizes: • ~~$10~~ $1 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is less than two years. • ~~$25~~ $2 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 2 years and less than 4 years.

(2) 5 Year Standard Contract Specifications:

Contract Structure	~~$1 million~~ $100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = ~~$1 million~~ $100,000 face
Quoting Convention	Net Present Value (NPV) per Contract will be used for trade execution. NPV is expressed in per contract terms for the Buyer (fixed rate payer). Each Swap Future negotiated in NPV terms has an implicit futures-style trade price of $Trade\ Price = 100 + A_{negotiated} + B_t - C_t$ where $A_{negotiated}$ is the NPV per Contract agreed upon between the counterparties (divided by ~~10,000~~ 1,000 to normalize units to $100 face amount), B_t is the value of the historical fixed and floating amounts, and C_t is Eris PAI™ at time t. The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties. The NPV per Contract can be negotiated in the following increments/tick sizes: • ~~$10~~ $1 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is less than two years. • ~~$25~~ $2 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 2 years and less than 4 years. • ~~$50~~ $5 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 4 years and less than 7 years.

(3) 10 Year Standard Contract Specifications:

Contract Structure	~~$1 million~~ $100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = ~~$1 million~~ $100,000 face
Quoting Convention	Net Present Value (NPV) per Contract will be used for trade execution. NPV is expressed in per contract terms for the Buyer (fixed rate payer). Each Swap Future negotiated in NPV terms has an implicit futures-style trade price of $Trade\ Price\ = 100 + A_{negotiated} + B_t - C_t$ where $A_{negotiated}$ is the NPV per Contract agreed upon between the counterparties (divided by ~~10,000~~ 1,000 to normalize units to $100 face amount), B_t is the value of the historical fixed and floating amounts, and C_t is Eris PAI™ at time t. The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties. The NPV per Contract can be negotiated in the following increments/tick sizes: • ~~$10~~ $1 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is less than two years. • ~~$25~~ $2 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 2 years and less than 4 years. • ~~$50~~ $5 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 4 years and less than 7 years. • ~~$100~~ $10 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 7 years and less than 20 years.

(4) 30 Year Standard Contract Specifications:

Contract Structure	~~$1 million~~ $100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = ~~$1 million~~ $100,000 face
Quoting Convention	Net Present Value (NPV) per Contract will be used for trade execution. NPV is expressed in per contract terms for the Buyer (fixed rate payer). Each Swap Future negotiated in NPV terms has an implicit futures-style trade price of $Trade\ Price = 100 + A_{negotiated} + B_t - C_t$ where $A_{negotiated}$ is the NPV per Contract agreed upon between the counterparties (divided by ~~10,000~~ 1,000 to normalize units to $100 face amount), B_t is the value of the historical fixed and floating amounts, and C_t is Eris PAI™ at time t. The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties. The NPV per Contract can be negotiated in the following increments/tick sizes: • ~~$10~~ $1 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is less than two years. • ~~$25~~ $2 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 2 years and less than 4 years. • ~~$50~~ $5 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 4 years and less than 7 years. • ~~$100~~ $10 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 7 years and less than 20 years. • ~~$200~~ $20 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 20 years.

ATTACHMENT B

RULE 533. Position Limit, Position Accountability and Reportable Level Table (excerpt)

Position Limit and Reportable Level Table:

Contract Name	Commodity Code	Tenor of each discrete Commodity Code	Rule	Reportable Futures Level for each discrete Commodity Code	Position Accountability for each discrete Commodity Code	Position Limit for each discrete Commodity Code
Interest Rate Swap Futures Contract	A*nnnn*	Less than or equal to 2 years	1101	3000	6000	N/A
Interest Rate Swap Futures Contract	B*nnnn*	Greater than 2 years and less than or equal to 5 years	1101	3000	6000	N/A
Interest Rate Swap Futures Contract	C*nnnn*	Greater than 5 years and less than or equal to 10 years	1101	3000	6000	N/A
Interest Rate Swap Futures Contract	D*nnnn*	Greater than 10 years	1101	3000	6000	N/A

RULE 1101. Eris Interest Rate Swap Futures Contract Specifications (excerpt)

(a) Flex Contract Specifications:

Contract Structure	$100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = $100,000 face.
Quoting Convention – Off-Market Swap Futures	During the Spot, Forward and Seasoned periods of a given Contract, market participants can negotiate the Net Present Value (NPV) per Contract. NPV is expressed in per contract terms for the Buyer (fixed rate payer). Each Off-Market Swap Future negotiated in NPV terms has an implicit futures-style trade price of $Trade\ Price\ = 100 + A_{negotiated} + B_t - C_t$ where $A_{negotiated}$ is the NPV per Contract agreed upon between the counterparties (divided by 1,000 to normalize units to $100 face amount), B_t is the value of the historical fixed and floating amounts, and C_t is Eris PAI™ at time t. The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties. The NPV per Contract can be negotiated in the following increments/tick sizes: • $1 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is less than two years. • $2 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 2 years and less than 4 years. • $5 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 4 years and less than 7 years. • $10 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 7 years and less than 20 years. • $20 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 20 years.

(b) Standard Contract Specifications

(1) <u>2 Year Standard Contract Specifications:</u>

Contract Structure	\$100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = \$100,000 face
Quoting Convention	Net Present Value (NPV) per Contract will be used for trade execution. NPV is expressed in per contract terms for the Buyer (fixed rate payer). Each Swap Future negotiated in NPV terms has an implicit futures-style trade price of $Trade\ Price\ = 100 + A_{negotiated} + B_t - C_t$ where $A_{negotiated}$ is the NPV per Contract agreed upon between the counterparties (divided by 1,000 to normalize units to \$100 face amount), B_t is the value of the historical fixed and floating amounts, and C_t is Eris PAI™ at time t. The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties. The NPV per Contract can be negotiated in the following increments/tick sizes: • \$1 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is less than 2 years. • \$2 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 2 years and less than 4 years.

(2) 5 Year Standard Contract Specifications:

Contract Structure	$100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = $100,000 face
Quoting Convention	Net Present Value (NPV) per Contract will be used for trade execution. NPV is expressed in per contract terms for the Buyer (fixed rate payer). Each Swap Future negotiated in NPV terms has an implicit futures-style trade price of $Trade\ Price\ = 100 + A_{negotiated} + B_t - C_t$ where $A_{negotiated}$ is the NPV per Contract agreed upon between the counterparties (divided by 1,000 to normalize units to $100 face amount), B_t is the value of the historical fixed and floating amounts, and C_t is Eris PAI™ at time t. The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties. The NPV per Contract can be negotiated in the following increments/tick sizes: • $1 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is less than 2 years. • $2 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 2 years and less than 4 years. • $5 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 4 years and less than 7 years.

(3) 10 Year Standard Contract Specifications:

Contract Structure	\$100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = \$100,000 face
Quoting Convention	Net Present Value (NPV) per Contract will be used for trade execution. NPV is expressed in per contract terms for the Buyer (fixed rate payer). Each Swap Future negotiated in NPV terms has an implicit futures-style trade price of $Trade\ Price\ = 100 + A_{negotiated} + B_t - C_t$ where $A_{negotiated}$ is the NPV per Contract agreed upon between the counterparties (divided by 1,000 to normalize units to \$100 face amount), B_t is the value of the historical fixed and floating amounts, and C_t is Eris PAI™ at time t. The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties. The NPV per Contract can be negotiated in the following increments/tick sizes: • \$1 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is less than 2 years. • \$2 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than or equal to 2 years and less than 4 years. • \$5 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than greater than or equal 4 years and less than 7 years. • \$10 for Contracts where the lesser of Remaining Tenor/Underlying Tenor is greater than greater than or equal 7 years and less than 20 years.

(4) 30 Year Standard Contract Specifications:

Contract Structure	\$100,000 notional principal whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.
Contract Size	1 Contract = 1 lot = \$100,000 face
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