
Advisory Notice

TO: Eris Exchange Participant Firms, Clearing Firms, and Brokers

FROM: Eris Exchange Control Center and Market Regulation Department

ADVISORY: #11-10

DATE: November 11, 2011

SUBJECT: Notification of rule amendments; Rule 532 "Reports of Large Positions" and Rule 533 "Position Limit, Position Accountability and Reportable Level Table"

This Advisory Notice serves to notify Participants of Eris Exchange, LLC ("Eris Exchange" or "Exchange") that the Exchange has filed a notification with the Commodity Futures Trading Commission to amend Rule 532 "Reports of Large Positions" (the "Rule 532 Amendment") and Rule 533 "Position Limit, Position Accountability and Reportable Level Table" (the "Rule 533 Amendment"). The amended version of Rule 532 and Rule 533 will go into effect **November 29, 2011**.

The purpose of the Rule 533 Amendment is to resolve operational issues whereby the current Rule 533 creates certain back office processing inefficiencies for Clearing Firms of the Exchange. As such, the Rule 533 Amendment is operational in nature.

Under the current version of Rule 533, Contracts for the purposes of position limits, position accountability, and reportable levels, are grouped by maturity, as determined by the remaining tenor of the original transaction (i.e., less than 5 years or greater than 5 years). In contrast, under the amended Rule 533, Contracts will be reported according to Commodity Code. The use of the Commodity Code is an industry standard for position accountability reporting. As a result of this Rule 533 Amendment, Clearing Firms will be able to employ greater automation of trade reporting to the Exchange.

The Commodity Code is an alpha-numeric code that consists of two components. The first component is the letter at the beginning of the code, which represents the tenor of the contract. The letter and corresponding contract tenor range are reflected in the "Commodity Code" and "Tenor of Each Discrete Commodity Code" fields of the Rule 533 Chart. The second component of the Commodity Code is the 4 numbers that follow the letter. These numbers represent each unique contract, meaning a contract with a different coupon and/or a different first trade date, for any given maturity date. For example, on May 13, 2011, a contract was traded with a maturity date of May 17, 2013 and a coupon of 0.761. This coupon was assigned the Commodity Code A0001. Later

that same day, a contract traded with a maturity date of May 17, 2013 and a coupon of 0.750. Because this contract had a different coupon than the contract traded earlier in the day, it was assigned the Commodity Code A0002. Likewise, if on May 16, 2011, a contract with a maturity date of May 17, 2013 had traded with a coupon of 0.761, this contract would have been assigned the Commodity Code A0003 because it had a different first trade date than the contract traded on May 13, 2011.

The Rule 532 Amendment makes a conforming change to exclude a specific reference to the tenor reporting level (i.e., less than 5 years or greater than 5 years) in current Rule 532(b).

The amended Rules are attached, as well as the Exchange's filing with the CFTC.

If you have any questions regarding this Exchange notice, please contact Eris Control Center at 888-587-2699, Option 1, ErisControlCenter@erisfutures.com.

You are receiving this email as you are subscribed to Notices@erisfutures.com. If you would like to unsubscribe or if you know of someone that should be on this distribution please contact the ErisControlCenter@erisfutures.com.

Attachment 1: Amended Rule 533

RULE 533. Position Limit, Position Accountability and Reportable Level Table

The reportable levels for all Contracts are set forth in the Position Limit and Reportable Level Table below. ~~Maturity is determined by the remaining tenor of the original transaction. For purposes of the large trader report, Contracts shall be reported according to discrete Commodity Code. The Commodity Code shall be the Contract's Clearing Code, as defined in Rule 1101, absent the Z at the beginning of the code. The Commodity Code is an alpha-numeric code that consists of two components. The first component is the letter at the beginning of the code, which represents the tenor of the contract. The second component of the Commodity Code is the 4 numbers that follow the letter (i.e., "nnnn" in the Table below). These 4 numbers represent each unique contract, meaning a contract with a different coupon and/or a different first trade date, for any given maturity date. For example, a Contract with a Clearing Code of ZA0004 shall have a Commodity Code of A0004 and a Contract with a Clearing Code of ZA0006 shall have a Commodity Code of A0006. For purposes of the large trader report, all Contracts in the respective Commodity Code (i.e., A0004 or A0006) shall be grouped in order to determine reportable futures level and position accountability. The reportable level is the net long position or the net short position for each discrete Commodity Code. Pursuant to Rule 909, concurrent long and short positions must be reported to the Exchange for both sides as open positions (i.e., net long positions or net short positions).~~

Position Limit and Reportable Level Table:

Contract Name	Rule	Maturity	Reportable Futures Level	Position Accountability	Position Limit
Interest Rate Swap Futures Contract	1101	Less than 5 years	850	1000	N/A
Interest Rate Swap Futures Contract	1101	Greater than 5 years	850	1000	N/A

<u>Contract Name</u>	<u>Commodity Code</u>	<u>Tenor of each discrete Commodity Code</u>	<u>Rule</u>	<u>Reportable Futures Level for each discrete Commodity Code</u>	<u>Position Accountability for each discrete Commodity Code</u>	<u>Position Limit for each discrete Commodity Code</u>
<u>Interest Rate Swap Futures Contract</u>	<u>Annnn</u>	<u>Less than or equal to 2 years</u>	<u>1101</u>	<u>300</u>	<u>600</u>	<u>N/A</u>
<u>Interest Rate Swap Futures Contract</u>	<u>Bnnnn</u>	<u>Greater than 2 years and less than or equal to 5 years</u>	<u>1101</u>	<u>300</u>	<u>600</u>	<u>N/A</u>
<u>Interest Rate Swap</u>	<u>Cnnnn</u>	<u>Greater than 5 years and less</u>	<u>1101</u>	<u>300</u>	<u>600</u>	<u>N/A</u>

<u>Futures Contract</u>		<u>than or equal to 10 years</u>				
<u>Interest Rate Swap Futures Contract</u>	<u>Dnnnn</u>	<u>Greater than 10 years</u>	<u>1101</u>	<u>300</u>	<u>600</u>	<u>N/A</u>

Attachment 2: Amended Rule 532

RULE 532. Reports of Large Positions

- (a) Clearing Firms shall submit to the Exchange a daily report of all positions required to be reported as set forth in the Table in Rule 533.
- (b) Positions at or above the reportable level in a ~~particular tenor discrete Commodity Code of a Futures Contract (i.e., less than 5 year and more than 5 years)~~ trigger reportable status. For a person in reportable status in a ~~discrete Commodity Code of a Futures particular Contract~~, all positions, regardless of size, in a ~~ll Commodity Codes particular tenor of a Futures Contract~~ must be reported.
- (c) All large trader reports shall be submitted in a form acceptable to the Market Regulation Department. The Exchange may require that more than one large trader report be submitted daily. The Regulatory Oversight Committee or the Market Regulation Department may require reports from any Clearing Firm on a lesser number of positions than reflected in the Table in Rule 533.
- (d) Clearing Firms must provide the Market Regulation Department with the required CFTC Form 102 ("Identification of Special Accounts") identifying the owner, any controlling parties and any additional required information for each reportable account. The form must be submitted to the Market Regulation Department no later than the business day following the date on which the account becomes reportable. Additionally, Clearing Firms must submit a revised form reflecting any material changes to the information previously provided to the Market Regulation Department within three business days of such changes becoming effective.

Attachment 3: CFTC Rule Self-Certification Filing

November 11, 2011

BY ELECTRONIC FILING: submissions@cftc.gov

Mr. David Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.B.
Washington, D.C. 20581

Re: Eris Exchange Self-Certification of an Amendment to the Position Limit, Position Accountability and Reportable Level Table (Rule 533) and Reports of Large Traders (Rule 532) (Eris Exchange Submission #2011-02)

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act (the “Act”) and Commission Regulation 40.6(a) Eris Exchange, LLC (“Eris Exchange” or the “Exchange”) hereby submits to the Commodity Futures Trading Commission (the “Commission”) an amendment to Eris Exchange Rule 533 (Position Limit, Position Accountability and Reportable Level Table), (the “Rule 533 Amendment,” attached hereto as Attachment 1), pertaining to position accountability and reporting levels and a conforming amendment to Rule 532 (Reports of Large Traders) (the “Rule 532 Amendment,” attached hereto as Attachment 2) (collectively, the “Amendments” or “Submission”). The Amendments will become effective November 29, 2011.

Pursuant to Commission Regulation 40.6(a)(7), the Submission includes:

- (i) The Submission Cover Sheet;
- (ii) The text of the rules including all additions and deletions;
- (iii) The intended implementation date;
- (iv) A certification by Eris Exchange that the rules comply with the Act and Commission’s regulations, thereunder;
- (v) A concise explanation and analysis of the operation, purpose, and effect of the proposed rule amendments and their compliance with applicable provisions of the Act including the core principles; and,
- (vi) A statement that no opposing views were expressed to the Exchange.

The purpose of the Rule 533 Amendment is to resolve operational issues whereby the current Rule 533 creates certain back office processing inefficiencies for Clearing Firms of the Exchange. As such, the Rule 533 Amendment is operational in nature.

Under the current version of Rule 533, Contracts for the purposes of position limits, position accountability, and reportable levels, are grouped by maturity, as determined by the remaining tenor of the original transaction (i.e., less than 5 years or greater than 5 years). In contrast, under the amended Rule 533, Contracts will be reported according to Commodity Code. The use of the Commodity Code is an industry standard for position accountability reporting. As a result of this Rule 533 Amendment, Clearing Firms will be able to employ greater automation of trade reporting to the Exchange.

The Commodity Code is an alpha-numeric code that consists of two components. The first component is the letter at the beginning of the code, which represents the tenor of the contract. The letter and corresponding contract tenor range are reflected in the "Commodity Code" and "Tenor of Each Discrete Commodity Code" fields of the Rule 533 Chart. The second component of the Commodity Code is the 4 numbers that follow the letter. These numbers represent each unique contract, meaning a contract with a different coupon and/or a different first trade date, for any given maturity date. For example, on May 13, 2011, a contract was traded with a maturity date of May 17, 2013 and a coupon of 0.761. This coupon was assigned the Commodity Code A0001. Later that same day, a contract traded with a maturity date of May 17, 2013 and a coupon of 0.75. Because this contract had a different coupon than the contract traded earlier in the day, it was assigned the Commodity Code A0002. Likewise, if on May 16, 2011, a contract with a maturity date of May 17, 2013 had traded with a coupon of .761, this contract would have been assigned the Commodity Code A0003 because it had a different first trade date than the contract traded on May 13, 2011.

The Rule 532 Amendment makes a conforming change to exclude a specific reference to the tenor reporting level (i.e., less than 5 years or greater than 5 years) in current Rule 532(b).

The Amendments are similar to the current Rules that were approved by the Commission in conjunction with Eris Exchange's contract market designation of October 28, 2011. The Amendments are consistent with the Act and the Core Principles as the position accountability and reportable levels permit the Exchange to monitor the market, assess a trader's market power, monitor for market abuses, and enforce the rules of the Exchange. Specifically, the position accountability limits permit the Exchange's surveillance program to identify traders with substantial positions that approach or exceed the limits and subject such traders to increased surveillance, which includes contacting the trader to obtain additional information. Because the Rule 533 Amendment groups Contracts for reporting purposes by Commodity Code, the number of Contract groups will increase. Additionally, the reporting and accountability triggering levels for each Contract group have been adjusted to account for the increase in Contract groups. Due to the increase in the number of Contract groups and reduction in

triggering levels, position data that is aggregated under current Rule 533 will be disaggregated under the amended Rule. Consequently, the granularity of position data will be enhanced. Such enhanced granularity and increased automation of trade data reporting is consistent with Core Principle 4 - Prevention of Market Disruption and Core Principle 5 - Position Limitations or Accountability. Therefore, Eris Exchange certifies that the amended Rules comply with the Act and Commission's regulations.

There were no opposing views expressed to the Exchange regarding the Amendment.

In the event that you have questions, please contact me at 312-626-2681 or stephen.humenik@erisfutures.com.

Sincerely,



Stephen M. Humenik
General Counsel and Chief Regulatory Officer

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<u>Interest Rate Swap Futures Contract</u>	<u>Cnnnn</u>	<u>Greater than 5 years and less than or equal to</u>	<u>1101</u>	<u>300</u>	<u>600</u>	<u>N/A</u>

		<u>10 years</u>				
<u>Interest Rate Swap</u> <u>Futures Contract</u>	<u>Dnnnn</u>	<u>Greater than 10</u> <u>years</u>	<u>1101</u>	<u>300</u>	<u>600</u>	<u>N/A</u>

Attachment 2: Amended Rule 532

RULE 532. Reports of Large Positions

- (e) Clearing Firms shall submit to the Exchange a daily report of all positions required to be reported as set forth in the Table in Rule 533.
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- (h) Clearing Firms must provide the Market Regulation Department with the required CFTC Form 102 ("Identification of Special Accounts") identifying the owner, any controlling parties and any additional required information for each reportable account. The form must be submitted to the Market Regulation Department no later than the business day following the date on which the account becomes reportable. Additionally, Clearing Firms must submit a revised form reflecting any material changes to the information previously provided to the Market Regulation Department within three business days of such changes becoming effective.

Eris Exchange Self-Certification of an Amendment to the Position Limit, Position Accountability and Reportable Level Table (Rule 533) and Reports of Large Traders (Rule 532) (Eris Exchange Submission #2011-02)