



Advisory Notice

Clearing House

11-394

To: Clearing Member Firms
Chief Financial Officers
Back Office Managers

From: CME Clearing

Date: November 3, 2011

Subject: Update for Clearing Eris Interest-Rate Swap Futures

On October 28, 2011, Eris Exchange, LLC (Eris) was approved by the CFTC as a Designated Contract Market (DCM). Pursuant to this change, all existing customer positions that are currently cleared through the COTC Sequestered accounts will be changed to become 4D Customer Segregated accounts and all new customer positions will be cleared through 4D Customer Segregated accounts. This change will be effective at the start of business Monday, November 7, 2011.

Additionally, in anticipation of this change, below is an updated copy of CME Clearing House Manual of Operations which reflects the clearing impact of this change. Changes to the CME Clearing House Manual of Operations are also effective on Monday, November 7, 2011.

Chapter III

Product Review

ERIS INTEREST RATE SWAPS FUTURES PRODUCTS

Product Basics

ERIS IRS Futures are designed to behave like standard fixed versus floating USD denominated Interest Rate Swaps on the 3 month LIBOR index, except that the accruals are included in the price. Rather than lump-sum semi-annual fixed or quarterly floating payments, accruals from each side of the swap are included in the daily mark-to-market. Products will trade on the ERIS platform (www.erisfutures.com), a Designated Contract Market under CFTC regulation and a separate entity and not part of the CME Group. CME Clearing is providing clearing services to ERIS and all CME Class A clearing members are eligible to clear these contracts. From a functional perspective, these products behave exactly like any other cash-settled futures products.

Trade Acceptance

Matched ERIS transactions received into the Clearing System are checked and validated by the Clearing System before being accepted for clearing by CME Clearing. The validation checks include the following:

- Transactions must be in ERIS products which are valid and eligible for clearing;
- The ERIS Clearing Member/customer account ID must be valid;
- The transaction must pass all applicable credit limits/risk filters of the –
 - ERIS Trading System, and
 - CME Clearing credit limits for the applicable ERIS Clearing Member(s).

In order for CME Clearing to engage in Substitution (pursuant to CME Rule 804), ERIS Transactions must pass CME Clearing imposed ERIS Clearing Member credit limits. Upon Substitution, the CME Clearing Financial Safeguards Package is effected and CME Clearing is substituted as the counterparty to each party of the original transaction.”

For more information, please contact Eris Exchange at 888-587-2699, or CME Clearing at 312 207-2525.

###