

Nascent SOFR Swap Market Poised for Futurization

- Benchmark: SOFR ordained by ARRC and Fed to replace USD Libor
- Marketplace: Adjusting to overnight rate without credit spread
 - CME SOFR Futures – Growing new product, hedger use starting in repo
 - OTC SOFR swaps (OIS) – Nascent, lacking standardization and transparency
 - Eurodollar Futures and Libor swaps remain dominant risk transfer markets
- Eris: Preparing liquid, transparent futures as SOFR swap benchmarks
 - Migrating to CME unlocked the potential of legacy Libor Eris Swap Futures
 - Mid-2020 launch for Eris SOFR swap (OIS) futures on CME
- Developing SOFR markets
 - Libor swaps – Incumbent liquidity advantage for swaps over futures
 - SOFR swaps – Nascent market allows futures and swaps to develop in tandem
 - Eris OIS Futures – CME-listed, price transparency, all-to-all, bilateral blocks

Eris SOFR OIS Futures Product Spec Summary

Contract Listings	\$100,000 notional, quarterly effective dated contracts, starting on March, June, September and December IMM dates, ending “Contract Tenor”-years in the future
Contract Tenors	1, 2, 3, 4, 5, 7, 10, 12, 15, 20, 30-years underlying contract tenors
Fixed Leg	Fixed rate, set to within 0.25% of the expected forward rate at time of listing
Floating Leg	USD-SOFR-COMPOUND: rate set at the end of each accrual period, determined as the daily compounded values of SOFR fixings during the accrual period. Accrual periods follow the Modified Following business day convention
Payment Frequency/ Payment Dates	Annual fixed leg, Annual floating leg, 2 business days following the end of each accrual period, on an Actual/360 day count basis, on a NY holiday calendar
Contract Price	<p>Contracts cash settle for life to the Eris Price, which captures all the cash flows of the swap</p> $\text{Eris Price} = 100 + A_t + B_t - C_t$ <p>A_t = NPV of future cash flows on date t, discounted on SOFR curve</p> <p>B_t = Accumulated historical payments of fixed and floating amounts</p> <p>C_t = Eris PAI™ on date t, equivalent to the accumulated daily SOFR interest on $A(t-1)$ (=previous business day's NPV)</p>
Price Increments	100.0000 indexed decimal price to 4 decimal places, with minimum price increments equivalent to approximately 0.001% in yield; e.g., 2-year contract minimum price increment of 0.002, 10-yr min price increment of 0.010. 1 full point (1.000) will represent \$1000.00