

April 17, 2012

**BY ELECTRONIC FILING: [submissions@cftc.gov](mailto: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 Rule Self-Certification of adjustments related to and amendments to Rule 1101 (Eris Interest Rate Swap Futures Contract Specifications) and amendments to Rule 524(d) (Recordkeeping Requirements for Entering Orders into the Eris Trading System) (Eris Exchange Submission #2012-04)**

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, (the "Act") and Commission Regulation 40.6(a), Eris Exchange, LLC ("Eris Exchange" or the "Exchange") hereby notifies the Commodity Futures Trading Commission (the "Commission") that beginning on May 4, 2012 (the "Effective Date"), Eris Exchange will:

- (1) Adjust the Eris PAI™ Day Count Convention;
- (2) Adjust the Calculation Methodology for AC and Eris PAI™;
- (3) Amend Rule 1101 (Eris Interest Rate Swap Futures Contract Specifications) (the "Contract") to implement the adjustments set forth in (1) and (2) above; and,
- (4) Amend Rule 524(d) (Recordkeeping Requirements for Entering Orders into the Eris Trading System) to make clarifications to the definition of Customer Type Indicator (CTI) Codes.

The Exchange has attached a copy of the Eris Exchange Advisory Notice that provides detail related to these adjustments and amendments, as well as the text of the Rules including all additions and deletions. See Attachment 1 (the "Advisory"). The Exchange has also described the adjustments and amendments below.

#### **(1) Eris PAI™ Day Count Convention**

The Exchange will adjust the day count convention of the Contract to the Total Return on Modified Variation Margin calculation (or "Eris PAI™") from Actual/365 days to Actual/360 days.

The purpose of the adjustment is to bring the Eris PAI™ day count in line with the current market convention of utilizing an Actual/360 daycount.

The calculation adjustment will take effect on all newly traded contracts and on the current open interest on the Effective Date. Historical Eris PAI™ and settlement prices will not be recalculated under the new methodology. The change in day count methodology is isolated within the pricing system itself, and does not affect the operational flow or data output formats

associated with the daily settlement files.

## **(2) Calculation Methodology for AC and Eris PAI™**

Without affecting all-in valuation of Eris Exchange contracts, the Exchange will make offsetting adjustments to the calculation methodology for two components within the pricing formula the Contract: the value of the historical fixed and floating amounts and for Eris PAI™. Historical fixed and floating amounts is another term for the Accumulated Coupon Payments ("AC").

The purpose of these changes is to align the values of these individual pricing components with their equivalent components within OTC contracts for ease of comparison, while leaving the overall trade and settlement prices of Eris Exchange contracts unchanged. Per the "Eris Interest Rate Swap Futures: Contract Specifications," the value of the accumulated coupon payments ("AC") accrue daily at the Fed Funds overnight rate, and the Eris PAI™ is calculated by accruing O/N Fed Funds on the sum of NPV+AC. Eris Exchange will no longer apply any accrual rate to the historical fixed and floating amounts. Additionally, Eris Exchange will only include the daily accrual on the net present value ("NPV") of the future cash flows in its Eris PAI™ calculation. The calculation adjustment will take effect on all newly traded contracts and on the current open interest on the Effective Date. Historical values will not be recalculated.

As a result of this change, there will be no effect on the daily settlement price. The change is also isolated within the pricing system itself, and does not affect the operational flow or data output formats associated with the daily settlement files.

## **(3) Amendments to Rule 1101 (Eris Interest Rate Swap Futures Contract Specifications) of the Eris Exchange LLC Rulebook**

Eris Exchange has updated Rule 1101. (Eris Interest Rate Swap Futures Contract Specifications) to reflect the changes noted above. The Contract was self-certified by the Exchange on November 1, 2011.

In addition, the Exchange has provided clarification to the Contract Specification to note the treatment of New York and London Holidays and to add details to the Contract Specification related to the operational processing of the Contract. In addition, the Exchange has added information from Rule 601 related to Block Trades and Rule 602 related to Exchange of Derivatives for Related Positions for ease of reference. The amended Rule 1101 is attached in redline format, as well as in final form, as Attachments A and B, respectively to the Advisory (Attachment 1).

## **(4) Amendments to Rule 524(d) (Recordkeeping Requirements for Entering Orders into the Eris Trading System)**

Eris Exchange has updated Rule 524(d) to clarify the definitions the customer type indicator (CTI) codes that should be used for entering orders into the Eris Trading System by Clearing Firms. The Exchange has made these amendments in order to conform the CTI code definitions to the industry standard definitions. The amended Rule 524(d) is attached in redline format, as well as in final form as Attachment C to the Advisory (Attachment 1).

## Conclusion

The Advisory is consistent with the Act, the Core Principles, and the Commission Regulations thereunder. Specifically, the Advisory is consistent with those sections of Core Principle 2 (Compliance with Rules) and Core Principle 9 (Execution of Transactions) related to establishing rules related to the terms and conditions of the contracts traded on the Exchange and permitting trades to be executed on a competitive, open, and efficient market that also authorizes off-exchange block trades in the contracts listed by the Exchange. Further, the amendments to Rule 1101 relate to a Contract that has been certified with the Commission. The terms of the Contract are based upon independent and readily available information, and the Exchange has an established enforcement infrastructure to combat Contract manipulation, the Contract is not readily susceptible to manipulation and complies with the Act, including the core principles, namely, Core Principle 2 (Compliance with Rules); Core Principle 3 (Contract Not Readily Susceptible to Manipulation); Core Principle 5 (Position Limits or Accountability); and, the Commission Regulations thereunder.

The Exchange certifies that the Advisory complies with the Act and the regulations thereunder. The Advisory was provided to the Exchange Practices Committee. There were no substantive opposing views to the adjustments and amendments set forth in the Advisory.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.erisfutures.com/rules-notices-policies>.

In the event that you have questions, please contact me at 312-626-2681 or [stephen.humenik@erisfutures.com](mailto:stephen.humenik@erisfutures.com).

Sincerely,



Stephen M. Humenik  
General Counsel and Chief Regulatory Officer



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## Advisory Notice

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

FROM: Eris Exchange Control Center and Market Regulation Department

ADVISORY: #12-03

DATE: April 17, 2012

SUBJECT: **Notification of Eris Exchange Rule Self-Certification of adjustments related to and amendments to Rule 1101 (Eris Interest Rate Swap Futures Contract Specifications) and amendments to Rule 524(d) (Recordkeeping Requirements for Entering Orders into the Eris Trading System)**

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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:

- (1) Adjust the Eris PAI™ Day Count Convention;
- (2) Adjust the Calculation Methodology for AC and Eris PAI™;
- (3) Amend Rule 1101 (Eris Interest Rate Swap Futures Contract Specifications) to implement the adjustments set forth in (1) and (2) above; and,
- (4) Amend Rule 524(d) (Recordkeeping Requirements for Entering Orders into the Eris Trading System) to make clarifications to the definition of Customer Type Indicator (CTI) Codes.

The amended versions of Rule 1101 and Rule 524(d) will go into effect on May 4, 2012 (the "Effective Date").

The changes outlined above will have no impact on the daily settlement price calculation and are being implemented for testing purposes as well as for better clarity in comparing the pricing of Eris Exchange interest rate swap futures to their OTC swap counterparties.

### **(1) Eris PAI™ Day Count Convention**

The Exchange will adjust the day count convention to the Total Return on Modified Variation Margin calculation (or "Eris PAI™") from Actual/365 days to Actual/360 days.

The purpose of the adjustment is to bring the Eris PAI™ day count in line with the current market convention of utilizing an Actual/360 daycount.

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The calculation adjustment will take effect on all newly traded contracts and on the current open interest on the Effective Date. Historical Eris PAI™ and settlement prices will not be recalculated under the new methodology.

Impact: The change in day count methodology is isolated within the pricing system itself, and does not affect the operational flow or data output formats associated with the daily settlement files.

### **(2) Calculation Methodology for AC and Eris PAI™**

Without affecting all-in valuation of Eris Exchange contracts, the Exchange will make offsetting adjustments to the calculation methodology for two components within the pricing formula: the value of the historical fixed and floating amounts<sup>1</sup> and for Eris PAI™.

The purpose of these changes is to align the values of these individual pricing components with their equivalent components within OTC contracts for ease of comparison, while leaving the overall trade and settlement prices of Eris Exchange contracts unchanged. Per the "Eris Interest Rate Swap Futures: Contract Specifications", the value of the accumulated coupon payments ("AC") accrue daily at the Fed Funds overnight rate, and the Eris PAI™ is calculated by accruing O/N Fed Funds on the sum of NPV+AC. Eris Exchange will no longer apply any accrual rate to the historical fixed and floating amounts. Additionally, Eris Exchange will only include the daily accrual on the net present value ("NPV") of the future cash flows in its Eris PAI™ calculation. The calculation adjustment will take effect on all newly traded contracts and on the current open interest on the Effective Date. Historical values will not be recalculated.

Impact: As a result of this change, there will be no effect on the daily settlement price. The change is also isolated within the pricing system itself, and does not affect the operational flow or data output formats associated with the daily settlement files.

### **(3) Amendments to Rule 1101 (Eris Interest Rate Swap Futures Contract Specifications) of the Eris Exchange LLC Rulebook**

Eris Exchange has updated Rule 1101. (Eris Interest Rate Swap Futures Contract Specifications) in the Rulebook to reflect the changes noted above. In addition, the Exchange has provided clarification to the Contract Specification to note the treatment of New York and London Holidays and to add details to the Contract Specification related to the operational processing of the Contract. In addition, the Exchange has added information from Rule 601 related to Block Trades and Rule 602 related to Exchange of Derivatives for Related Positions for ease of reference. The amended

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<sup>1</sup> Historical fixed and floating amounts is another term for the Accumulated Coupon Payments ("AC")

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Rule 1101 is attached in redline format, as well as in final form, as Attachments A and B, respectively.

### **(4) Amendments to Rule 524(d) (Recordkeeping Requirements for Entering Orders into the Eris Trading System)**

Eris Exchange has updated Rule 524(d) to clarify the definitions the customer type indicator (CTI) codes that should be used for entering orders into the Eris Trading System by Clearing Firms. The Exchange has made these amendments in order to conform the CTI code definitions to the industry standard definitions. The amended Rule 524(d) is attached in redline format, as well as in final form as Attachment C.

**ATTACHMENT 1**



**ATTACHMENT A**

**CHAPTER 11: CONTRACT SPECIFICATIONS**

**RULE 1101.Eris Interest Rate Swap Futures Contract Specifications**

<b>Trading Hours</b>	Eris Exchange standard trading hours are currently 8:20 AM to 4:30 PM Eastern Time.
<b>Contract Structure</b>	<u>\$1 million 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.</u> <del>\$1 million notional principal that exchanges semiannual fixed interest payments at a mutually-agreed-upon coupon rate per annum for floating interest payments based on 3-month dollar LIBOR, over a mutually-agreed-upon term to maturity.</del>
<b>Contract Size</b>	1 Contract = 1 lot = \$1 million USD face.
<b>Trading Conventions</b>	Buy = Pay Fixed Sell = Receive Fixed
<b>Swap Futures Leg Conventions</b>	<p><u>Fixed Leg</u></p> <ul style="list-style-type: none"> <li>• <del>Payment Frequency</del> Semi-Annual</li> <li>• <u>Reset Frequency</u> Semi-Annual</li> <li>• <u>Day Count Convention</u> 30/360</li> <li>• <u>Currency</u> USD</li> <li>• <u>Holiday Calendar(s)</u> New York, London</li> <li>• <u>Business Day Convention</u> Modified Following with adjustment to period end dates</li> </ul> <p><u>Floating Leg</u></p> <ul style="list-style-type: none"> <li>• <del>Rate Index</del> 3-Month LIBOR</li> <li>• <del>Rate Offset</del> 2</li> <li>• <del>Payment Frequency</del> Quarterly</li> <li>• <u>Reset Frequency</u> Quarterly</li> <li>• <u>Day Count Convention</u> Actual/360</li> <li>• <u>Currency</u> USD</li> <li>• <u>Holiday Calendar(s)</u> New York, London</li> <li>• <u>Business Day Convention</u> Modified Following with adjustment to period end dates</li> </ul>
<b><u>Effective Date</u></b>	<p><u>The first date from which fixed and floating interest amounts accrue.</u></p> <ul style="list-style-type: none"> <li>• <u>To determine the Effective Date of a spot-starting Eris Interest Rate Swap Future, move two business days forward from the trade date in the London calendar, and then check the NY Fed Calendar. If that day is a valid</u></li> </ul>

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	<p><u>NY business day, then that is the Effective Date. If that day is a NY holiday, then continue to move forward to the next day that is a valid business day on both the LN and NY calendars.</u></p>
<b>Cash Flow Alignment Date ("CFAD")</b>	<p>The date used for aligning all fixed and floating reset dates, <u>and for determination of the Maturity Date</u></p> <p>The Cash Flow Alignment Date can be defined as any date up to 30 years following the Effective Date. CFAD can be derived, if necessary, by adding the tenor to the Effective Date.</p> <p>For example, an Eris Interest Rate Swap Future with an Effective Date of 12/30/2010 and a tenor of three years implies a Cash Flow Alignment Date of 12/30/2013. Note that the Cash Flow Alignment Date may fall on any calendar day, including weekends and holidays. The CFAD is used to determine the Maturity Date, but the two terms are distinct, as the Maturity Date must fall on a valid business day from the joint holiday calendar.</p>
<b>Maturity Date</b>	<p>The final date to which fixed and floating amounts accrue. <u>The last date of the contract.</u> <del>The Maturity Date may also be referred to as Termination Date.</del></p> <p>Maturity Date is determined by applying the Modified Following Rule to the Cash Flow Alignment Date. If the Cash Flow Alignment Date is a non-business day in either US or London, go forward to the next day that is a business day in both the US and London. If the next valid business day is in the following month, the preceding <u>valid business day on both the NY and London holiday calendars</u> will be the Maturity Date.</p> <p>Eris PAI™ accrues up to and including the Maturity Date.</p> <p><u>The Maturity Date may also be referred to as Termination Date.</u></p>
<b>Effective Date</b>	<p><del>The first date from which fixed and floating interest amounts accrue.</del></p> <p><del>Eris Interest Rate Swap Futures Contracts can be traded during the forward, spot, and/or seasoned periods. The Ticker Symbol remains the same as it transitions between periods.</del></p> <p><del>Forward Period:</del></p> <ul style="list-style-type: none"> <li><del>◆ Contracts with an Effective Date greater than T+2 London business days (where T = today) are considered to be trading in the Forward period, and are colloquially referred to as "forward starting swap futures."</del></li> <li><del>◆ The minimum possible forward period is 1 day (i.e., Effective Date T+3), and the maximum possible forward period is 10 years.</del></li> </ul> <p><del>Spot Period:</del></p> <ul style="list-style-type: none"> <li><del>◆ Contracts with an Effective Date equal to T+2 London business days are considered to be trading in the Spot Period, and are colloquially referred to as "spot starting</del></li> </ul>



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	<p>swap futures.”</p> <ul style="list-style-type: none"> <li>◆ To determine the Effective Date of a spot starting Eris Interest Rate Swap Future, move two business days forward from today in the London calendar, and then check the NY Fed Calendar. If it is not a holiday in the US, then that is the Effective Date. If it is a holiday in the US, then move one more business day forward in the London calendar and verify it is not a US holiday or weekend. Continue until an Effective Date is determined.</li> </ul> <p>Seasoned Period:</p> <ul style="list-style-type: none"> <li>◆ Contracts with an Effective Date earlier than T+2 London business days and where the Maturity Date is greater than t are considered to be trading in the Seasoned Period, and are colloquially referred to as “seasoned swap futures.”</li> </ul>
<p><b><u>Trading Period Type</u></b></p>	<p><b><u>Spot:</u></b></p> <ul style="list-style-type: none"> <li>• <u>A new contract or one that was created on a prior date, in which the Effective Date is the same as a spot starting contract traded on that day.</u></li> </ul> <p><b><u>Forward:</u></b></p> <ul style="list-style-type: none"> <li>• <u>A new contract or one that was created on a prior date, in which the Effective Date is after the Effective Date of a spot starting contract traded on that day. The maximum possible time between the Effective Date of a spot starting contract and the Effective Date of a forward starting contract is 10 years.</u></li> </ul> <p><b><u>Seasoned:</u></b></p> <ul style="list-style-type: none"> <li>• <u>A new contract or one that was created on a prior date, in which the Effective Date is before the Effective Date of a spot starting contract traded on that day.</u></li> </ul> <p><u>Eris interest rate swap futures can be traded during the spot, forward, and/or seasoned periods. However, a contract’s first trade can only occur during the spot or forward period. The Ticker Symbol remains the same as it transitions throughout period types.</u></p>
<p><b><u>Underlying Tenor</u></b></p>	<p>The duration of time from the Effective Date to the Cash Flow Alignment Date.</p> <p>A Contract can have an Underlying Tenor as long dated as 30 years, with precision down to each valid business day.</p>
<p><b><u>Remaining Tenor</u></b></p>	<p><u>The duration of time from today to the Cash Flow Alignment Date.</u></p> <p>A Contract can have a Remaining Tenor as long dated as 40</p>

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	<u>years, with precision down to each valid business day.</u>
<b>Reset Dates</b>	<p><u>Dates utilized to determine fixed and floating amounts throughout the life of the Contract. Reset Dates define the beginning and end of fixed and floating interest accrual periods. Floating Rate Reset Dates facilitate the determination of the LIBOR Fixing Dates.</u></p> <p><u>The Cash Flow Alignment Date will be used as the basis for determining Reset Dates. Each Reset Date is subject to adjustment based on Modified Following convention.</u></p> <ul style="list-style-type: none"> <li>• <u>For example, if the CFAD is 12/15/2030, the Reset Dates will be on the 15<sup>th</sup> of March, June, September and December, subject to the Modified Following convention.</u></li> </ul> <p><del>Dates utilized to determine fixed and floating amounts throughout the life of the Contract. Reset Dates define the beginning and end of fixed and floating interest accrual periods. Floating Rate Reset Dates facilitate the determination of the LIBOR reset dates.</del></p> <p><del>The Cash Flow Alignment Date will be used as the basis for determining Reset Dates. Each Reset Date is subject to adjustment based on Modified Following convention.</del></p>
<b>Last Trading Day</b>	<p><u>The last day on which the Contract can be traded is the NY business day preceding the Maturity Date.</u></p> <p><del>For Contracts that trade at least once during the Forward Period or Spot Period, the last day on which the Contract can be traded is the business day preceding the Maturity Date.</del></p> <p><del>Contracts that do not trade at least once during the Forward Period or Spot Period are not eligible to trade during the Seasoned Period.</del></p>
<b>First LIBOR Fixing Date First LIBOR Setting</b>	<p><u>For spot starting contracts, the first LIBOR Fixing Date is the trade date.</u></p> <p><u>For forward starting contracts, the first LIBOR Fixing Date is 2 London business days prior to the Effective Date.</u></p> <p><del>For standard maturity Contracts (those with no stub period), the floating rate index for the initial floating rate period is the 3-month USD LIBOR setting announced by the British Bankers' Association two London business days prior to the Effective Date of the Contract.</del></p> <p><del>For Contracts with non-standard tenors, a short front stub period of less than 3 months may occur between the Effective Date and the Floating Rate Reset Date. In these cases, the rate index for the initial floating rate period is determined using linear interpolation of USD LIBOR indices announced by the British Bankers' Association two London business days prior to the</del></p>

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	Effective Date of the Contract. Interpolation is based on the two LIBOR indices which surround the first Floating Rate Reset Date. Note that 2-week LIBOR is not used for purposes of LIBOR interpolation.
<b>Other LIBOR Fixing Date</b>	For all periods other than the first floating rate period, the LIBOR Fixing Date is 2 London business days prior to each Reset Date.
<b>Floating Rate Index: First Period</b>	<p>3 Month USD LIBOR for all contracts with standard first floating rate period (i.e., length of period is 3 months, adjusted for Modified Following).</p> <p>For both Spot Starting and Forward Starting Contracts with non-standard tenors, a short front stub period of less than 3 months may occur between the Effective Date and the first Reset Date. In these cases, the first LIBOR Fixing Rate is determined using linear interpolation based on the two LIBOR indices that surround the Stub Period on the first LIBOR Fixing Date.</p> <ul style="list-style-type: none"> <li>The following USD LIBOR indices will be used to determine the fixing rate for a stub period: Overnight, 1 Week, 1 Month, 2 Month and 3 Month.</li> <li>For example, the first LIBOR fixing rate for a contract with a stub period of 45 days will be interpolated between the 1 month and 2 month LIBOR rates.</li> </ul>
<b>Floating Rate Index: Subsequent Periods</b>	3 Month USD LIBOR announced by the British Bankers' Association.
<b>Daily Settlement Price (Futures-Style Price)</b>	<p>Eris Interest Rate Swap Futures are priced on a basis of 100, similar to market practice for bonds and other futures contracts.</p> <p>The settlement value for each Contract is defined as:</p> $S_t = 100 + NPV_t + AC_t - TRMVM_t$ $S_t = 100 + A_t + B_t - C_t$ <p><math>S_t</math> = settlement price at time t</p> <p><math>NPV_t</math> = net present value of the future cash flows at time t</p> <p><math>AC_t</math> = value of the accumulated coupon payments compounded daily at the Fed Funds overnight rate</p> <p><math>A_t</math> = net present value of the future cash flows at time t, based on OIS discounting</p> <p><math>B_t</math> = value of the historical fixed and floating amounts since contract inception</p> <p><math>TRMVM_t</math> = total return on modified variation margin at time t. TRMVM is also referred to as Eris Price Alignment Interest (or Eris PAI).</p> <p><math>C_t</math> = Eris Price Alignment Interest (or Eris PAI™).</p> <p>Eris Exchange and CME Clearing calculate Daily Settlement</p>

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	<p><u>Price to 4 decimals of precision (e.g., 100.1234).</u></p> <p><u>Eris PAI is a cumulative value calculated daily by applying the overnight Fed Funds effective rate to the contract's NPV, using an Actual/360 daycount convention. Eris PAI™ will start accruing on the first trade date.</u></p> <p><u>Eris PAI is assessed beginning on the first date that a contract trades.</u></p>
<p><b>Final Settlement Price</b></p>	<p><u>100 plus the net accumulated value of cash flows minus total return on modified variation margin:</u></p> $S_{final} = \frac{100 + AC_{final} - TRMVM_{final}}{B_{final}}$ $S_{final} = \frac{100 + B_{final} - C_{final}}{B_{final}}$ <p><u>S<sub>final</sub> = Settlement price at maturity</u>  <u>B<sub>final</sub> = Historical fixed and floating amounts since contract inception through maturity</u>  <u>S<sub>final</sub> = settlement price at time at maturity</u>  <u>AC<sub>final</sub> = net accumulated value of cash flows</u>  <u>TRMVM<sub>final</sub> = total return on modified variation margin, or Eris PAI.</u>  <u>C<sub>final</sub> = Eris PAI™, at maturity</u></p> <p><u>Eris PAI is assessed beginning on the first date that a contract trades.</u></p>
<p><b>Quoting Convention – Par Swap Futures</b></p>	<p><u>During the Forward and Spot Periods, market participants can trade Par Swap Futures by negotiating the par fixed rate for a given Effective Date and Cash Flow Alignment Date.</u>  <u>Each Par Swap Future negotiated in fixed rate terms carries an implicit futures-style price of 100.0000.</u>  <u>For Par Swap Futures the fixed rate can be negotiated in increments of one-tenth of one basis point, from 0.000% to 9.999%.</u></p>
<p><b>Quoting Convention – Off-Market Swap Futures</b></p>	<p><u>During the Spot, Forward and Seasoned periods of a given Contract, market participants can negotiate the Net Present Value (NPV) per Contract.</u></p> <p><u>NPV is expressed in per contract terms for the Buyer (fixed rate payer).</u></p> <p><u>Each Off-Market Swap Future negotiated in NPV terms has an implicit futures-style trade price of</u></p> $Trade\ Price = 100 + A_{negotiated} + B_t - C_t$ <p><u>where A<sub>negotiated</sub> is the NPV per Contract agreed upon between the counterparties (divided by 10,000 to normalize units to \$100</u></p>

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	<p><u>face amount), <math>B_t</math> is the value of the historical fixed and floating amounts, and <math>C_t</math> is Eris PAI™ at time <math>t</math>.</u>  <u>The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties.</u></p> <p><u>For Off-Market Swap Futures executed on the Eris SwapBook™ electronic trading platform, the NPV per Contract can be negotiated in the following increments/tick sizes:</u></p> <ul style="list-style-type: none"> <li>• <u>\$50 for Contracts with Remaining Tenor of zero to seven years.</u></li> <li>• <u>\$100 for Contracts with Remaining Tenor of greater than seven and less than 20 years.</u></li> <li>• <u>\$200 for Contracts with Remaining Tenor greater than 20 years.</u></li> </ul> <p><u>For Off-Market Swap Futures executed off-exchange and reported to the Exchange via the Eris BlockBox™ platform or by calling the Eris Control Center, the NPV per Contract can be negotiated in increments of \$1.</u></p> <p><del>During the Forward, Spot and Seasoned periods of a given Contract, defined by a certain Effective Date, Cash Flow Alignment Date AND Fixed Coupon, market participants can negotiate the Net Present Value (NPV) per Contract. NPV per Contract is expressed in terms of NPV for the Buyer.</del></p> <p><del>Each Off Market Swap Future negotiated in NPV terms carries an implicit futures style trade price of</del>  <del><math>Trade\ Price = 100 + \frac{NPV_{negotiated}}{10,000} + AC_t - TRMVM_t</math></del>  <del>where <math>NPV_{negotiated}</math> is the NPV per Contract agreed upon between the counterparties (divided by 10,000 to normalize units), <math>AC_t</math> is the value of the accumulated coupon payments, and <math>TRMVM</math> is the total return on modified variation margin, or Eris PAI.</del>  <del>The AC and TRMVM components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties.</del>  <del>Note: The NPV negotiated by counterparties trading of an off-market swap future is incorporated into the traded price using the formula above.</del>  <del>For Off-Market Swap Futures executed on the Eris SwapBook™ electronic trading platform, the NPV per Contract can be negotiated in the following increments/tick sizes:</del></p> <p><del>\$50 for Contracts with remaining tenor of zero to seven years.</del>  <del>\$100 for Contracts with remaining tenor of greater than seven and less than 20 years.</del></p>
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	<p><del>\$200 for Contracts with remaining tenor greater than 20 years.</del></p>
<b><u>Block Trades</u></b>	<p><u>Eris Interest Rate Swap Futures are eligible to be traded as privately negotiated, off-exchange Block Trades and reported to Eris Exchange.</u></p> <p><u>Block Trades must be executed and reported pursuant to Rule 601 in the Eris Exchange Rulebook.</u></p>
<b><u>Exchange of Derivatives for Related Positions</u></b>	<p><u>Eris Interest Rate Swap Futures are eligible to be traded as privately negotiated, off-exchange Exchange of Derivatives for Related Positions (EDRPs) and reported to Eris Exchange.</u></p> <p><u>EDRPs must be executed and reported pursuant to Rule 602 in the Eris Exchange Rulebook.</u></p>
<b>Ticker Symbol Convention</b>	<p>Product Family + Tenor + Maturity</p> <p>The first new trade for a given maturity date will be issued (by Eris Exchange systems) a ticker symbol comprised of Clearing Code 'Z(tenor category)0001', concatenated with the Period representing the maturity date in YYYYMMDD format.</p> <p><u>A contract's Tenor is defined as the difference between the contract's Effective Date and its Cash Flow Alignment Date.</u></p> <p>Tenor category are as follows:</p> <p>ZA = Tenors greater than zero and less than or equal to two years          ZB = Tenors greater than two years and less than or equal to five years          ZC = Tenors greater than five years and less than or equal to ten years          ZD = Tenors greater than ten years</p> <p>The first Contract that trades with a particular maturity is assigned Product Family Z(A)0001. The next Contract that trades with the same maturity, but with a different start date or coupon, is assigned Product Family Z(A)0002.</p> <p>Assume that the trade is a 10-year swap initiated on 16-Dec-2010 with settlement date of 20-Dec-2020 and coupon of 0.710. As the first trade that carries the maturity date 20-Dec-2020, it will be issued ticker symbol ZC000120201220. The C denotes that this is in the 5+ to 10 years tenor category.</p>

Note that certain elements of the final settlement value computation process are patent pending.

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**ATTACHMENT B**

**CHAPTER 11: CONTRACT SPECIFICATIONS**

**RULE 1101.Eris Interest Rate Swap Futures Contract Specifications**

<b>Trading Hours</b>	Eris Exchange standard trading hours are currently 8:20 AM to 4:30 PM Eastern Time.
<b>Contract Structure</b>	\$1 million 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.
<b>Contract Size</b>	1 Contract = 1 lot = \$1 million USD face.
<b>Trading Conventions</b>	Buy = Pay Fixed Sell = Receive Fixed
<b>Swap Futures Leg Conventions</b>	<p>Fixed Leg</p> <ul style="list-style-type: none"> <li>• Reset Frequency                      Semi-Annual</li> <li>• Day Count Convention                30/360</li> <li>• Currency                                    USD</li> <li>• Holiday Calendar(s)                 New York, London</li> <li>• Business Day Convention           Modified Following with adjustment to period end dates</li> </ul> <p>Floating Leg</p> <ul style="list-style-type: none"> <li>• Reset Frequency                      Quarterly</li> <li>• Day Count Convention                Actual/360</li> <li>• Currency                                    USD</li> <li>• Holiday Calendar(s)                 New York, London</li> <li>• Business Day Convention           Modified Following with adjustment to period end dates</li> </ul>
<b>Effective Date</b>	<p>The first date from which fixed and floating interest amounts accrue.</p> <ul style="list-style-type: none"> <li>• To determine the Effective Date of a spot-starting Eris Interest Rate Swap Future, move two business days forward from the trade date in the London calendar, and then check the NY Fed Calendar. If that day is a valid NY business day, then that is the Effective Date. If that day is a NY holiday, then continue to move forward to the next day that is a valid business day on both the LN and NY calendars.</li> </ul>
<b>Cash Flow Alignment Date ("CFAD")</b>	<p>The date used for aligning all fixed and floating reset dates, and for determination of the Maturity Date</p> <p>The Cash Flow Alignment Date can be defined as any date up to 30 years following the Effective Date. CFAD can be derived,</p>

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	<p>if necessary, by adding the tenor to the Effective Date. For example, an Eris Interest Rate Swap Future with an Effective Date of 12/30/2010 and a tenor of three years implies a Cash Flow Alignment Date of 12/30/2013. Note that the Cash Flow Alignment Date may fall on any calendar day, including weekends and holidays. The CFAD is used to determine the Maturity Date, but the two terms are distinct, as the Maturity Date must fall on a valid business day from the joint holiday calendar.</p>
<p><b>Maturity Date</b></p>	<p>The final date to which fixed and floating amounts accrue. The last date of the contract.</p> <p>Maturity Date is determined by applying the Modified Following Rule to the Cash Flow Alignment Date. If the Cash Flow Alignment Date is a non-business day in either US or London, go forward to the next day that is a business day in both the US and London. If the next valid business day is in the following month, the preceding valid business day on both the NY and London holiday calendars will be the Maturity Date. Eris PAI™ accrues up to and including the Maturity Date.</p> <p>The Maturity Date may also be referred to as Termination Date.</p>
<p><b>Trading Period Type</b></p>	<p>Spot:</p> <ul style="list-style-type: none"> <li>• A new contract or one that was created on a prior date, in which the Effective Date is the same as a spot starting contract traded on that day.</li> </ul> <p>Forward:</p> <ul style="list-style-type: none"> <li>• A new contract or one that was created on a prior date, in which the Effective Date is after the Effective Date of a spot starting contract traded on that day. The maximum possible time between the Effective Date of a spot starting contract and the Effective Date of a forward starting contract is 10 years.</li> </ul> <p>Seasoned:</p> <ul style="list-style-type: none"> <li>• A new contract or one that was created on a prior date, in which the Effective Date is before the Effective Date of a spot starting contract traded on that day.</li> </ul> <p>Eris interest rate swap futures can be traded during the spot, forward, and/or seasoned periods. However, a contract's first trade can only occur during the spot or forward period. The Ticker Symbol remains the same as it transitions throughout period types.</p>
<p><b>Underlying Tenor</b></p>	<p>The duration of time from the Effective Date to the Cash Flow Alignment Date.</p> <p>A Contract can have an Underlying Tenor as long dated as 30</p>



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	years, with precision down to each valid business day.
<b>Remaining Tenor</b>	<p>The duration of time from today to the Cash Flow Alignment Date.</p> <p>A Contract can have a Remaining Tenor as long dated as 40 years, with precision down to each valid business day.</p>
<b>Reset Dates</b>	<p>Dates utilized to determine fixed and floating amounts throughout the life of the Contract. Reset Dates define the beginning and end of fixed and floating interest accrual periods. Floating Rate Reset Dates facilitate the determination of the LIBOR Fixing Dates.</p> <p>The Cash Flow Alignment Date will be used as the basis for determining Reset Dates. Each Reset Date is subject to adjustment based on Modified Following convention.</p> <ul style="list-style-type: none"> <li>• For example, if the CFAD is 12/15/2030, the Reset Dates will be on the 15<sup>th</sup> of March, June, September and December, subject to the Modified Following convention.</li> </ul>
<b>Last Trading Day</b>	The last day on which the Contract can be traded is the NY business day preceding the Maturity Date.
<b>First LIBOR Fixing Date</b>	<p>For spot starting contracts, the first LIBOR Fixing Date is the trade date.</p> <p>For forward starting contracts, the first LIBOR Fixing Date is 2 London business days prior to the Effective Date.</p>
<b>Other LIBOR Fixing Date</b>	For all periods other than the first floating rate period, the LIBOR Fixing Date is 2 London business days prior to each Reset Date.
<b>Floating Rate Index: First Period</b>	<p>3 Month USD LIBOR for all contracts with standard first floating rate period (i.e., length of period is 3 months, adjusted for Modified Following).</p> <p>For both Spot Starting and Forward Starting Contracts with non-standard tenors, a short front stub period of less than 3 months may occur between the Effective Date and the first Reset Date. In these cases, the first LIBOR Fixing Rate is determined using linear interpolation based on the two LIBOR indices that surround the Stub Period on the first LIBOR Fixing Date.</p> <ul style="list-style-type: none"> <li>• The following USD LIBOR indices will be used to determine the fixing rate for a stub period: Overnight, 1 Week, 1 Month, 2 Month and 3 Month.</li> <li>• For example, the first LIBOR fixing rate for a contract with a stub period of 45 days will be interpolated between the 1 month and 2 month LIBOR rates.</li> </ul>

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<b>Floating Rate Index: Subsequent Periods</b>	3 Month USD LIBOR announced by the British Bankers' Association.
<b>Daily Settlement Price (Futures-Style Price)</b>	<p>Eris Interest Rate Swap Futures are priced on a basis of 100, similar to market practice for bonds and other futures contracts.</p> <p>The settlement value for each Contract is defined as:</p> $S_t = 100 + A_t + B_t - C_t$ <p> <math>S_t</math> = settlement price at time t  <math>A_t</math> = net present value of the future cash flows at time t, based on OIS discounting  <math>B_t</math> = value of the historical fixed and floating amounts since contract inception  <math>C_t</math> = Eris Price Alignment Interest (or Eris PAI™).         </p> <p>Eris Exchange and CME Clearing calculate Daily Settlement Price to 4 decimals of precision (e.g., 100.1234).</p> <p>Eris PAI is a cumulative value calculated daily by applying the overnight Fed Funds effective rate to the contract's NPV, using an Actual/360 daycount convention. Eris PAI™ will start accruing on the first trade date.</p>
<b>Final Settlement Price</b>	$S_{final} = 100 + B_{final} - C_{final}$ <p> <math>S_{final}</math> = Settlement price at maturity  <math>B_{final}</math> = Historical fixed and floating amounts since contract inception through maturity  <math>C_{final}</math> = Eris PAI™, at maturity         </p>
<b>Quoting Convention – Par Swap Futures</b>	<p>During the Forward and Spot Periods, market participants can trade Par Swap Futures by negotiating the par fixed rate for a given Effective Date and Cash Flow Alignment Date. Each Par Swap Future negotiated in fixed rate terms carries an implicit futures-style price of 100.0000.</p> <p>For Par Swap Futures the fixed rate can be negotiated in increments of one-tenth of one basis point, from 0.000% to 9.999%.</p>
<b>Quoting Convention – Off-Market Swap Futures</b>	<p>During the Spot, Forward and Seasoned periods of a given Contract, market participants can negotiate the Net Present Value (NPV) per Contract.</p> <p>NPV is expressed in per contract terms for the Buyer (fixed rate payer).</p> <p>Each Off-Market Swap Future negotiated in NPV terms has an implicit futures-style trade price of</p>

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	<p><math>Trade\ Price = 100 + A_{negotiated} + B_t - C_t</math></p> <p>where <math>A_{negotiated}</math> is the NPV per Contract agreed upon between the counterparties (divided by 10,000 to normalize units to \$100 face amount), <math>B_t</math> is the value of the historical fixed and floating amounts, and <math>C_t</math> is Eris PAI™ at time t.</p> <p>The B and C components are calculated once daily and applied by the Exchange, and are not subject to negotiation by the counterparties.</p> <p>For Off-Market Swap Futures executed on the Eris SwapBook™ electronic trading platform, the NPV per Contract can be negotiated in the following increments/tick sizes:</p> <ul style="list-style-type: none"> <li>• \$50 for Contracts with Remaining Tenor of zero to seven years.</li> <li>• \$100 for Contracts with Remaining Tenor of greater than seven and less than 20 years.</li> <li>• \$200 for Contracts with Remaining Tenor greater than 20 years.</li> </ul> <p>For Off-Market Swap Futures executed off-exchange and reported to the Exchange via the Eris BlockBox™ platform or by calling the Eris Control Center, the NPV per Contract can be negotiated in increments of \$1.</p>
<p><b>Block Trades</b></p>	<p>Eris Interest Rate Swap Futures are eligible to be traded as privately negotiated, off-exchange Block Trades and reported to Eris Exchange.</p> <p>Block Trades must be executed and reported pursuant to Rule 601 in the Eris Exchange Rulebook.</p>
<p><b>Exchange of Derivatives for Related Positions</b></p>	<p>Eris Interest Rate Swap Futures are eligible to be traded as privately negotiated, off-exchange Exchange of Derivatives for Related Positions (EDRPs) and reported to Eris Exchange.</p> <p>EDRPs must be executed and reported pursuant to Rule 602 in the Eris Exchange Rulebook.</p>
<p><b>Ticker Symbol Convention</b></p>	<p>Product Family + Tenor + Maturity</p> <p>The first new trade for a given maturity date will be issued (by Eris Exchange systems) a ticker symbol comprised of Clearing Code 'Z(tenor category)0001', concatenated with the Period representing the maturity date in YYYYMMDD format.</p> <p>A contract's Tenor is defined as the difference between the contract's Effective Date and its Cash Flow Alignment Date.</p> <p>Tenor category are as follows:</p>

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	<p>ZA = Tenors greater than zero and less than or equal to two years</p> <p>ZB = Tenors greater than two years and less than or equal to five years</p> <p>ZC = Tenors greater than five years and less than or equal to ten years</p> <p>ZD = Tenors greater than ten years</p> <p>The first Contract that trades with a particular maturity is assigned Product Family Z(A)0001. The next Contract that trades with the same maturity, but with a different start date or coupon, is assigned Product Family Z(A)0002.</p> <p>Assume that the trade is a 10-year swap initiated on 16-Dec-2010 with settlement date of 20-Dec-2020 and coupon of 0.710. As the first trade that carries the maturity date 20-Dec-2020, it will be issued ticker symbol ZC000120201220. The C denotes that this is in the 5+ to 10 years tenor category.</p>
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Note that certain elements of the final settlement value computation process are patent pending

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**REDLINED RULE 524(d)**

**Rule 524(d) Customer Type Indicator (CTI) Codes.**

Each Clearing Firm must identify each transaction executed on the Eris Trading System on the record of transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

- (1) CTI 1- Transactions initiated and executed by a member Participant for his own account, for an account he controls or for an account in which he has ownership or financial interest. CTI 1 is not applicable to Eris Exchange because the Exchange does not have members or a trading floor.
- (2) CTI 2- Transactions executed for the proprietary account of a Clearing Firm or non-Clearing member firm (i.e., a Participant Firm trading for its own account held at a Clearing Firm).
- (3) CTI 3- Transactions where an individual member Participant or Authorized Trader authorized trader executes for the personal account of another individual member, for an account the other individual member Participant controls or for an account in which the other individual member Participant has ownership or financial interest.
- (4) CTI 4- Any transaction not meeting the definition of CTI 1, 2 or 3.

**REVISED RULE 524(d)**

**Rule 524(d) Customer Type Indicator (CTI) Codes.**

Each Clearing Firm must identify each transaction executed on the Eris Trading System on the record of transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

- (1) CTI 1- Transactions initiated and executed by a member for his own account, for an account he controls or for an account in which he has ownership or financial interest. CTI 1 is not applicable to Eris Exchange because the Exchange does not have members or a trading floor.
- (2) CTI 2- Transactions executed for the proprietary account of a Clearing Firm or non-Clearing member firm (i.e., a Participant Firm trading for its own account held at a Clearing Firm).
- (3) CTI 3- Transactions where an individual member or authorized trader executes for the personal account of another individual member, for an account the other individual member controls or for an account in which the other individual member has ownership or financial interest.
- (4) CTI 4- Any transaction not meeting the definition of CTI 1, 2 or 3.