

# Eris CDX HY Credit Future

## Case Study: iHeartCommunications Inc. Credit Event Illustrated



**iHeart**

**FAILURE TO PAY**

**On Feb 2, 2017, the auction to settle credit derivative trades for OTC and futures involving iHeartCommunications, Inc. was held.**

ICE Futures US listed Eris CDX.NA.HY.27 in September 2016. The ISDA Americas Determinations Committee (DC) met on December 21, 2016 and resolved that a Failure to Pay Credit Event had occurred in relation to iHeartCommunications.

There are two payments that are associated with a Credit Event on OTC CDS:

1. The seller of protection must compensate the buyer of protection for the difference between par and the auction price of the bonds of the defaulted entity
2. Adjustment for accrued interest

Eris CDX Credit Futures capture the same economic events.

Cleared OTC CDX  
Economics



Eris Credit Futures  
Economics

## Eris CDX High Yield Credit Future (5Y): CWYA <Index>

Use Bloomberg functions including graph price (GP), market depth monitor (MDM), contract description (DES), intra-day price graph (GIP) and recap of quotes and trades (QR).

Contract Information		Linked Instruments		Page 1/2 Security Description	
CDX21 Index	ERIS CDX HY CreditDec21				
<b>Notes</b> ISDA HY - ERIS CDX HY Credit Futures (5 Year) Underlying: CDX Index 5Y MarkII CDX North American High Yield Index (CDX.NA.HY) Description: Cash Settled Futures contract with \$100,000 notional principal whose value reflects the					
<b>Contract Specifications</b>					
Underlying	CDXHY27	Exchange	B:Local	Trading Hours	02:00 - 18:00
Contract Size	100,000 USD	Value of 1.0 pt	\$ 1,000	Tick Size	0.0100
Tick Size	0.0100	Tick Value	\$ 10	Related Dates	EXS =
Price	108.4674	Settled		First Trade	Tue 09/22/2016
Contract Value	\$ 108,467.4	Last Trade	Mon 12/20/2021	NYC Ctg ID	07/01
Last Trade	01:59:30	NYC Effective	Mon 12/20/2021	Lifetime High	N/A
Daily Period	NYC	Settlement	Mon 12/20/2021	Lifetime Low	N/A
FIGI	BBG00DZ1K01	Margin Requirements			
Daily Price Limits	1,000,000	Up Limit	1,760	Down Limit	1,600
	0.0100	Initial	1,760	Secondary	1,600

# Eris CDX HY Credit Future

## Case Study: iHeartCommunications Inc. Credit Event Illustrated

Eris CDX Credit Future (Eris CDX.NA.HY.27) incorporates the credit event payment:

		<u>2/2/2017</u>	<u>2/3/2017</u>
<b>Index Factor</b>		1.00	0.99
<b>A</b>	<b>100 + (Clean Price + Accrued Interest – 100) * Index Factor</b>	107.0929	108.0983
<b>B</b>	<b>Historical Cash Flows</b>	<b>1.263889</b>	<b>0.619028</b>
<b>C</b>	<b>Eris PAI™</b>	0.0102977	0.010428
<b>Eris Credit Futures Price</b>	<b>Settlement Value</b>	108.3465	108.7069

The index factor falls by the weighting of the defaulting entity

The change in the 'B' value maps directly to credit event payments

## Cash Flow Equivalence Details

All Credit Event Cash Flows (per \$100)	Cleared OTC Cash Payments	Eris Movements in 'B'
Credit Event Payment <sup>1</sup>	-0.645000	-0.645000
Premium Coupon <sup>2</sup>	0.000139	0.000139
Total Payment	-0.644861	-0.644861

1. Credit Event Payment based upon auction price of 35.5

2. Premium Coupon in this case is paid from the protection buyer to the protection seller to adjust for the single day of accrued interest owed on the defaulted name