

## Key Trading Conventions

	Contract Buyer/Long Position	Contract Seller/Short Position
Fixed and Floating Payment Directions	Fixed rate payer, floating rate receiver	Fixed rate receiver; floating rate payer
Market View	'Short the Market'; Benefits from rates rising	'Long the Market'; Benefits from rates falling
NPV > 0 (Par Rate > Fixed Rate)	Equivalent to paying upfront premium	Equivalent to receiving upfront premium
NPV < 0 (Par Rate < Fixed Rate)	Equivalent to receiving upfront premium	Equivalent to paying upfront premium

## Key Points to Remember

- **Contract Size = \$100,000 notional**
- **“BUY” = Pay Fixed, “SELL” = Receive Fixed --- for both Rate and NPV quoted contracts**
- **Goal: Buy Low (pay a low fixed rate or NPV) and Sell High (receive a high fixed rate or NPV)**
- **All NPV quoted instruments are from the Buyer's perspective:**
  - Positive NPV: Par Rate > Fixed Rate
  - Negative NPV: Par Rate < Fixed Rate
- **Direction of “Premium” in OTC Equivalent Terms:**
  - Positive NPV: Buyer/Fixed rate payer Pays premium and Seller/Fixed rate receiver Receives premium
  - Negative NPV: Buyer/Fixed rate payer Receives premium and Seller/Fixed rate receiver Pays premium

Tenor	Tick Size (\$)
2Y	\$2
3Y	\$2
4Y	\$5
5Y	\$5
7Y	\$10
10Y	\$10
30Y	\$20

## Examples

### BID SIDE:

NPV/Rate where Market Maker Pays Fixed  
and End User Receives Fixed

### ASK SIDE:

NPV/Rate where Market Maker Receives Fixed  
and End User Pays Fixed

	Bid		Ask		Coupon %
	Size (Cont	Rate/NPV	Rate/NPV	Size (Cont	
Eris Standards (Open Interest 151,638)					
1) 2Y Stnd Sep 2017-2019 (LITU7)	1000	-40	-34	20	1.750
2) 3Y Stnd Sep 2017-2020 (LICU7)	700	350	362	2000	1.750
3) 4Y Stnd Sep 2017-2021 (LIDU7)	500	-50	-30	1500	2.000
4) 5Y Stnd Sep 2017-2022 (LIWU7)	798	415	435	1000	2.000
5) 7Y Stnd Sep 2017-2024 (LIBU7)	490	-10	20	500	2.250
6) 10Y Stnd Sep 2017-2027 (LIYU7)	500	-750	-710	300	2.500
7) 30Y Stnd Sep 2017-2047 (LIEU7)	220	3660	3780	119	2.500
8) 2Y Stnd Dec 2017-2019 (LITZ7)	4000	-362	-348	4000	2.000
9) 5Y Stnd Dec 2017-2022 (LIWZ7)	4000	-490	-465	4000	2.250
10) 7Y Stnd Dec 2017-2024 (LIBZ7)	100	-1310	-1270	100	2.500
11) 10Y Stnd Dec 2017-2027 (LIYZ7)	1000	-390	-340	1000	2.500
12) 30Y Stnd Dec 2017-2047 (LIEZ7)	40	-1400	-1240	40	2.750
Total Eris Open Interest: 179,091					

- **Negative NPV quotes** for 5Y Dec Standard indicate Par Rate < 2.000%
- **Positive NPV quotes** would occur when the Par Rate > 2.000%

End User Examples	5Y Sep Standard	10Y Sep Standard
Buy/Pay Fixed Level (Per Contract)	\$435	-\$710
Premium Equivalent	Premium Receiver	Premium Receiver
Sell/Receive Fixed Level (Per Contract)	\$415	-\$750
Premium Equivalent	Premium Payer	Premium Payer
Par Rate vs. Contract Fixed Rate	Par Rate < Fixed Rate (2.000%)	Par Rate < Fixed Rate (2.500%)