

Eris Options for hedging Mortgage Convexity

Adding convexity to a duration hedge

Mortgage servicing rights (MSRs) hedged with futures remain exposed to negative convexity as borrower prepayments create a non-linear relationship between falling interest rates and MSR value. A long Eris Options straddle can add convexity around a targeted key-rate point.

**FOR MORE INFORMATION ABOUT ERIS OPTIONS
VISIT [CMEGROUP.COM](https://www.cmegroup.com)**

Why Eris Options?

SOFR swaption risk profile

Precise 2Y, 5Y and 10Y key-rate exposure aligns with key points in MSR valuation models

Streaming, two-way markets

Consistent, executable orders from leading options market makers

Strategy flexibility

Layer on shorter-dated short straddles to tailor premium exposure using structures familiar to mortgage-market participants

SOFR swaption risk with the simplicity of listed options

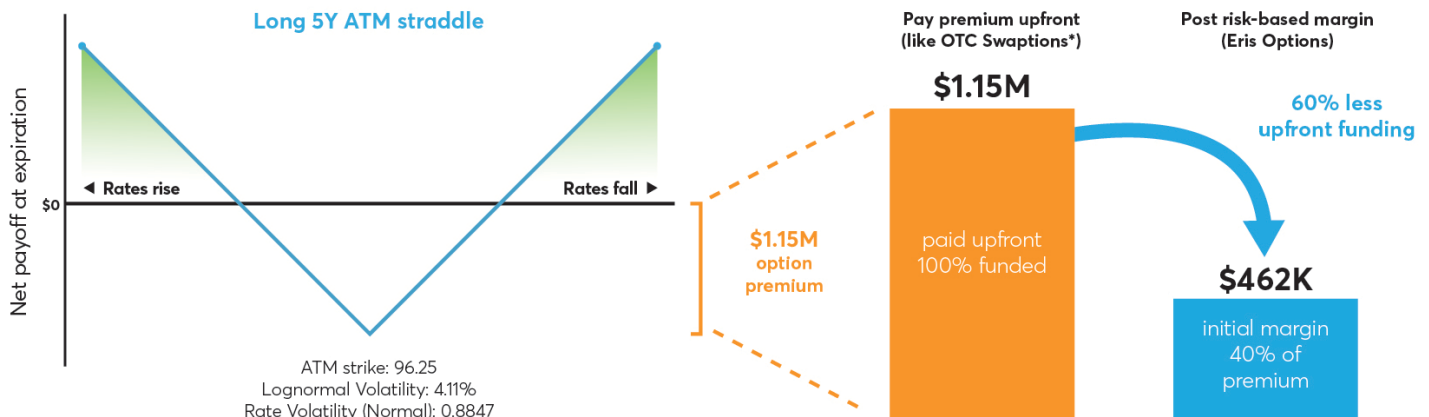
In this example, an MSR hedger buys 1,000 at-the-money straddles in the 5-year Eris Options Sep contract (YIWU6).

Execution superiority

- Buy 1,000 YIWU6 C9625; buy 1,000 YIWU6 P9625
- Easy execution of multi-leg strategies electronically (CME Globex) or block trades
- No ISDA agreements
- No cumbersome post-trade confirmations

Capital outlay savings

- Instead of paying \$1.15 million premium upfront, (as is common with OTC swaptions), the hedger posts \$462,000 risk-based initial margin
- Hedger pays/collects net of daily variation margin and change in initial margin



Note: Example from July 27, 2026, assuming traded premium levels are equivalent to settlement prices. Long 1,000 YIWU6 C9625; long 1,000 YIWU6 P9625.

*Not all OTC swaptions require upfront premium payment.

	2-YEAR ERIS OPTIONS	5-YEAR ERIS OPTIONS	10-YEAR ERIS OPTIONS
CONTRACT TITLE	Options on 2-Year Eris SOFR Swap futures	Options on 5-Year Eris SOFR Swap futures	Options on 10-Year Eris SOFR Swap futures
CONTRACT UNIT	One futures contract with face value of \$100,000		
MINIMUM PRICE FLUCTUATION	Outright: 0.01 of one point (0.01 = \$10.00) CAB: 1/2 of 0.01 of one point (0.005 = \$5.00) only under .01 tick		Outright: 0.02 of one point (0.02 = \$20.00) CAB: 0.01 of one point (0.01 = \$10.00) only under .02 tick
PRICE QUOTATION	U.S. dollars and cents per price point		
TRADING AND CLEARING HOURS	CME Globex Pre-Open: Sunday 4:00 p.m. - 5:00 p.m. Central Time (CT); Monday - Thursday 4:45 p.m. - 5:00 p.m. CT CME Globex: Sunday 5:00 p.m. - Friday 4:00 p.m. CT with daily maintenance period from 4:00 p.m. - 5:00 p.m. CT CME ClearPort: Sunday 5:00 p.m. - Friday 5:45 p.m. CT with no reporting Monday - Thursday from 5:45 p.m. - 6:00 p.m. CT		
COMMODITY CODE	YIT	YIW	YIY
LISTING SCHEDULE	Monthly contracts listed for 4 consecutive months (e.g., Jan, Feb, Mar, Apr)		
TERMINATION OF TRADING	Trading terminates Friday before 3rd Wednesday of contract month at 2:00 p.m. CT.		
CME GLOBEX MATCHING ALGORITHM	Q - Threshold Pro-Rata with LMM		
MINIMUM BLOCK LEVEL	50 contracts		
REPORTING WINDOW	15 minutes		
STRIKE PRICE LISTING SCHEDULE	Strike prices will be listed in increments of 0.125, +/- 25 strikes from ATM strike price	Strike prices will be listed in increments of 0.25, +/- 30 strikes from ATM strike price	Strike prices will be listed in increments of 0.5, +/- 25 strikes from ATM strike price
EXERCISE STYLE	European. Following termination of trading (2:00 p.m. CT), options that expire in-the-money are automatically exercised into underlying futures, with no allowance for contrary instruction. Automatic exercise is determined in relation to the daily settlement price of the option's underlying futures contract.		
SETTLEMENT METHOD	Deliverable into underlying futures contracts		
UNDERLYING FUTURES CONTRACT	2-Year Eris SOFR Swap futures / YIT	5-Year Eris SOFR Swap futures / YIW	10-Year Eris SOFR Swap futures / YIY

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