

International Derivatives Clearing Group (IDCG), a majority owned, independently operated subsidiary of The NASDAQ OMX Group®, has developed an integrated derivatives trading and clearing platform. This platform will provide an efficient and transparent venue to trade, clear and settle IDEX™ interest rate swap (IRS) futures as well as other fixed income derivatives contracts.

The platform offers a state-of-the-art trade matching engine and a best-in-breed clearing system through IDCG's wholly-owned subsidiary, the International Derivatives Clearinghouse, LLC (IDCH)\*. The trade matching engine is provided by IDCG and operated under the auspices of the NASDAQ OMX Futures Exchange (NFX), a wholly-owned subsidiary of The NASDAQ OMX Group, in NFX's capacity as a CFTC-designated contract market for IDEX™ IRS futures products.

## IDEX™ IRS Product Offerings

IDEX™ IRS futures are designed to be economically equivalent in every material respect to plain vanilla interest rate swap contracts currently traded in the OTC derivatives market. The first product launched was IDEX™ USD Interest Rate Swap Futures.

- **IDEX™ USD Interest Rate Swap Futures** — The exchange of semi-annual fixed-rate payments in exchange for quarterly floating-rate payments based on the 3-Month U.S. Dollar London Interbank Offered Rate (USD LIBOR). There are thirty years of daily maturities available for trading on days that NFX and IDCH are open for business.
- **IDEX SwapDrop Portal™** — The SwapDrop Portal is a web portal maintained by the NFX, which is utilized to report Exchange of Futures for Swaps (EFS) transactions involving IDEX™ USD Interest Rate Swap Futures contracts.

## Membership Information

All organizations wishing to obtain clearing privileges through IDCH are required to complete a membership application. Please contact Sean Smith at +1 312 404 5844 or [Sean.Smith@idcg.com](mailto:Sean.Smith@idcg.com) for more details.

All organizations wishing to obtain trading privileges on NFX are required to register as a member organization or conduct their business through an NFX member that is a clearing member of IDCH. Please contact Daniel Carrigan at +1 215 496 5107 or [Daniel.Carrigan@nasdaqomx.com](mailto:Daniel.Carrigan@nasdaqomx.com) for more details.

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\*The Commodity Futures Trading Commission (CFTC) issued a Derivatives Clearing Organization license to IDCH on December 22, 2008.

## Frequently Asked Questions

### What are interest rate swaps (IRS)?

An interest rate swap contract is an agreement between two parties to exchange a series of cash flows over a set period of time. These cash flows are calculated based upon a notional principal amount, which is not usually exchanged between the two counterparties. The most common interest rate swap is one in which Counterparty A pays a fixed rate (the swap rate) to Counterparty B, while receiving a floating rate from Counterparty B (usually pegged to a reference rate such as USD LIBOR).

### Who trades interest rate swaps?

Interest rate swaps are used by any entity wishing to hedge against, or speculate on, a change in interest rates. It is particularly useful for portfolio management, speculation or risk management. Corporations, state and local governments, banks, insurance companies, asset managers and hedge funds are frequent users of interest rate swaps.

### How are IDEX™ USD Interest Rate Swap Futures quoted?

IDEX™ USD Interest Rate Swap Futures will be quoted in yield, out to 3 decimal points (e.g., 10-year IRS bid/ask spread, 4.655-4.656). The current OTC market quotes plain vanilla interest rate swaps as a spread over US treasuries (e.g., US treasury 10-year price 99.11 YTM 4.077 plus 57.5 basis point spread, or 4.652).

### How does an EFS via SwapDrop™ work?

The “Exchange of Futures for Swaps” (EFS) is a transaction in which an over the counter interest rate swap contract is reported to the IDEX™ SwapDrop Platform, subject to NFX rules. Once the trade details are confirmed and approved by NFX and IDCH risk management system for clearing, the OTC interest rate swap will be replaced with and settle as a cleared futures contract at IDCH.

### What is the size of the underlying market?

According to the Bank for International Settlements (BIS), the total outstanding notional amount of OTC IRS derivatives is \$458 trillion, as of June 2008.

### Will NFX-listed IDEX™ futures products be cash-settled or deliverable contracts?

NFX-listed IDEX™ futures products will be cash-settled.

## Contacts

### NASDAQ OMX Futures Exchange

Products & Services / Membership

Daniel Carrigan

+1 215 496 5017

[Daniel.Carrigan@nasdaqomx.com](mailto:Daniel.Carrigan@nasdaqomx.com)

### International Derivatives Clearing Group

FCM Relations

Sean Smith

+1 312 404 5844

[Sean.Smith@idcg.com](mailto:Sean.Smith@idcg.com)

Business Development

Dave Reed

+1 646 867 2564

[David.Reed@idcg.com](mailto:David.Reed@idcg.com)

Founder,

Chief Marketing Officer

John Shay

+1 646 867 2533

[John.Shay@idcg.com](mailto:John.Shay@idcg.com)



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INTERNATIONAL DERIVATIVES  
CLEARING GROUP LLC