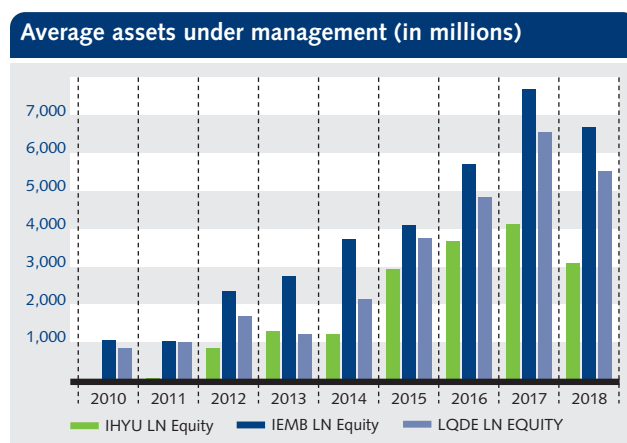


Fixed income ETF options

Fixed income ETFs were first launched in 2002 and were primarily used by asset managers, wealth managers and individual investors. During the financial crisis, market stress and challenging OTC bond markets saw institutional investors begin to invest in fixed income ETFs. Since then, the range of fixed income ETFs has broadened significantly and institutional investors increasingly use them. Today, the fixed income ETF industry has over USD 800 billion in assets under management across a wide range of investors.

A liquid alternative

The European listed ETFs on iShares USD Corporate Bonds, iShares High Yield and the iShares J.P. Morgan Emerging Markets underlyings have experienced sustained growth both in assets and daily trading volumes in the past years. AUM have exceeded USD 4 billion in all three ETFs. The daily average trading volume in the cash markets is in excess of a quarter of a million shares, while the market easily absorbs multiples thereof. This puts the ETFs firmly in investor focus, and opens the door for listed options as deliveries from the exercise of options are better handled in light of increased liquidity.



Investors that have already embraced portfolio trades are now utilising ETFs and ETF Options instead of CDS swaps and futures. Investors are also able to replicate the exposure of total return swaps by using ETFs. Investors can hedge their debt holdings using ETF Options rather than using credit default swaps. There is significant end user demand for European-listed fixed income options, with institutional investors in Europe ready to migrate from U.S.-listed options into a UCITS compliant product.

- Allow investors to hedge and manage their exposure to the fixed income, corporate and high yield bond markets
- Manage volatility in portfolios using a tool that is more representative of the cash bond market
- Access to Fixed Income ETF Options for European investors unable to trade listed ETF Options in the US.

Key benefits

Volatility trading

Fixed income ETF options offer the possibility to trade volatility on fixed income ETFs.

Managing exposure

Allow investors to gain leveraged ETF exposure, hedge exposure to the index, and synthetically short the ETF.

Optimized portfolio management

Enable flexible management of interest rate beta as a portfolio overlay.

European access

Open access to fixed income ETF options for investors looking for UCITS compliant products.

Block Trade Service

In addition to on-exchange trading via the Eurex order book, fixed Income ETF options trades can also be agreed bilaterally, and subsequently registered via the Eurex T7 Entry Services. Thus, Eurex allows investors to combine the flexibility of customized trading with the advantages of standardized clearing and settlement. For the Eurex Block Trade Service, the transactions are subject to the following minimum block trade threshold:

Minimum Block Trade thresholds (number of contracts)

Fixed income ETF options	100
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Contract specifications

Attribute	Details
Underlying	iShares USD High Yield Corporate Bond ETF iShares J.P. Morgan USD Emerging Market Bond ETF iShares USD Corporate Bond ETF
Currency	USD
Contract months	The next 13 consecutive months are available. The January and December expirations for the following two years are also available. After the August contract expires, the January expiry for a fourth year will become available. And after the September contract expires, the December expiry for a fourth year will become available.
Last trading day (option expiration day)	Third Friday of expiration month
Final settlement day	Physical delivery. Settlement in t+2 business days after the last trading day
Exercise (prices)	American-style, with exercise price intervals of 0.5 index points for the first three monthly contracts, and 1.0 index points for the back months, with at least 7 exercise prices available per term for each call and put
Daily settlement price	Determined by Eurex based on the Cox/Ross/Rubinstein model
Contract size	100 index fund units
Minimum tick	0.01
Trading hours	Order book: 09:00–17:30 CET Off-book: 09:00–19:00 CET (EurexT7 Trade Entry Services)
Market making	09:00–17:30 CET
Block trading	Allowed. Block trade minimum size: 100 lots
Fees	Order book: USD 0.30 Off-book: USD 0.40

Eurex product

Eurex product code	Underlying	Name	Bloomberg code
OHYU	IHYU LN	Options on iShares USD High Yield Corporate Bond ETF	IHYU LN OMON <Equity>
OEMB	IEMB LN	Options on iShares J.P. Morgan USD Emerging Market Bond ETF	IEMB LN OMON <Equity>
OQDE	LQDE LN	Options on iShares USD Corporate Bond ETF	LQDE LN OMON <Equity>

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