

# New Access to the Asian Market: Futures on the MSCI Japan Index

With the launch of futures on the MSCI Japan Index on October 26, 2009, we continue to broaden our coverage of major foreign benchmark indexes. This product extension is part of our initiative to offer you access to Asian financial markets. It will be followed by the 24 hour-trading of KOSPI 200 Options starting in January 2010.

## Japanese Equity Markets

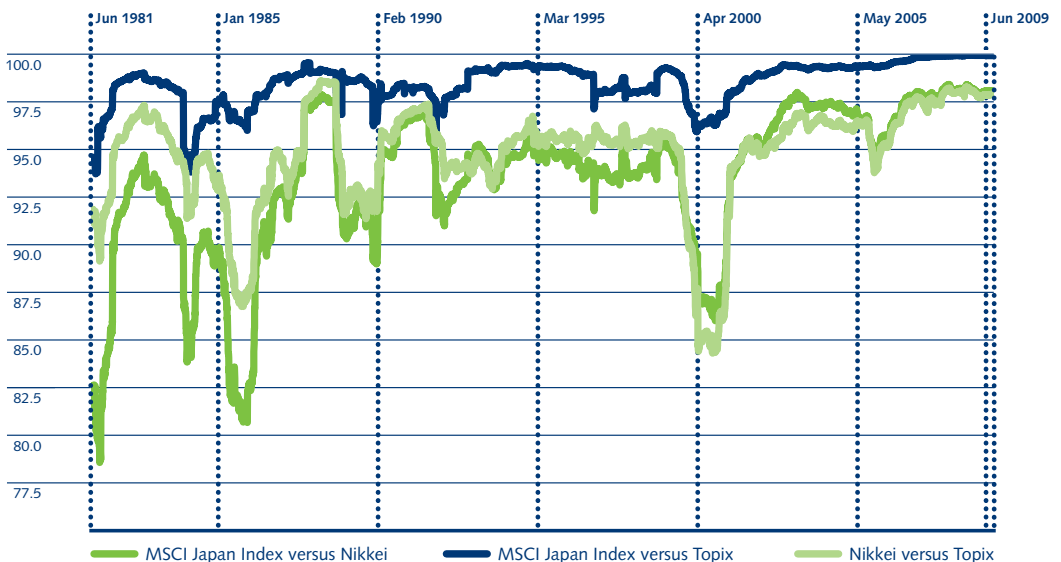
The Japanese equity market is the most developed and, apart from China, the biggest in Asia. Due to its size, liquidity and accessibility it is also very popular in Europe and the U.S., where a huge number of mutual funds, ETFs, warrants or certificates are based on the performance of Japanese stocks.

Whereas most of the derivatives volume is focussed on Nikkei 225 products, a variety of fund managers are using broader indexes like the MSCI Japan Index or Topix as their benchmarks. In the last few years, nine ETFs have been launched in Europe linked to the MSCI Japan Index, but only two each on Nikkei and Topix. 70 percent of the European ETF volumes for Japan are in those products based on the MSCI Japan Index.

Looking into figures of Japanese equity mutual funds in Europe, more than 50 percent of the assets are benchmarked against the MSCI Japan Index and another 30 percent against Topix. Also in the OTC markets, total return swaps on MSCI Indexes for certain countries and regions are becoming more liquid.

Therefore, we now offer a trading and clearing solution for MSCI Japan Index Futures, which, if it is sufficiently liquid, can also be used for hedging Topix exposure. The following graph shows the correlation of the three indexes Nikkei 225, MSCI Japan Index and Topix. In particular the correlation between the MSCI Japan Index and Topix has increased to a level where the tracking error is almost negligible.

Correlation of Indexes: Nikkei 225, MSCI Japan Index and Topix (in Percent)



## Main Features of the Index

The MSCI Japan Index is a capitalization-weighted index, adjusted for free float. The index is designed to reflect the sectoral diversity of the Japanese equity markets representing approximately 85 percent of the market capitalization of Japanese companies that are available to investors worldwide. Currently, the index is composed of 348 companies listed primarily at the Tokyo Stock Exchange, but also at the Osaka Securities Exchange or the JASDAQ. The top five companies are Toyota, Mitsubishi, Honda, Canon, Sumitomo Mitsui.

## Main Features of the Eurex Futures

The MSCI Japan Index is calculated both as a price index and a total return index (net and gross), each in Yen and U.S. dollars.

Eurex chose to use the net total return index version, as this is the default choice for other products such as OTC swaps and ETFs based on MSCI Indexes. Under the net total return methodology, dividend payments are reinvested in the index value and do not account for additional pricing risk.

Another specialty of the futures contracts is that they are settled on the second Friday of the maturity month, which is the standard for Japanese derivatives, rather than the third Friday, which is normally used for Eurex equity index futures. Apart from that, the MSCI Japan Index Futures are a standard product with three quarterly maturities and cash settlement. It allows for hedging and investment in the Japanese market and offers after-hours trading for one of the biggest equity markets worldwide while relying on mitigated counterparty and credit risk through central clearing. A number of Market Makers have already agreed to support the launch.

## MSCI Japan Index & Futures

Product	ISIN	Bloomberg Code
MSCI Japan Index (Net Total Return) in USD	XC000A0V8QQ2	NDDUJN <Index>
Futures on MSCI Japan Index	DE000A1A4130	FMIA <Index>

## Contract Specifications

Underlying Instrument	MSCI Japan Index
Index Type	Net Total Return
Currency	USD
Index Value	3,700 as of Oct 2009
Contract Value	USD 10
Contract Size	USD 37,000
Settlement	Cash settlement
Final Settlement Day	Second Friday of the maturity month
Final Settlement Price	Index close on the 2nd Friday
Last Trading Day	The trading day preceding the Final Settlement Day
Minimum Price Movement	1 point, representing a value of USD 10
Contract Terms	The three nearest months within the cycle of Mar, Jun, Sep, Dec
Trading Hours	08:00 – 22:00 CET
Normal Trading Fee	USD 1
Minimum Block Trade Size	50 contracts (USD ~ 1.8 million notional)

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