

# Euro-BTP Futures – Italian Government Bond Futures at Eurex

Since the introduction of the Euro, the yield spreads between German government bonds and those of other countries in the Eurozone have been narrow and stable. However, the recent financial crisis and the resulting market volatility have led to a dramatic widening of such spreads. To complement the well-established benchmark Euro-Bund Future and to provide more refined hedging possibilities for non-triple A rated European government bonds, Eurex introduced futures based on notional long-term debt instruments issued by the Republic of Italy (Buoni del Tesoro Poliennali – BTP).

## About Eurex's Euro-BTP Futures

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The launch of Euro-BTP Futures extends the range of Eurex's benchmark interest rate derivatives and provides the market with a benchmark instrument for non-triple A Eurozone debt:

It allows traders:

- to better manage the basis risk currently present when hedging non-triple A debt instruments with Euro-Bund Futures.
- to trade the yield spread between German and Italian debt.
- to trade the basis on Italian debt instruments and will therefore complement the Italian cash market.

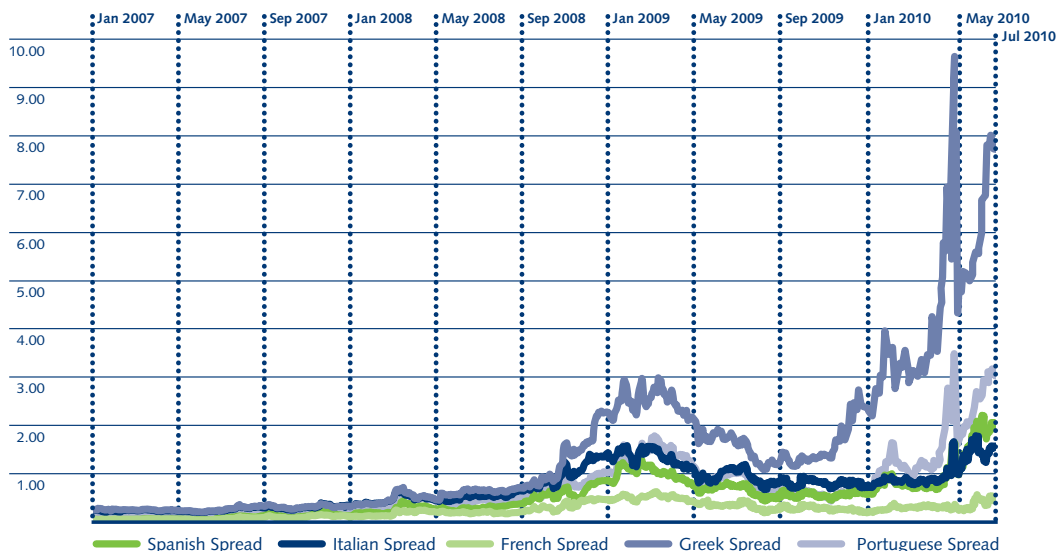
The new futures are designed similarly to our Euro-Bund Futures, meeting the hedging requirements of market participants and also allowing for efficient spread trading between the two 10-year government bond futures.

### Mitigated Risks Through CCP Clearing

With Eurex Clearing, Europe's leading Clearing House, being central counterparty to all trades, you will benefit from mitigated counterparty risk. Eurex Clearing provides effective risk and collateral management and improves operational efficiency. The new Euro-BTP Futures will be eligible for trading via the OTC Block Trade facility. This gives asset managers and traders the opportunity to bilaterally agree transactions in Euro-BTP Futures off-exchange and novate the trade to Eurex Clearing. Eurex Euro-BTP Futures are subject to a minimum block trade threshold of 250 lots.

To facilitate basis trading, the EFP and EFS functionalities allow for the simultaneous purchase (sale) of futures along with a sale (purchase) of the underlying bond, vanilla swap or another futures contract. Such transactions are not subject to a minimum number of contracts. For example, a market participant wishing to trade the yield spread between Eurex's Euro-Bund Futures and Eurex's Euro-BTP Futures can agree the trade bilaterally and use the EFP trade facility to bring the transaction to Eurex Clearing. Prerequisite is that one leg of the spread ("underlying security") has either been block traded or traded in the regular order book. In this example a minimum trade of 250 Euro-BTP Futures could be entered into the OTC Block Trade facility to allow a qualifying transaction in the Euro-Bund Futures leg via the OTC EFP trade facility.

## European Government Bond Yield Spread Relationships to German Government Bonds – Ten Years Maturity



### Contract Specifications

<b>Underlyings</b>	Notional long-term debt instruments issued by the Republic of Italy with an original maturity of no longer than 16 years and a remaining term of 8.5 to 11 years and a coupon of 6 percent.
<b>Product ISIN</b>	DE000A0ZW3V8
<b>Contract Values</b>	EUR 100,000
<b>Settlement</b>	A delivery obligation arising out of a short position may only be fulfilled by the delivery of certain debt securities issued by Republic of Italy with an original maturity of no longer than 16 years and a remaining term of 8.5 to 11 years. Such debt securities must have a minimum issue amount of EUR 10 billion.
<b>Price Quotation and Minimum Price Change</b>	In percent of the par value, with two decimal places. The Minimum Price Change is 0.01 percent, equivalent to a value of EUR 10.
<b>Contract Months</b>	Up to 9 months: The three nearest quarterly months of the March, June, September and December cycle.
<b>Delivery Day</b>	The tenth calendar day of the respective quarterly month, if this day is an exchange day; otherwise, the exchange day immediately succeeding that day.
<b>Last Trading Day</b>	Two exchange days prior to the Delivery Day of the relevant maturity month. Close of trading in the maturing futures on the Last Trading Day is at 12:30 CET.
<b>Daily Settlement Price</b>	The Daily Settlement Price for the current maturity month is derived from the volume-weighted average of the prices of all transactions during the minute before 17:15 CET (reference point), provided that more than five trades trans-acted within this period. For the remaining maturity months the Daily Settlement Price for a contract is determined based on the average bid/ask spread of the combination order book.
<b>Final Settlement Price</b>	The Final Settlement Price is established by Eurex on the Final Settlement Day at 12:30 CET; based on the volume-weighted average price of all trades during the final minute of trading provided that more than ten trades occurred during this minute; otherwise the volume-weighted average price of the last ten trades of the day, provided that these are not older than 30 minutes. If such a price cannot be determined, or does not reasonably reflect the prevailing market conditions, Eurex will establish the Final Settlement Price.
<b>Trading Hours</b>	08:00–19:00 CET, on Last Trading Day 08:00–12:30 CET.
<b>Vendor Codes</b>	Bloomberg: IKA cmdty    ThomsonReuters: <0#FBTP:>    CQG: FBTP

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