

# Eurex Single Stock Dividend Futures – tracking the earnings stream

As anyone who trades equities and equity derivatives knows, the company’s dividend payment has a direct and significant impact on the value and price of an instrument. Given the effect any deviation of actual dividend payment from dividend forecasts may have, there is considerable demand for tools to manage and hedge such dividend exposure. To separate the dividend stream and enable trading and hedging on a standalone basis, market participants have over recent years developed single share dividend swaps.

To facilitate the needs of current OTC market participants and to complement the success of Eurex equity index dividend contracts based on the EURO STOXX 50® Index, Eurex Exchange has introduced Single Stock Dividend Futures based on the index’ constituents in the beginning of 2010.

Volume and open interest in Single Stock Dividend Futures are continuously growing in parallel with an increasing number of active members. With over 76 percent of the traded volume, customer business is remarkably high.

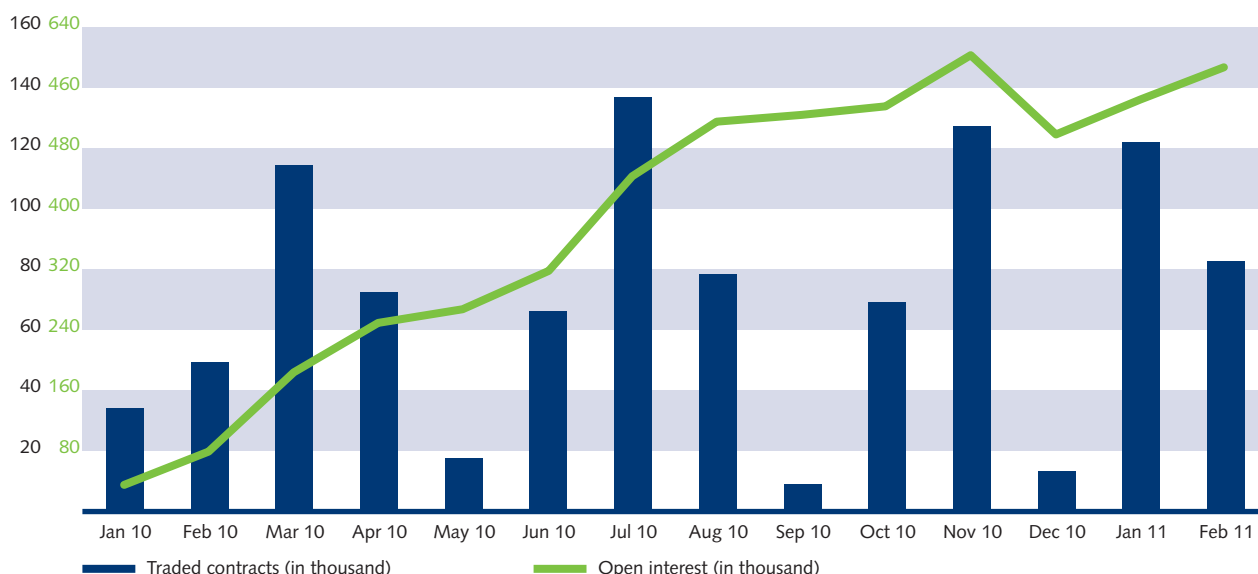
Building on this success Eurex has further extended its offering with futures on the dividends of Swiss and U.K. shares launched in November 2010 and February 2011.

## First futures contracts on single stock dividends

Eurex is the first exchange to offer exchange-listed derivatives on the dividends of more than 70 of the largest and most important Eurozone and Paneuropean corporations. On an individual basis these futures, with their standardized product features, provide the benefits of maximum transparency and valuation, as well as offering the advantages of central counterparty risk mitigation through Eurex Clearing. Single Stock Dividend Futures settle to the ordinary dividend payments made by a company with regards to their shares over the course of an annual period. Depending on the dividend currency, the products are denominated in euro, swiss franc, pence sterling or U.S. Dollar.

By the end of February 2011, the average daily volume in Single Stock Dividend Futures has amounted to 5,000 contracts.

## Single Stock Dividend Futures – volume and open interest



## Eurex Single Stock Dividend Futures – Contract specifications

<b>Contract standards</b>	Dividends of selected Eurozone, Swiss and UK blue chip shares like Allianz, Nestlé or Vodafone.
<b>Currency</b>	EUR, CHF, GBX (pence sterling) or USD
<b>Contract value</b>	Dividend payments in relation to a contract size of 1,000 shares.
<b>Settlement</b>	Cash settlement, payable on the first exchange day following the Final Settlement Day.
<b>Price Quotation and Minimum Price Change</b>	In EUR, CHF or USD with three, and in GBX with two decimal places. The Minimum Price Change is EUR/CHF/USD 0.001 and GBX 0.01, equivalent to a value of EUR/CHF/USD 1 and GBX 10 per contract.
<b>Contract years</b>	The five nearest successive annual contracts of the December cycle (from the first exchange day after the Last Trading Day of the calendar year up to the Final Settlement Day of the following calendar year) are tradable at any time.
<b>Last Trading Day (and Final Settlement Day)</b>	The third Friday of each December maturity month if this is an exchange day; otherwise the exchange day immediately preceding that day. Close of trading in the maturing futures on the Last Trading Day is at 12:00 CET.
<b>Daily Settlement Price</b>	Derived from the volume-weighted average of the prices of all transactions during the minute before 17:30 CET (reference point), provided that more than five trades transacted 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>	Established by Eurex on the Final Settlement Day at 12:00 CET, corresponding to the dividend for the respective company's business year. The Final Settlement Price is determined to four decimal places.
<b>Corporate actions</b>	Treated in the same manner like Eurex Single Stock Futures in the adjustment of contract sizes and issuing of new contract series where necessary.
<b>Trading hours</b>	Order book: 08:30–17:30 CET / Block Trading: 08:30–18:30 CET

### Trading dividends

Derivatives on the great majority of the EURO STOXX 50® Index and SMI® components as well as the respective U.K. shares were already actively traded on- and off-exchange, whereas the addition of a dividend derivative has brought market participants additional benefits of being able to fine-tune pricing.

In conjunction with the EURO STOXX 50® Index Dividend Futures, the majority of these products also allow the ability to undertake fundamental and technical trades between single stock dividends and the index equivalent.

#### Key benefits:

- Hedging dividend exposure down to a corporate level will allow precise investing based on earnings fundamentals
- More diversification opportunities through an extended product range
- Taking pure dividend exposure by avoiding the underlying equity risk and having the ability to structure individual shares versus index dividend trades
- New ways to hedge dividend exposure from structured products and derivatives

### Wholesale Trading facilities

With the aim of complementing the OTC dividend market, off-exchange trades in Single Stock Dividend Futures can be entered into the Eurex® system through the use of Eurex's Block Trade facility. This means, investors still benefit from a cost-efficient straight-through processing with Eurex Clearing assuming the role of central counterparty and undertaking risk management. To facilitate OTC trading in Single Stock Dividend Futures the block trade size is set to one contract.

### Market-Making

Eurex offers a Designated Market-Making scheme for Single Stock Dividend Futures. Market Makers take on defined obligations to provide liquidity in the chosen product. Following Designated Market Makers are available:

Company	Contact	Phone number
Barclays Capital	Christopher Brocklehurst Riju Raj Srivastava	+44-20-77 73-70 09 +44-20-77 73-97 67
Société Générale	Massimiliano Pignatelli Erwan Tigreat Jad Comair	+33-1-42 13-55 03 +33-1-42 13-45 70 +33-1-42 13-68 10
Banca Imi*	Barbara Valbuzzi	+39-02-72 61-53 17

\* only for SSDFs on EURO STOXX 50® Index components

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