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# eurex

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*Eurex – The gateway to Italian  
government bond futures*

Launch Date: 14 September 2009

***September 2009***

# Agenda

- **Why Now?**
- **Market Development**
- **Contract Specifications**
- **Benefits of Eurex's BTP Futures at a Glance**
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- **Contact Us**
- **Appendices**

## Why now?

### Brief background

- Since the inception of the Euro, and until 2007, spreads on German government bonds and those of other countries in the Eurozone were very stable

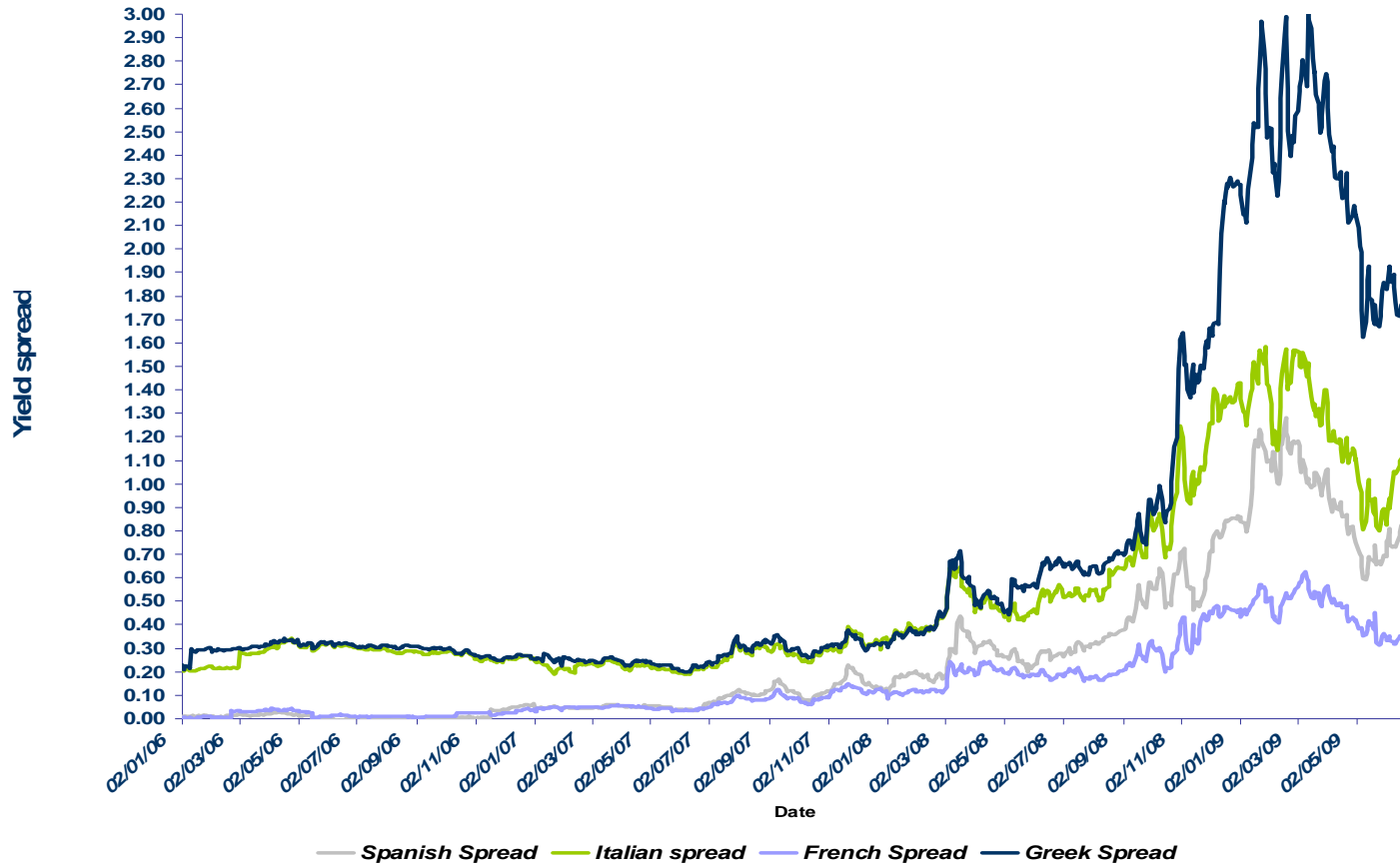
### The sub-prime crisis

- Since the start of the sub-prime crisis in July 2007, several government bond spreads over Germany have significantly widened
- The market requires a new hedging instrument which will better track non-triple A-rated European government bonds and potentially other interest rate bearing instruments (i.e. swaps)

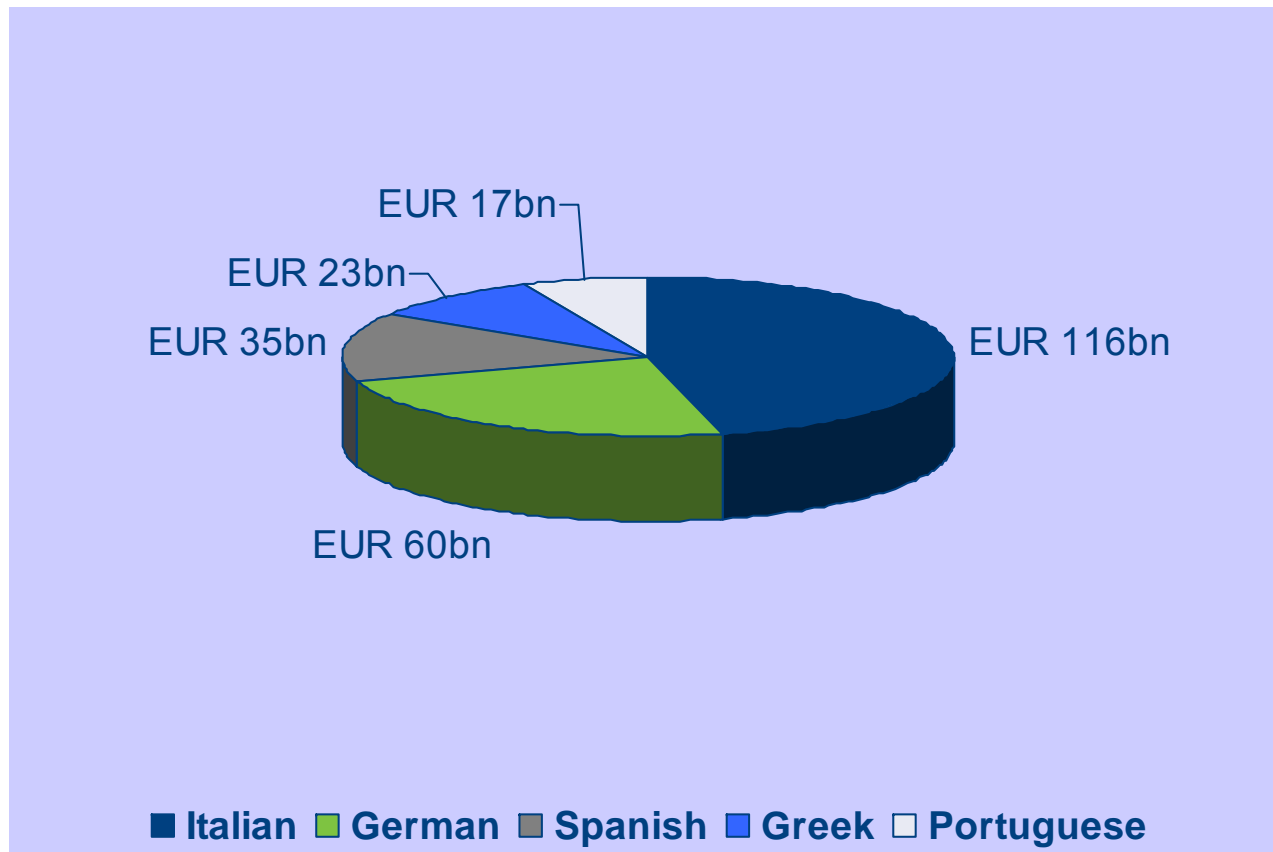
### BTP Futures on Eurex

- Eurex has therefore decided to launch futures based on notional long-term debt instruments issued by the Republic of Italy (Buoni del Tesoro Poliennali – BTP)
- The BTP Futures will be launched on 14 September 2009

# Development of EU bond spreads over Germany



# Issuance of the Italian government bond is the largest in the Eurozone



## Contract specifications

<b>Contract Standard</b>	Notional long-term debt instrument issued by Italy with an original maturity not longer than 16 years and a remaining term of <b>8.5 to 11 years</b> and a <b>six percent coupon</b> .
<b>Contract Value</b>	EUR 100,000
<b>Fee and Pricing</b>	EUR 0.20 per contract; OTC: EUR 0.30 per contract
<b>Price Quotation</b>	In percentage of the par value, with two decimal places
<b>Tick Size / Value</b>	0.01% / EUR 10
<b>Settlement (via CBL)</b>	Italian government bonds that have an original maturity of not more than 16 years and remaining term of 8.5 to 11 years on the Delivery Day. Such debt securities must have a minimal issue amount of EUR 10 billion and a nominal fixed payment.
<b>Delivery Day</b>	Tenth calendar day of the respective quarterly month (Mar, Jun, Sep, and Dec)
<b>Last Trading Day</b>	Two exchange trading days prior to the Delivery Day of the relevant delivery month. Trading in the maturing delivery month ceases at 12:30am CET
<b>Trading Hours</b>	8:00am to 7:00pm CET
<b>Market Making</b>	9:00am to 5:30pm CET for the first six months
<b>Block Trade Size</b>	250 contracts

## Benefits of Eurex's BTP Futures at a glance

### Hedging

Offers the market an instrument to hedge non-AAA Eurozone debt on-exchange, and mitigates the basis risk currently present when hedging with Bund Futures.

### Spread Opportunities

Offers the market an alternative to cash bonds to trade the yield spread between German and Italian debt.

### Basis Trading

Presents an opportunity to trade the basis on Italian debt instruments and will therefore compliment the Italian cash market.

### Margin off-setting

Margin off-setting possible against other Eurex Fixed Income futures positions thereby allowing more efficient use of capital. (Exact amount to be confirmed)

### Exposure to non-German debt

BTP futures serve as a proxy for hedging exposure to all non-AAA rated European government debt.

### Eurex Clearing

The involvement of Europe's leading clearing house mitigates counterparty risk, provides effective risk and collateral management and improves operational efficiency.

## Designated market making scheme: Obligations

- Designated market makers will be required to supply simultaneous bid and ask quotes continuously for 85% of core trading hours (9.00am – 5.30pm CET) until the end of March 2010.
- Time in the market will be measured as an average during the month

Average Spread	Minimum Size
0.08	20

- Supply quotes in front month contract until three exchange trading days immediately preceding the last trading day of the front month contract; afterwards, market makers have the choice of quoting the front or next contract month.
- In fast market conditions, the spread will be doubled and the number of contracts will be halved.

## Designated market making scheme: Incentives

- Upon fulfillment of obligations, Designated Market Maker firms (DMM) will receive a 100% exchange fee rebate on the P- and M-accounts during the liquidity commitment period (until end of March 2010).
- If obligations are fulfilled for at least 5 of the 7 months during the commitment period:
  - DMM firms will receive an additional 100% exchange fee discount for the next 12 months on the P- and M-accounts
  - 50% revenue sharing for the Top3 Market Makers in 2010 and 2011.
- Rebates apply for the entire member-firm market making volume (on the P- and M-accounts).

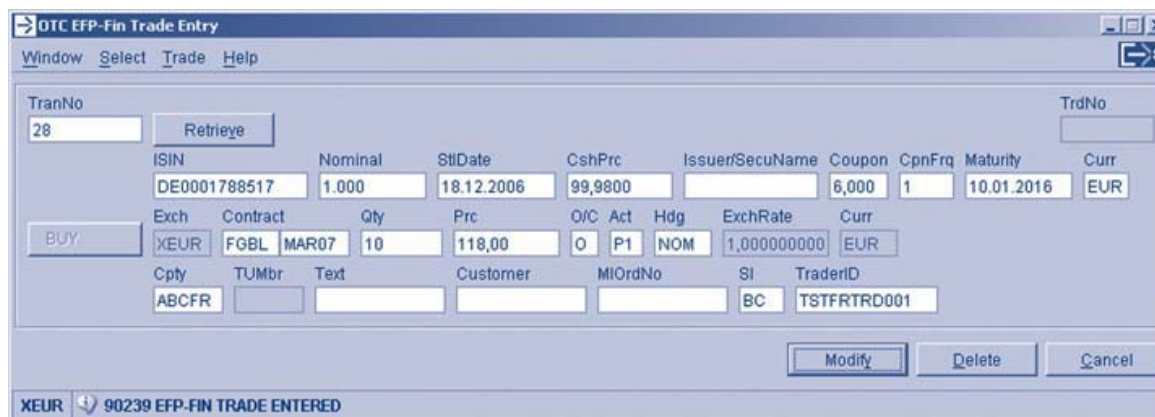
## Contact Us (3/3) CBL Account / Clearstream

BTP Futures will be physically settled via Clearstream Banking Luxembourg (CBL) and therefore an international CBL account is necessary. For opening an international account to settle Italian Government Bonds or other questions please contact our Clearstream Client & Relations Department:

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## Exchange for Physicals – Fixed Income Futures (EFP-Fin)

- The OTC EFP-Fin functionalities enable the purchase or sale of fixed income futures contracts and simultaneously the sale or purchase of the underlying, defined as debt securities, money market or other fixed income futures which show a price correlation to the exchanged futures contract so that the futures contract describes an appropriate hedge instrument.
- The underlying for the EFP-Fin facility can be a any kind of debt instrument, money market or other fixed income futures.



The screenshot shows the 'OTC EFP-Fin Trade Entry' window with the following data:

TranNo	TrdNo	ISIN	Nominal	StlDate	CshPrc	Issuer/SecuName	Coupon	CpnFrq	Maturity	Curr
28		DE0001788517	1,000	18.12.2006	99,9800		6,000	1	10.01.2016	EUR
Exch	Contract	Qty	Prc	O/C	Act	Hdg	ExchRate	Curr		
XEUR	FGBL MAR07	10	118,00	O	P1	NOM	1,000000000	EUR		
Cply	TUMbr	Text	Customer	MIOrdNo	SI	TraderID				
ABCFR					BC	TSTFRTRD001				

Buttons: Retrieve, BUY, Modify, Delete, Cancel

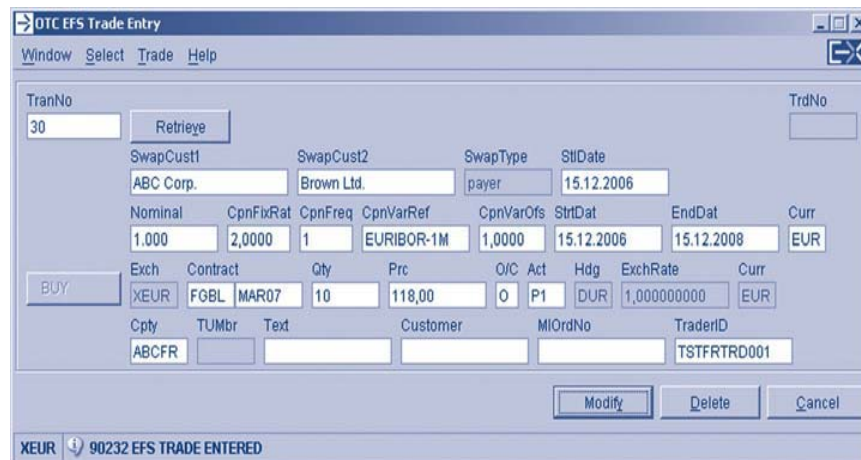
Status bar: XEUR 90239 EFP-FIN TRADE ENTERED

The EFP functionalities offer an enhanced ability to hedge and conduct basis and arbitrage trading

\* The delivery confirmation must clearly state that the cash transaction has been concluded in conjunction with the corresponding EFP Trade's future transaction.

## Exchange for Swaps (EFS Trade)

- The OTC EFS facility allows participants to organize and execute transactions involving an interest rate swap or swaption and interest rate futures
- Cash transactions in EFS trades must have the following characteristics:
  - EFS for Fixed Income: Interest rate swap or swaption
  - EFS for Credit: OTC Credit Default Swap (CDS) or iTraxx index or single reference entity
  - EFS for Inflation: all versions of inflation swaps are eligible (Zero Coupon Inflation Swaps, Multiplicative Inflation Swaps, Inflation linked Annuity Swaps...)



The screenshot shows the 'OTC EFS Trade Entry' window with the following data:

SwapCust1	SwapCust2	SwapType	StlDate					
ABC Corp.	Brown Ltd.	payer	15.12.2006					
Nominal	CpnFixRat	CpnFreq	CpnVarRef	CpnVarOfs	StrtDat	EndDat	Curr	
1,000	2,0000	1	EURIBOR-1M	1,0000	15.12.2006	15.12.2008	EUR	
Exch	Contract	Qty	Prc	O/C	Act	Hdg	ExchRate	Curr
XEUR	FGBL MAR07	10	118,00	0	P1	DUR	1,0000000000	EUR
Cpty	TUMbr	Text	Customer	MIOrdNo	TraderID			
ABCFR					TSTFRTRD001			

Buttons: Retrieve, BUY, Modify, Delete, Cancel

Status bar: XEUR 90232 EFS TRADE ENTERED

- The buyer of the futures enters the EFS Trade and the seller, after communication of the transaction number by the buyer, will ratify the trade
- Proof of the swap transaction must be faxed to Eurex Market Supervision upon request

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