

# Equity & Basket Total Return Futures

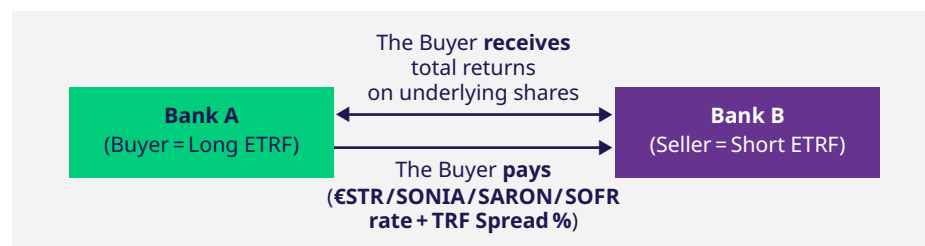
## A FUTURIZED SOLUTION FOR SYNTHETIC EQUITY FINANCING WITH BASKET TRADES OF EQUITY TOTAL RETURN FUTURES

Equity Total Return Futures (ETRF) provide a futurized solution for synthetic equity financing and short coverage, facilitating the trade of packages of ETRFs via Basket Trades (BTRF). More specifically, BTRF is a bespoke package trade of one or multiple ETRFs constructed by traders within certain parameters with eligible underlying shares. ETRFs aim to replicate an OTC equity swap's payoff based on underlying shares issued by a company included in an eligible index.

The universe of eligible underlying shares includes liquid constituents of the broad-based EURO STOXX® (SXXE) which includes key components of bluechip indices (such as EURO STOXX 50®, DAX®, CAC-40® etc), FTSE 100®, Swiss Leaders Index (SLI)® as well as STOXX USA 500 Index®.

### Equity Total Return Futures (ETRF) – the building blocks for baskets

An Equity Total Return Futures (ETRF) is a listed futures aiming to replicate an OTC equity swap's returns. The buyer (long) receives the total returns on the underlying share and pays a financing amount on the notional based on an agreed rate:



## What are the key benefits?



TRFs are fully fungible and build on the product structure of the Index TRF products, such as EURO STOXX 50® / FTSE 100® Index TRF / SMI® Index TRF.



Mitigates counterparty risk and bilateral margining for non-cleared OTC equity & basket TRS.



Cross margining offsets with other equity and equity index derivatives within PRISMA, including EURO STOXX 50®, EURO STOXX® Banks, EURO STOXX® Select Dividend 30, FTSE 100® Index TRF, MSCI Index TRFs.



Balance sheet benefits under a transparent and secure CCP environment.

The total returns on the underlying reference shares can be positive/negative. The quotation is based on the annualized TRF spread representing the basis points (+/-) added to the benchmark overnight funding rate (Euro short-term rate – €STR for EUR denominated shares, Sterling Overnight Index Average – SONIA for GBX denominated shares, Swiss Average Rate Overnight – SARON for CHF denominated shares) and Secured Overnight Funding Rate – SOFR (for USD denominated shares) in order to determine the financing cost.

### Basket Trades of Equity Total Return Futures

A Basket Trade of ETRFs (BTRF) is a customized package, negotiated by the exchange participants, of one or more ETRFs all traded with the same maturity and TRF spread. Within a Basket Trade (BTRF), the initial buyer has a right of substitution. However, that right allows substitutions only with those ETRFs in the same standardized collateral schedule or Bucket (e.g. General Collateral Large Caps), which is pre-determined at the initial trade point.

### How a BTRF works

- BTRFs can only be traded via the T7 trading system as block trades via Trade Entry Services (TES).
- The individual ETRFs components of a basket are entered as a package via the Basket Trade Entry functionality in the T7 GUI or Eurex interface.
- All ETRFs must have the same maturity (expiry), same market side (buy or sell), same trade type (TAC or TAM) and same traded TRF spread in basis points upon initial execution. Illustration below for the direct negotiation between two banks.



- For each new BTRF, the T7 trading system will automatically generate a unique Basket ID, which will be used to execute subsequent amendments or substitutions of the basket.

- ETRF positions traded as part of a Basket Trade are not netted with those traded in other baskets as they are kept on a gross basis in the C7 clearing system, based on the unique Basket ID generated by the T7 trading system.
- The initial counterparties can modify open ETRF positions of a previously executed BTRF. This is performed via subsequent basket trades in the T7 trading system by specifying the corresponding unique Basket ID and trade type (i.e., Amendment or Substitution, as applicable).



## Contract specifications

USD, CHF, EUR & GBX denominated Equity Total Return Futures (ETF)				
Specification	USD Denominated ETF	CHF Denominated ETF	EUR Denominated ETF	GBX Denominated ETF
<b>Underlying</b>	<ul style="list-style-type: none"> <li>• <b>Equity Shares:</b> included in STOXX USA 500 Index (SX50UL)</li> <li>• <b>Funding Rate:</b> Secured Overnight Funding Rate (SOFR)</li> <li>• <b>Equity Dividend Index (EDI)</b> for each underlying equity (provided by STOXX): <b>Net dividends</b> based on the withholding tax rates used by STOXX (<a href="https://www.stoxx.com/withholding-taxes">https://www.stoxx.com/withholding-taxes</a>), based on STOXX country classification</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Equity Shares:</b> included in SIX Swiss Leaders Index (SLI)</li> <li>• <b>Funding Rate:</b> Swiss Average Rate Overnight (SARON)</li> <li>• <b>Equity Dividend Index (EDI)</b> for each underlying equity (provided by STOXX): <b>Net dividends</b> based on the withholding tax rates used by STOXX (<a href="https://www.stoxx.com/withholding-taxes">https://www.stoxx.com/withholding-taxes</a>), based on STOXX country classification</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Equity Shares:</b> included in EURO STOXX index (SXXE)</li> <li>• <b>Funding Rate:</b> Euro short-term Rate (€STR)</li> <li>• <b>Equity Dividend Index (EDI)</b> for each underlying equity (provided by STOXX): <b>Net dividends</b> based on the withholding tax rates used by STOXX (<a href="https://www.stoxx.com/withholding-taxes">https://www.stoxx.com/withholding-taxes</a>), based on STOXX country classification</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Equity Shares:</b> included in FTSE 100 index (UKX)</li> <li>• <b>Funding Rate:</b> Sterling Overnight Index Average (SONIA)</li> <li>• <b>Equity Dividend Index (EDI)</b> for each underlying equity (provided by STOXX): <b>Net dividends</b> based on the withholding tax rates used by STOXX (<a href="https://www.stoxx.com/withholding-taxes">https://www.stoxx.com/withholding-taxes</a>), based on STOXX country classification</li> </ul>
<b>Currency &amp; Capacity</b>	USD: ETF/BTRF – 871m USD	CHF: ETF/BTRF – CHF	EUR: ETF/BTRF	GBX: ETF/BTRF – GBX
<b>Day Count Convention</b>	USD, CHF, EUR: ACT/360 (fixed days per year – i.e. Annualisation Factor of 360)			GBX: ACT/365 (fixed days per year – i.e. Annualisation Factor of 365)
<b>Settlement Days Convention</b>	USD: T+1	CHF, EUR, GBX: T+2		
<b>Trading &amp; Settlement Calendar</b>	Eurex US trading calendar Cash settlement based on TARGET 2 calendar + US Federal Reserve Holiday Calendar	Eurex Swiss trading calendar Cash settlement based on TARGET 2 calendar + Swiss settlement calendar	Eurex trading calendar Cash settlement based on TARGET 2 settlement calendar	Eurex UK trading calendar Cash settlement based on TARGET 2 calendar + Bank of England Calendar (CHAPS calendar)
<b>Contract Size</b>	100 equity shares			
<b>Minimum TRF Spread Change (Tick Size)</b>	+/- 0.5 basis points			
<b>Trade Types</b>	<b>USD:</b> <b>Trade at “European” Close (TAC)</b> – underlying equity price is determined based on 17:30 pm European snapshot. <b>Trade at Market (TAM)</b> – underlying equity price is determined and entered by the trading participants (“strike” price).	<b>CHF, EUR, GBX:</b> <b>Trade at Close (TAC)</b> – underlying equity price is determined at end of day close price (on reference market).  <b>Trade at Market (TAM)</b> – underlying equity price is determined and entered by the trading participants (“strike” price).		
<b>Trading Modality (Standalone vs. Substitution Rights)</b>	<b>USD, CHF:</b> <b>Order book:</b> Standalone ETFs only (no substitution rights) <b>Off-book (Trade Entry Services – TES):</b> Basket TRFs (with substitution rights) + Standalone ETFs (no substitution rights)		<b>EUR, GBX:</b> <b>Order book:</b> Standalone ETFs only (no substitution rights) <b>Off-book (Trade Entry Services – TES):</b> Basket TRFs (with substitution rights) only	
<b>Optional Handling</b>	USD, CHF, EUR, GBX: Optional Early Termination (OET): Yes			



## Contract specifications

USD, CHF, EUR & GBX denominated Equity Total Return Futures (ETRF)				
Specification	USD Denominated ETRF	CHF Denominated ETRF	EUR Denominated ETRF	GBX Denominated ETRF
<b>Expiration Day &amp; Last Trading Day</b>	The 3rd Friday of each contract month, if an exchange trading day at Eurex (and also a trading day for the underlying shares' US / Swiss / European / UK markets), otherwise the preceding trading day			
<b>Final Settlement Day</b>	USD: First Eurex exchange day after the Expiration Day	CHF, EUR, GBX: Same as the Expiration Day		
<b>Final Settlement Price</b>	USD: <b>Trade at "European" Close (TAC)</b> – underlying equity price is determined based on 17:30 pm European snapshot. <b>Trade at Market (TAM)</b> – underlying equity price is determined and entered by the trading participants ("strike" price).	CHF, EUR, GBX: <b>Trade at Close (TAC)</b> – underlying equity price is determined at end of day close price (on reference market).  <b>Trade at Market (TAM)</b> – underlying equity price is determined and entered by the trading participants ("strike" price).		
<b>Contract Months</b>	Terms of up to 24 months until the respective expiry days, such that at any time, the nearest expiries are available for trading as follows: <ul style="list-style-type: none"> <li>• Four semi-annual expirations (June, December),</li> <li>• Five quarterly expirations (March, June, September, December),</li> <li>• Three monthly expirations.</li> </ul> Where expirations would overlap according to the above, only a single expiration will be available.			
<b>Daily Settlement Price</b>	Established on the current exchange trading day based the following components: <b>"European" Closing Underlying Equity Price + Daily Settlement Basis (based on the Daily Settlement TRF Spread) + Accrued Dividends – Accrued Funding</b> (both cumulated from launch to the current exchange trading day)			
<b>Accrued Dividends &amp; Accrued Funding</b>	The net dividends plus payments due to the overnight funding rate, will both be accumulated from ETRF product launch (base date) and added to the ETRF price in clearing notation – parameters will be available prior to the start of each trading day. <ul style="list-style-type: none"> <li>• Accrued Dividends and Accrued Funding will be expressed in EUR / GBX / CHF / USD per share basis to 6 decimals.</li> <li>• The daily changes in dividends and funding are incorporated into the daily price and paid via daily Variation Margin.</li> </ul>			
<b>Trading Hours</b>	USD: Order Book (TAC only):  Pre-Trading I: 07:30 – 08:30 CET Continuous Trading I (Morning Session): 08:30 – 13:00 CET Pre-Trading II: 13:00 – 14:30 CET Continuous Trading II (Afternoon Session): 14:30 – 17:25 CET Full Post Trading: 17:25 – 22:20 CET	CHF, EUR, GBX: Order Book (TAC only):  Pre-trading: 09:25 – 09:30 CET Continuous Trading: 09:30 – 17:25 CET		Pre-trading: 10:25 – 10:30 CET Continuous Trading: 10:30 – 17:25 CET
	USD: Off-Book (TAC & TAM):  Trade Entry Services: Block Trade I: 08:30 – 13:00 CET Block Trade II: 14:30 – 22:15 CET	CHF, EUR, GBX: Off-Book (TAC & TAM):  Trade Entry Services: 09:30 – 22:10 CET		Trade Entry Services: 10:30 – 22:10 CET

## Contact

### SALES EMEA

Matthew Riley  
 T +44-20-78 62-72 13  
 matthew.riley@eurex.com

### EQUITY & INDEX PRODUCT DESIGN

Elena Marchidann  
 T +44-20-78 62-72 65  
 elena.marchidann@eurex.com

Stuart Heath  
 T +44-20-78 62-72 53  
 stuart.heath@eurex.com

