Eurex 10yr Spanish Euro-Bono Futures

July 2019
Agenda

- Background
- 10y Spanish Euro-Bono Futures (FBON)
- Eurex Euro-Bono Futures: Contract specifications
- Opportunities in Trading and Clearing
- Wholesale Offering
- Further Information and Contacts
- Appendices
Background

• From the beginning of the European sovereign crisis till recently Spanish and Italian government bond yields were closely correlated (please see next slide).

• Therefore Euro-BTP Futures were considered a good proxy hedging instrument for Spanish government bond portfolios.

• However, starting from 2016 a variety of factors created a divergence between Spanish and Italian government bond yields raising the prospect of the BTP Futures no longer being an appropriate hedge for Spanish government bonds.

• Market participants stated that up to 30% of their Euro-BTP Futures trades are hedges for positions on Spanish government bonds. Therefore, for accuracy in the current interest rate environment, they prefer to use a dedicated futures instrument to avoid the basis risk.
Background (cont.)

Italian and Spanish Bond Yield Spreads over Germany since 2014
## Background (cont.)

### Government Debt* outstanding by country

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Debt in % of GDP</th>
<th>S&amp;P/ Moody's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>63.9%</td>
<td>AAA/ Aaa</td>
</tr>
<tr>
<td>Italy</td>
<td>132.1%</td>
<td>BBB/Baa3</td>
</tr>
<tr>
<td>Spain</td>
<td>97.2%</td>
<td>A-/ Baa1</td>
</tr>
<tr>
<td>France</td>
<td>97.0%</td>
<td>AA/ Aa2</td>
</tr>
<tr>
<td>Poland</td>
<td>50.6%</td>
<td>A-/A2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>56.7%</td>
<td>AAA/Aaa</td>
</tr>
<tr>
<td>Switzerland</td>
<td>29.7%</td>
<td>AAA/Aaa</td>
</tr>
</tbody>
</table>

* Data as 1st May 2019

Source: [http://www.tradingeconomics.com/poland/rating](http://www.tradingeconomics.com/poland/rating)
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• On 26 October 2015, Eurex Exchange launched futures on 10-year Spanish government bonds (Bonos y Obligaciones del Estado - BONO) in order to provide a dedicated instrument suited to the needs of Spanish investors.

• The Eurex 10Y Spanish BONO Futures offer market participants a listed futures product which can address the demands of the Spanish market during a time when specific Spanish factors have the potential to influence yield spreads.
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## Contract Specifications

<table>
<thead>
<tr>
<th>Eurex Euro-Bono Futures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contract Standard</strong></td>
</tr>
<tr>
<td><strong>Contract Value</strong></td>
</tr>
<tr>
<td><strong>Fee and Pricing</strong></td>
</tr>
<tr>
<td><strong>Settlement</strong></td>
</tr>
<tr>
<td><strong>Price Quotation</strong></td>
</tr>
<tr>
<td><strong>Contract Months</strong></td>
</tr>
<tr>
<td><strong>Delivery Day</strong></td>
</tr>
<tr>
<td><strong>Last Trading Day</strong></td>
</tr>
<tr>
<td><strong>Trading Hours</strong></td>
</tr>
<tr>
<td><strong>Market Making</strong></td>
</tr>
<tr>
<td><strong>CFTC Approval</strong></td>
</tr>
</tbody>
</table>
| **Vendor Codes** | Bloomberg: KOAA Comdty  
Reuters: <0#FBON: >  
CQG: FBON |
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Amendment of original term for debt securities for Euro-Bono Futures

• On 8 December 2017 the Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG took the decision to amend the original term for the underlying debt securities for futures contracts on notional debt securities of the Kingdom of Spain (FBON)

• The original term for the Euro-Bono Futures will be amended from 20 years to 15 years for all contracts from and including the September 2018 contract. All contracts prior to September 2018 will maintain an original term of 20 years.
Development in Euro-BONO Futures

- Total contracts traded since launch: 663,055
- ADV 2018: 727 contracts
- ADV 2019: 747 contracts
- Traded contracts 2018: 173,450
- Traded Contracts YTD 2019: 93,376
- Open Interest end of May 2019: 5,659

* Data as of June 30th 2019
## Opportunities in Trading and Clearing

**Eurex Euro-Bono Futures**

| **Hedging** | Offer the market an instrument to hedge Spanish debt on-exchange, and remove the basis risk currently present when hedging with BTP Futures. |
| **Spread Opportunities** | Offer the market an alternative to cash bonds to trade the respective yield spread between German (or other European sovereign) and Spanish debt. |
| **Basis Trading** | Present an opportunity to trade the basis on Spanish debt instruments and therefore complement the Spanish cash market. |
| **Eurex Clearing** | Offer reduced counterparty risk and margin off-sets against all other Eurex Fixed Income Futures positions. |
Trade Entry Services (TES)

The Eurex Euro-Bono Futures can also be traded outside the order book on a bilateral basis, and subsequently booked to Eurex Clearing through the use of our Trade Entry Services.

**Block Trading**

Members are able to enter bilaterally agreed off-order book transactions into the trading and clearing system. Registered block trades are then automatically cleared like regular exchange transactions. The block trade entry facility is fully electronic and integrated into members’ processes (the exchange defines a minimum number of contracts for Block trade – see below).

**Basis Trading**

Basis trading can also be facilitated by the Exchange for Physicals (EFP) and Exchange for Swaps (EFS) functionalities.

**Minimum Entry Size for Block Trades**

250 contracts. There are no minimum entry size restrictions for EFP or EFS.
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Appendix 1
Monthly Volume and OI Development in Short- and Long-Term Euro-BTP Futures

Long-Term Euro-BTP

- Total contracts traded since 2017: 73.32 Million
- Traded contracts 2018: 29.77 Million
- Traded contracts YTD 2019: 14.60 Million
- Open Interest e/o June 2019: 440,804

Short-Term Euro-BTP

- Total contracts traded since 2017: 38.75 Million
- Traded contracts 2018: 17.7 Million
- Traded contracts YTD 2019: 8.9 Million
- Open Interest e/o June 2019: 272,097

* Data as of 30th June 2019
## Appendix 2
### Delivery Baskets and Conversion Factors

<table>
<thead>
<tr>
<th>Cash Security</th>
<th>Price</th>
<th>Source</th>
<th>Conven Yield</th>
<th>Conver Factor</th>
<th>Gross Basis</th>
<th>Implied Repo%</th>
<th>Actual Repo%</th>
<th>Net Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjust Value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) SPGB 5.15 10/31/28</td>
<td>138.0070</td>
<td>BGN</td>
<td>1.2683</td>
<td>0.935309</td>
<td>0.844</td>
<td>-0.798</td>
<td>-0.355</td>
<td>0.085</td>
</tr>
<tr>
<td>2) SPGB 1 1/2 04/30/27</td>
<td>103.3440</td>
<td>BGN</td>
<td>1.1083</td>
<td>0.696866</td>
<td>1.149</td>
<td>-6.722</td>
<td>-0.355</td>
<td>0.897</td>
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<tr>
<td>3) SPGB 1.45 10/31/27</td>
<td>102.4170</td>
<td>BGN</td>
<td>1.1796</td>
<td>0.680268</td>
<td>2.656</td>
<td>-17.536</td>
<td>-0.355</td>
<td>2.411</td>
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<tr>
<td>4) SPGB 1.4 04/30/28</td>
<td>101.3870</td>
<td>BGN</td>
<td>1.2512</td>
<td>0.664093</td>
<td>3.998</td>
<td>-27.601</td>
<td>-0.355</td>
<td>3.761</td>
</tr>
</tbody>
</table>
Eurex 10Y BONO Futures

July 2019

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