

# Index Total Return Futures

Index Total Return Futures (TRF) are growing in popularity as market participants look to this new instrument to manage repo risks on equity markets.

## A LISTED SOLUTION FOR IMPLIED EQUITY REPO TRADING

TRFs are designed to offer a listed solution for trading the implied equity repo rate via EURO STOXX 50<sup>®</sup>. It is a simple and innovative product that provides cost-efficient access to the pay-out profile of a standard equity index total return swap. With the entry into force of the uncleared margin rules (UMR) for non-cleared OTC derivatives, TRFs mitigate capital, collateral and balance sheet pressure with Eurex Clearing as central counterparty.

### EURO STOXX 50<sup>®</sup>



## What are the key benefits?



### Removes the quarterly roll- and the dividend exposure risk

TRFs provide access to long-term maturities, removes the quarterly roll risk and the dividend exposure risk that exists with EURO STOXX 50<sup>®</sup> Index Futures, as future rolls are historically volatile with uncertainty over repo levels and a financing risk during the dense Eurozone dividend season.



### Fully fungible product

TRFs aim to replicate in a cost-efficient way the payoff profile of OTC Total Return Swaps which has a positive effect on capital requirements.



### Portfolio margining

Trade TRFs with other Equity and Equity Index ETDs within PRISMA e.g., EURO STOXX 50<sup>®</sup> Futures for high netting effects up to 80%.

## Contract specifications

EURO STOXX 50 <sup>®</sup> Total Return Futures		Bloomberg: VHOA <Index>	Reuters: : 0#TESX:
<b>Underlying Indices</b>	EURO STOXX 50 <sup>®</sup> Index (SX5E), EURO STOXX 50 <sup>®</sup> Distribution Index (SX5EDD) and €STR		
<b>Contract Multiplier</b>	EUR 10 per index point		
<b>Quotation (TRF Spread) (basis points)</b>	TRF spread as annualised rate expressed in basis points with one decimal (+/-/0)		
<b>Minimum TRF Spread Change</b>	+/- 0.5 basis points (1 basis point = 0.0001)		
<b>TRF Spread Conversion</b>	The TRF Spread will be converted within the T7 system into TRF futures prices expressed in index points.		
<b>Trade Types (TAC vs. TAM)</b>	<ul style="list-style-type: none"> <li>• Trade at Close (“<b>TAC</b>”) – was brought in with launch of ETRFs</li> <li>• Trade at Market (“<b>TAM</b>”) with a custom-defined strike price</li> </ul>		
<b>Accrued Distributions &amp; Funding</b>	The distribution and funding rate payments will be accumulated from launch and will be added to the TRF futures price in index points. The daily changes in the distributions and funding payments are paid out daily via the variation.		
<b>Contract Months</b>	9 years and 11 months: the 21 nearest quarterly months as well as up to the next 5 succeeding year-end months		
<b>Settlement</b>	Cash settlement, payable on the first exchange day following the Final Settlement Day		
<b>Daily Settlement TRF Spread (basis points)</b>	Used to calculate the daily settlement price and determined as follows: <ul style="list-style-type: none"> <li>• The TRF Spread traded via the closing auction between 17:25 – 17:30 CET. If no trades will be determined based on the average bid-ask spread. If no average bid-ask spread, then will be determined as the volume-weighted average TRF Spread of all transactions executed during the last 30 minutes of continuous trading.</li> <li>• If no price can be determined according to the above the Daily Settlement TRF Spread will be determined based on a theoretic (fair) TRF Spread for the respective contract.</li> </ul>		
<b>Last Trading Day</b>	The Eurex trading day immediately preceding the Expiration Day		
<b>Expiration Day</b>	3 <sup>rd</sup> Friday of each quarterly expiration month if this is an exchange day; otherwise the immediately preceding exchange day		
<b>Final Settlement Price (index points)</b>	Established by Eurex on Expiration Day and it is based the following components: Final Settlement Price of the EURO STOXX 50 <sup>®</sup> Index Futures (FESX), accrued distributions and accrued funding until the expiration date		
<b>Trading Hours</b>	<b>Order book (TAC):</b> 08:15 – 17:30 CET / <b>Off-book (TAC &amp; TAM):</b> 08:15 – 22:00 CET		

## Contact

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