

The background of the slide is a vibrant blue underwater scene. It shows a large, curved object, possibly a whale's back or a large piece of marine equipment, with sunlight filtering through the water, creating a shimmering, textured effect. The overall tone is bright and aquatic.

IOB DR dividend futures

Product Overview

January 2011



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Overview



- Individual dividend futures on depositary receipts (DRs) for six Russian companies are now listed on EDX
- The contracts enable members to hedge dividend risk from holding DRs whilst benefitting from exchange trading and clearing:
 - Transparent pricing
 - Centralised liquidity
 - Operational ease and trade management
 - Central counterparty protection
- All contracts are traded through the order book either electronically or bilaterally negotiated and reported to the Exchange's MPS Desk
- The service includes the provision of a supplementary futures contract after expiry in the event of any late dividend payments. This ensures that counterparties to a dividend trade on EDX can not be penalised as a result of unexpected payment schedules

Contract Specification



Parameter	Description						
Underlying	Gross paid dividend amount						
Contract Multiplier	100 DRs						
Contract Currency	USD						
Tick Size:	<table border="0"> <tr> <td>< USD 0.9995</td> <td>- USD 0.0005</td> </tr> <tr> <td>USD 1.0000 - USD 4.9990</td> <td>- USD 0.0010</td> </tr> <tr> <td>>USD 5.0000</td> <td>- USD 0.0100</td> </tr> </table>	< USD 0.9995	- USD 0.0005	USD 1.0000 - USD 4.9990	- USD 0.0010	>USD 5.0000	- USD 0.0100
< USD 0.9995	- USD 0.0005						
USD 1.0000 - USD 4.9990	- USD 0.0010						
>USD 5.0000	- USD 0.0100						
Settlement type	Cash						
Contract lifetime	Two year lifetime with final settlement based on the dividend paid out relating to dividends gone ex between the first business day after the third Friday in December and the third Friday in December the following year						
Daily settlement price	Dividend rates depending on calendar (see later slide)						
Final settlement price	Ordinary dividend paid by the Depositary Bank in the contract lifetime prior to deduction of withholding tax and DR bank fees						
Expiry	Third Friday in January						
Listing of new contracts	Four business days prior to expiration in January						
Corporate actions	As described for individual DR options / futures in the EDX Rules						
Trading hours	08:15 - 15:30 GMT						

Underlying coverage



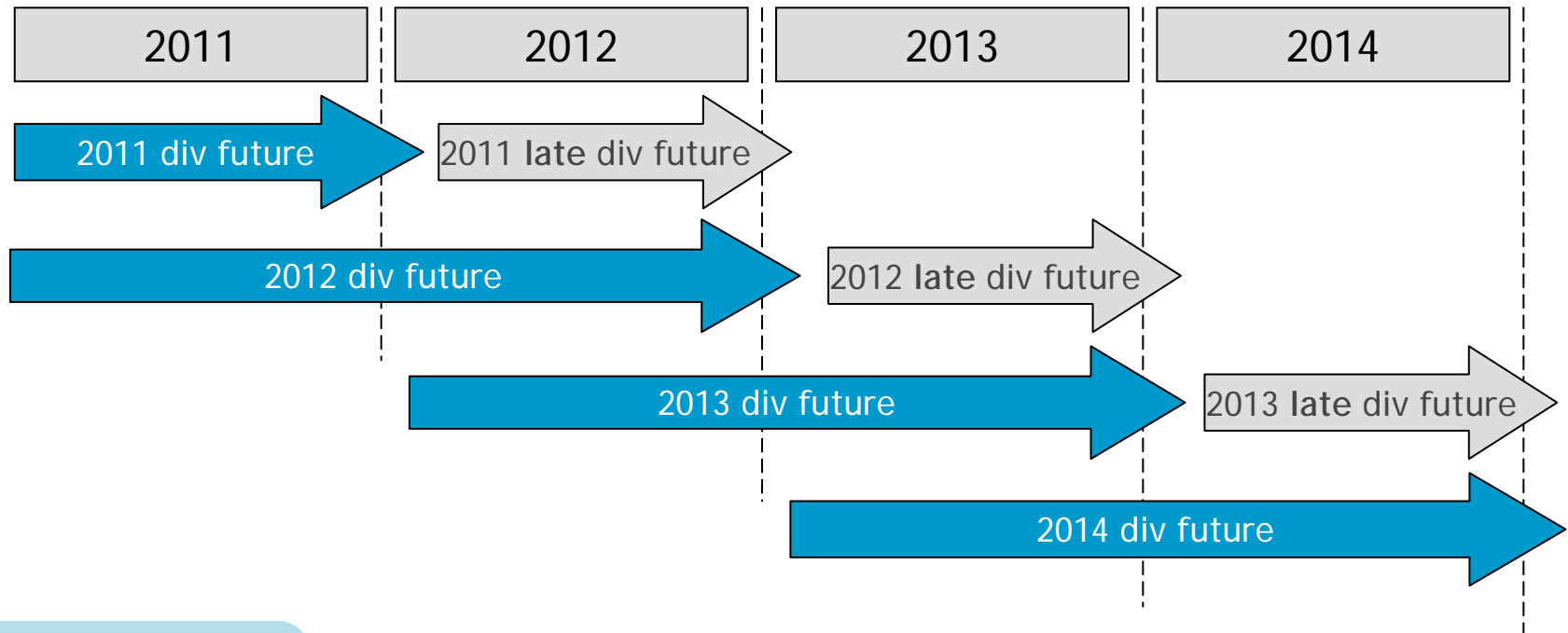
Underlying DR	EDX code	Bloomberg code	Thompson Reuters code
Gazprom	OGZD	OGZD LI	GAZPq.L
Lukoil	LKOD	LKOD LI	LKOHyq.L
Norilsk Nickel	MNOD	MNOD LI	NKELyq.L
Rosneft	ROSN	ROSN LI	ROSNq.L
Surgutneftegaz	SGGD	SGGD LI	SNGSyq.L
VTB Bank	VTBR	VTBR LI	VTBRq.L



Contracts listing cycle



- The service launched with two futures contracts - Jan 12 and Jan 13 maturities
- Two year contracts will be listed annually thereafter in the January cycle



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Daily and final settlement prices



Two year lifetime - normal contract

January
(month 0)

↓

January
(month 24)

Time period	Settlement price used
Contract open until dividend announcement	MarkIt Totem Dividend information
Announcement until AGM confirmation	Announced rate
AGM confirmation until dividend payment day	AGM confirmed rate
Dividend payment day until expiry	AGM confirmed rate
Final settlement price on expiration	As per contract specification
Interim changes to announced/confirmed rates	Revised announced/ confirmed rate



Markit dividend forecasts



- EDX uses dividend data provided by the market leading service for dividend forecasting, MarkIt
- The service was recommended by market participants that helped in the design of EDX's dividend futures
- MarkIt's dividend forecasts are calculated using a combination of the following inputs:
 - Options prices implied dividends
 - Aggregated data from institutions active in the Russian OTC dividend swaps market
 - MarkIt's analyst team
- MarkIt's forecasts provide members active on EDX with a rigorous, objective, and widely trusted daily settlement price used for marking positions to market in the months prior to dividend announcements

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Overview



- In the unlikely event that there is an announced dividend/ part of an announced dividend whose payment is deferred until after January expiry, EDX will list a “late dividend” contract
- “Late Dividend” contracts have a life time of one year with final settlement being equal to the amount of the remaining dividend paid out over the contract lifetime
 - This additional contract on the late dividend is completely separate and distinct from the other “normal” dividend contracts also in the order book available to trade
- On the next trading day after normal expiry, members will be automatically allocated a late dividend futures position equal to their normal dividend futures position at expiry
 - Opened at a price of zero
 - At the end of the first trading day in the late contract, EDX will mark-to-market at the difference between the announced amount and the amount paid out during the lifetime of the normal contract
 - This immediately cancels out all loss and profit that resulted specifically from the late payment
- Members will record a profit or loss on expiry resulting from the late payment, and then find themselves with a balancing position at market open on the next trading day.
 - EDX will perform all operational and back office work and remind members by way of Exchange notices

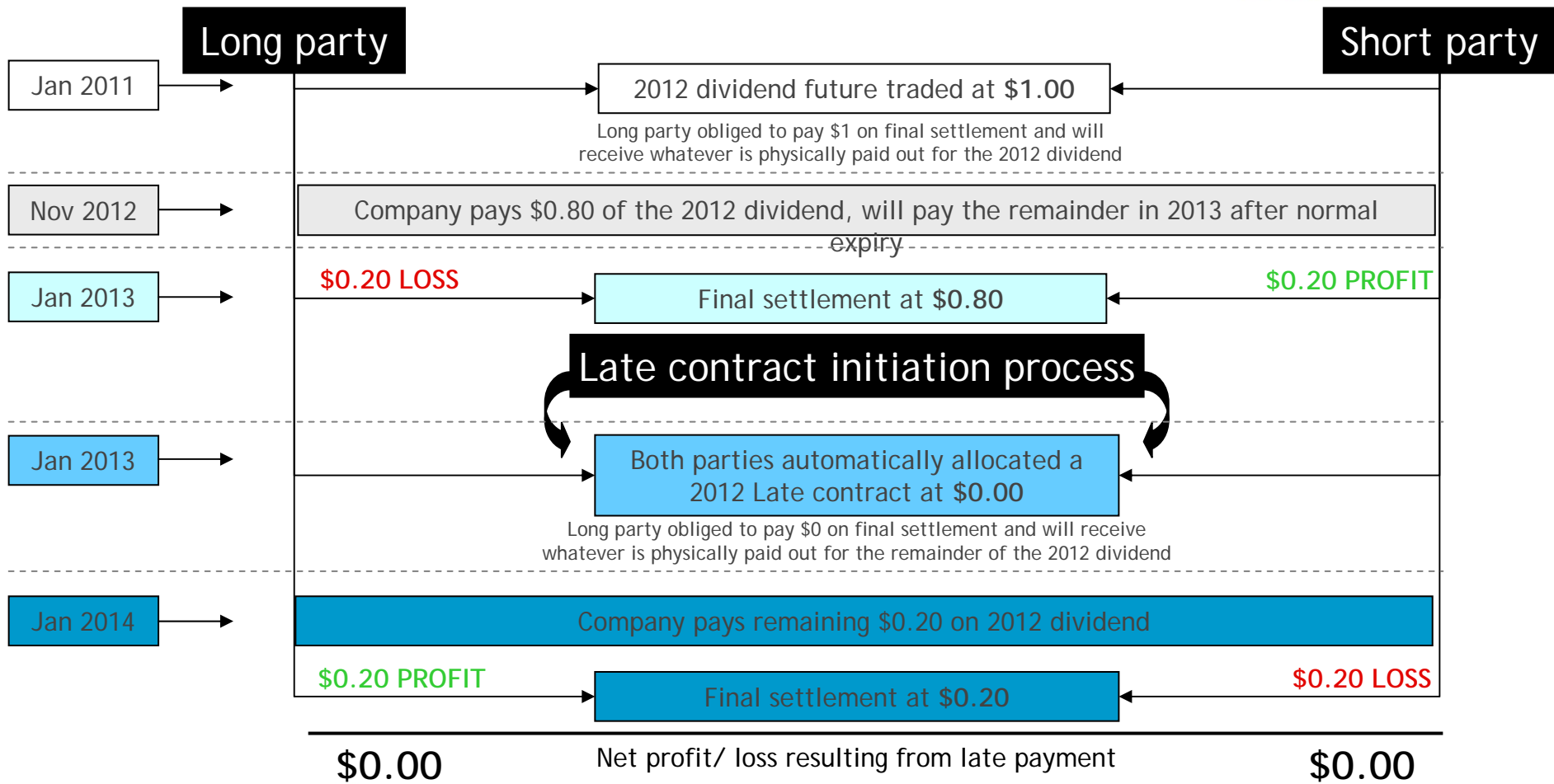
Daily and final settlement prices



January
(month 0)
↓
January
(month 12)
(or earlier)*

One year lifetime - Late dividend contract	
Time period	Settlement price used
Contract open until final remainder payment	(Announced rate) - (paid in 1 st year)
Final remainder payment until expiry	(Announced rate) - (paid in 1 st year)
Final settlement price on expiration	Dividend paid out over the contract lifetime (that relates to previous year's dividend)
Interim changes to announced/confirmed rates	Revised announced/ confirmed rate

Worked example of late payment



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Fees



- EDX's dividend futures contracts are charged on a "percentage of futures value" basis
 - Futures value is defined as 'contracts' x 'price' x 'multiplier'
- This system is designed to provide proportionate and simpler charging across the six underlyings whose dividends greatly vary
- EDX's fees are highly competitive when compared to existing single stock dividend futures offered on other exchanges

Account type	T&C fee (all trades)	Expiration fee
Market maker	0.3%	0.5%
Client/ Prop	0.6%	