

Forwards on Norwegian shares

Using single stock forwards has become a popular strategy among a large number of market participants. The difference between purchasing stock forwards and underlying shares lies in the payment for shares, which with stock forwards occurs only at an agreed date in the future.

Purchasing stock forwards is therefore an alternative to purchasing underlying shares. Stock forwards are a capital efficient way to buy shares at a predetermined price in the future. Selling stock forwards is an efficient way to protect an existing share portfolio or indeed a good way to speculate in a market downturn. With stock forwards it is possible to sell short without owning the underlying share.

The following is a brief description of forwards on Norwegian shares. Detailed contract specifications and complete rules and regulations for trading can be found on the OMX Nordic Exchange website.

FACTS

Type of contract: Forward contracts with expiration settlement and delivery of the underlying stock.

Contract base: The type of share, which is apparent from the quotation list. The share shall be registered on Oslo Børs or any other exchange or market approved by the exchange.

Contract size: One hundred shares per contract. Re-calculation may occur in certain cases (see Re-calculation).

Series designation: Indicate the designation for the contract base, expiration year and expiration month.

Forward price: Agreed upon by the parties. Shall be expressed in Norwegian Kronor and indicate the price for one contract share.

Expiration day: The third Thursday of the expiration month of the expiration year, or, where such day is not a Norwegian bank day the preceding bank day.

Last trading day: The expiration day at the close of the electronic trading system for the series in question.

Expiration settlement: Norwegian stock forward contracts are settled by payment of the cash settlement amount and delivery of the underlying stock at the fixing price.

Fixing price: As determined by Oslo Børs.

Expiration settlement day: Delivery as well as payment for delivery and cash settlement occurs the fourth Norwegian bank day following the expiration day.

Setting-off: Setting-off of contracts may not occur.

Listing of new expiration month: A new expiration month with a maturity of six months is listed every three months from and including the first Norwegian bank day succeeding an expiration day.

Re-calculation: Re-calculation can occur in certain cases in the event the share capital of the company is increased or decreased or the company is dissolved or ceases to exist through a merger as well as certain other events in accordance with the provisions set forth in the re-calculation rules.

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