

# 2-year Swedish government bond forward (R2)

## R2 – Managing Swedish long-term interest rate risk

OMX Nordic Exchange provides central counterparty clearing services for Nordic fixed income products.

The R2 contract serves as a valuable tool in managing Swedish long-term interest rate risk. The contract base is a synthetic 2-year Swedish government bond. The contract has standardized expiration days, i.e. IMM days. This means that liquidity is concentrated to a limited number of contracts, which benefits trading.

The contract is suitable both for directional trading as well as for spread trading, e.g. government yield curve spreads like 6-month government risk against 2-year government risk or spreads against mortgage bond forwards. A combination of cash bonds and forwards can also be used for creating short-term investments or financing. For the complete description of the contract specification please see OMX Nordic Exchange Rules and Regulations for Derivatives.

### FACTS

**Contract standard:** Forward contract with a combination of cash settlement and delivery of underlying cash instrument at fixing rate.

**The contract base:** Synthetic Swedish government bond with a maturity of two years at the expiration settlement day. The bond has an annual coupon of six percent.

**Size of the contract base:** SEK 1,000,000 nominal value of underlying.

**Deliverable instruments:** Swedish government bonds with a remaining maturity of two years, or as close to two years as possible, at the expiration settlement day.

**Tick size:** 0.001

**Price quotation:** The forward contract is quoted in accordance with the underlying cash instrument market, effective interest rate with a 30E/360 day convention.

**Trading:** Trading is performed OTC and trades are reported to OMX for clearing. Trading hours are in accordance with market practice in the Swedish fixed income market.

**Expiration months:** March, June, September and December.

**The expiration settlement day:** The third Wednesday of the expiration month.

**First trading day:** One week before last trading day of the next contract scheduled for expiration.

**Expiration day/last trading day:** Four bank days prior the expiration settlement day.

**Expiration fixing:** Established at expiration day 11.00 CET.

**Periodic settlement :** Cash settlement of the difference between the trade price and monthly fix takes place on the last bank day of each calendar month.

**Registration:** 08.30 – 19.15 CET on normal bank days.

**Last time for registration:** 12.00 CET at expiration day.

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**OMX NORDIC EXCHANGE<sup>TM</sup>**

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