

5-year Swedish government bond forward (R5)

R5 – Managing Swedish long-term interest rate risk

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

The R5 contract serves as a valuable tool in managing Swedish long-term interest rate risk. The contract base is a synthetic 5-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 5-year government risk against 10-year government risk or spreads against mortgage bond forwards. A combination of cash bonds and forwards can 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 five 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 five years, or as close to five 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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