

FRA Options – Managing Swedish short-term interest rate risk

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

STIBOR-FRA options contracts serves as a valuable tool in management of short-term interest rate risk. Contract base is corresponding 3-month STIBOR-FRA contract. The option contracts have standardized expiration days, i.e. the IMM days. This means that liquidity is concentrated to a limited number of contracts, which benefits trading.

The option contracts can be used for both directional trading as well as for spread trading. In addition, the contracts are suitable for trading based on changes in the implied volatility on the options market.

The following is a brief description of options on the STIBOR-FRA. Detailed contract specifications and complete rules and regulations for trading can be found on the OMX Nordic Exchange website.

FACTS

Type of contract: Option contract with delivery.

Contract base: One 3-month STIBOR-FRA contract.

Contract size: The nominal value of the STIBOR-FRA contract shall be SEK one million.

Tick size: 0.1 basis points.

Price/premium: Agreed upon by the parties. The premium shall be expressed in basis points. The premium is multiplied with the options Basis Points Value to receive the premium payment in SEK.

Basis Points Value: Basis Points Value represents the undiscounted SEK value of 1/100 of one percent change in a SEK one million STIBOR-FRA contract.

Premium settlement day: The second bank day after registration.

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

Exercise price interval: 0.10 percent.

Expiration months: March, June, September and December.

Expiration day: The third Wednesday of the expiration month.

Expiration fixing: Fixing of 3-month STIBOR is established at expiration day 11.05 CET.

Registration: 08.30-19.15 CET on normal bank days.

Last time for registration: 12.00 CET at expiration day.

Periodic settlement: No periodic settlement.

All information provided herein shall be deemed to be general information and under no circumstances constitute any recommendation regarding investments. The reader shall be personally liable for risks associated with any investment based on the information provided in this document. Notwithstanding that the accuracy of the information provided herein has been verified, NASDAQ OMX, or any other subsidiary of NASDAQ OMX, assumes no liability with respect to the accuracy or use of such information. Trading in options and other derivatives instruments may involve risks, advice therefore with your bank or broker before executing a trade. For current rules for trading and clearing of options and futures please see Rules and Regulations for OMX Derivatives Markets.

OMX NORDIC EXCHANGE™

OMX DERIVATIVES MARKETS Secondary name to OMX Nordic Exchange Stockholm AB. SE-105 78 Stockholm. SWEDEN. Tel. +46 8 405 60 00. Copenhagen Office: P.O. Box 1040. DK-1007 Copenhagen K. DENMARK. Tel. +45 33 93 33 66. Helsinki Office: P.O. Box 361. FIN-00131 Helsinki. FINLAND. Tel. +358 9 616 671. Reykjavik Office: Laugavegur 182 IS-105 Reykjavik. ICELAND. Tel. +354 525 2800. Reg No. 556383-9058 www.omxnordicexchange.com