

## NASDAQ OMX STOCKHOLM AB OFFERS CLEARING OF RIKSBANK FUTURES- POLICY RATE FUTURE SEK

The monetary policy of the Riksbank (Central Bank of Sweden) is of great significance to interest rates in capital markets. Since the repo rate is the principal interest rate employed by Riksbanken, market players carefully monitor changes in this rate and the signals given by Riksbanken. Expectations regarding future repo rates are key indicators for many players when choosing to take positions in the interest-rate market.

Accordingly, NASDAQ OMX Stockholm has decided to introduce cash-settled futures specifically based on the Riksbank's repo rate. The contract base is a fictitious loan with a term corresponding to the period between two IMM dates, with final settlement occurring against the average repo rate for the period concerned.

### Facts about Riksbank Futures contract -PRF SEK

|                                  |   |
|----------------------------------|---|
| Contract type                    | Futures contract with daily cash settlement   |
| Contract base                    | Fictitious loan extending between two consecutive IMM dates   |
| Contract base size               | Nominal value of SEK 1,000,000  |
| Trades                           | Trades are reported to NASDAQ OMX Stockholm AB for clearing   |
| Tick size                        | 0.001   |
| Tick value                       | Depending on the number of days in the contract base, tick value of approx. SEK 2,528 per contract with 91 days term              |
| Price                            | Contract price quoted as compound interest on the repo-rate periods concerned   |
| Day calculation convention       | Actual/360  |
| End months                       | March, June, September and December   |
| Final settlement day             | First bank day following expiration day   |
| Expiration day/final trading day | Two bank days prior to the third Wednesday of the end month   |
| Daily fix                        | Median value of indicative buy and sell interest rates quoted by market makers  |
| Final fix                        | The Riksbank's repo rate between IMM dates in the contract's end month and the preceding IMM date, expressed as compound interest |
| Offsetting                       | Offsetting can take place during the entire term  |
| Series duration                  | Twenty four months months   |

## Market model and central counterparty clearing

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Trades in the Riksbank Futures contract are bilaterally negotiated between buyer and seller and thereafter reported to NASDAQ OMX Stockholm for clearing. The exchange has agreements with a number of market makers regarding the maintenance of a market with two-way prices aimed at ensuring ample liquidity in the contract. Market makers are expected to establish indicative two-way prices in the exchange's trading system in accordance with standard market practices in the Swedish interest-rate market.

Trading is performed through a bilateral negotiation between buyer and seller. The trade is then reported to NASDAQ OMX Stockholm for clearing. Novation, meaning when the exchange substitutes existing contracts with new ones, in relation to the buyer and seller takes place when the trade details are matched and collateral has been established. There is no counterparty relationship between the buyer and seller following this; instead both parties use the exchange as a counterparty.

## Contract base and settlement principles

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The contract base is a fictitious loan of SEK 1,000,000, which extends between two consecutive IMM dates, meaning between the third Wednesday in the months of March, June, September and December. Accordingly, the underlying duration can vary between series with different delivery months. Normally the period is 90 or 91 days, but may be longer. The term corresponds to the terms for NASDAQ OMX Stockholm's FRA contract, but the differences in the name standards and underlying interest-rate periods for each delivery month should be observed.

There is no delivery of the underlying loan amount. Only a cash amount corresponding to the interest-rate difference between the agreed interest rate and the fixing rate will be paid. Accordingly, the contract can be considered a CFD, contract for difference. The buyer of the contract is a fictitious borrower who assumes the obligation to pay the difference between the agreed interest rate and the fixing rate to the seller on condition that the agreed interest rate is higher. If the agreed interest rate is lower than the fixing rate, the buyer is paid the interest rate amount by the seller.

When the contract is cleared, no actual payment takes place between the buyer and seller; instead, each party receives/pays from/to the exchange (the clearing house).

## Settlement and offsetting

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All purchased and sold contracts are entirely offsettable against each other. This means that only one net position is held against the clearing house and, if the contracts sold equal those purchased, the portfolio may be said to be closed in practice.

Daily cash settlements take place on bank days at noon and are based on the profit/loss on the net position at the end of the trading day on the bank day before the settlement day.

## Name standard

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Contracts are listed by the short name RIBA followed by a letter designation for the delivery month and the figure for the year in which the delivery month falls.

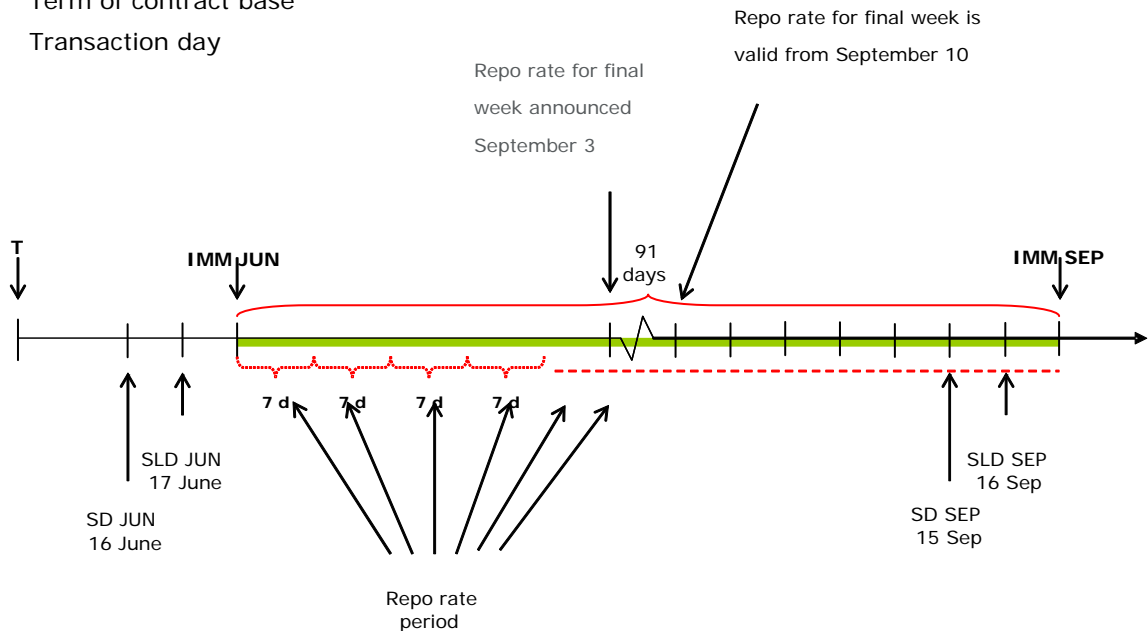
| <b>Delivery month</b> | <b>Name</b> |
|-----------------------|-------------|
| March 2009            | RIBA H9     |
| June 2009             | RIBA M9     |
| September 2009        | RIBA U9     |
| December 2009         | RIBA Z9     |
| March 2010            | RIBA H0     |
| June 2010             | RIBA M0     |
| September 2010        | RIBA U0     |
| December 2010         | RIBA Z0     |

## Examples of contracts with the end month of September 2008, RIBA U8

|                       |   |
|-----------------------|---|
| Contract name         | RIBA U8   |
| First trading day     | September 16, 2007                                  |
| End day               | September 15, 2008                                  |
| Final fix             | September 15, 2008                                  |
| Final settlement day  | September 17, 2008                                  |
| Term of contract base | 91 calendar days, June 18, 2008- September 17, 2008 |
| Daily cash settlement | every bank day beginning September 17, 2007         |
| Collateral            | Established daily at 11:00 a.m.                     |

### RIBA U8

|   |  |
|---|--|
| IMM   | Third Wednesday in March, June, September and December |
| SD  | End day  |
| SLD   | Final settlement day                                   |
|  | Term of contract base                                  |
| T   | Transaction day  |



Collateral margins are established continuously during the term of the contract. For a calculation of collateral margins, see the fact sheet "RIBA futures margins"

## Calculation of final fix RIBA U8

| The Riksbank's repo rates from June 18, 2008 to September 19, 2008 |               |                     |                |                         |
|--|---------------|---------------------|----------------|-------------------------|
| Start day  | End day       | Number of days, (d) | Repo rate, (r) | $1 + r/100 \cdot d/360$ |
| June 18, 2008  | June 25, 2008 | 7.00                | 4.25           | 1.0008263888889...      |
| June 25, 2008  | July 2, 2008  | 7.00                | 4.25           | 1.0008263888889...      |
| July 2, 2008   | July 9, 2008  | 7.00                | 4.25           | 1.0008263888889...      |
| July 9, 2008   | July 16, 2008 | 7.00                | 4.50           | 1.000875                |
| July 16, 2008  | July 23, 2008 | 7.00                | 4.50           | 1.000875                |
| July 23, 2008  | July 30, 2008 | 7.00                | 4.50           | 1.000875                |
| July 30, 2008  | Aug 6, 2008   | 7.00                | 4.50           | 1.000875                |
| Aug 6, 2008  | Aug 13, 2008  | 7.00                | 4.50           | 1.000875                |
| Aug 13, 2008   | Aug 20, 2008  | 7.00                | 4.50           | 1.000875                |
| Aug 20, 2008   | Aug 27, 2008  | 7.00                | 4.50           | 1.000875                |
| Aug 27, 2008   | Sep 3, 2008   | 7.00                | 4.50           | 1.000875                |
| Sep 3, 2008  | Sep 10, 2008  | 7.00                | 4.50           | 1.000875                |
| Sep 10, 2008   | Sep 17, 2008  | 7.00                | 4.75           | 1.0009236111111...      |

Final fix corresponds to the average repo rate during the term of the contract, expressed as compound interest. In this case, there are 13 repo-rate periods with a total of 91 calendar days.

The compound interest, expressed to three decimal places, for the interest period between June 18, 2008 and September 17, 2008 thus equals 4.485%

$((1,000826389...) \cdot (1,000826389...) \cdot (1,000826389...) \cdot (1,000875) \cdot (1,00085) \cdot (1,000875) \cdot (1,000875) \cdot (1,000875) \cdot (1,000875) \cdot (1,000875) \cdot (1,000875) \cdot (1,000875) \cdot (1,000875) \cdot (1,0009236...) - 1) \cdot (360/91) \cdot 100 = 4,485$

## Example of final settlement RIBA U8

Final settlement takes place one bank day before the third Wednesday of the end month. For RIBA U8, final settlement takes place on Tuesday, September 16 and is based on the difference between the final fix calculated on Monday, September 15, and the last daily fixing calculated on Friday, September 12. In this example, we have assumed that the daily fixing rate on September 12 was 4.480% and that we have a purchased position of 10,000 contracts.

Number of purchased contracts \* nominal amount \* (final fix – daily fix)/100 \* d/360

$10,000 \cdot 1,000,000 \cdot (4.485 - 4.480) / 100 \cdot 91 / 360 = 126,388.89$  (rounded to 126,389)

## Example of daily fix calculation

The daily fix is calculated as the median value of the indicative buy and sell interest rates that market makers, among others, quote in the stock exchange's trading system on bank days at 4:15 p.m.

| Mm            | Bid   | Ask   | Average      |
|---------------|-------|-------|--------------|
| A             | 4.475 | 4.495 | 4.485        |
| B             | 4.485 | 4.505 | 4.495        |
| C             | 4.465 | 4.485 | 4.475        |
| D             | 4.470 | 4.490 | 4.480        |
| E             | 4.470 | 4.490 | 4.480        |
| <b>Median</b> |       |       | <b>4.480</b> |

In this example, the daily fix is 4.480 %