NASDAQ OMX
3-month STIBOR-FRA (FRA)

NASDAQ OMX STOCKHOLM OFFERS CLEARING OF 3-MONTH STIBOR-FRA CONTRACTS

The STIBOR-FRA contract is the most liquid short term instrument in the Nordic fixed income market. During the past years the volume of cleared contracts has increased rapidly, from just above 20 000 to 65 000 daily cleared contracts in 2010. 6 committed market makers quote indicative prices for all 12 outstanding contracts.

Facts

Contract type	Forward contract with cash settlement of the difference between a fixed rate, agreed by the parties, and the reference rate
Contract base	3-month Stockholm InterBank Offered Rate, STIBOR
Contract base size	Nominal value of SEK 1,000,000
Trading	Trades in FRA contracts will be reached through bilateral negotiations between buyers and sellers, and reported to NASDAQ OMX for central counterparty clearing
Tick size	0.0001
Price	Price expressed as simple interest rate with an act/360 day
Expiration months	March, June, September and December
Expiration settlement day	The third Wednesday of the expiration month
Expiration day/final day of trading	Two bank days prior to the expiration settlement day
Expiration fix	Fixing of 3 month STIBOR is established at expiration day at 11.05 CET
Periodic settlement	Cash settlement of the difference between the trade price and the monthly fix takes place at the last bank day of each calendar month
Offsetting	No offsetting
Series term	Thirty-six months

Market model and central counterparty clearing

STIBOR-FRA contracts are traded in the current market structure for Swedish interest rate derivatives. Trades in FRA forwards will be reached through bilateral negotiations between buyers and sellers, and reported to NASDAQ OMX for central counterparty clearing. The stock exchange has agreements with a number of market committed banks, according to which two-way indicative prices will be quoted within the exchange's trading system in accordance with standard market practices in the Swedish interest-rate market. The market committed banks will also support trading in the contracts, which will occur outside the exchange system.

Contract settlement takes place through a bilateral negotiation between buyer and seller. Following settlement, the transaction is reported to NASDAQ OMX Stockholm for clearing. Novation, meaning when the exchange substitutes existing contracts with two new ones, in relation to the buyer and seller takes place when the settlement is matched and collateral has been placed. Subsequently, there is no counterparty relationship between the buyer and seller; instead both parties have the exchange as counterparty.

Contract base and settlement principles

The contract base is a fictitious three month 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 expiration months. Normally the period is 90 or 91 days, but may be longer.

There is no delivery of the underlying loan amount. Only a cash amount corresponding to the interest rate difference between 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.

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

Settlement and offsetting

All purchased and sold contracts are not off settable against each other. This means that no net position is held against the clearing house.

Periodical settlement takes place on the last calendar day each month and cash settlement of the profit/loss is settled on the monthly cash settlement day.

Name standard

Contracts are listed by the short name FRA followed by the expiration year and a letter designation for the expiration month.

Expiration month	Name
March	O
June	R
September	U
December	X

NASDAQ OMX STIBOR fixing

On a daily basis, NASDAQ OMX Stockholm obtains indicative mid-values for 3-month STIBOR interest rates and distributes a fixing rate at 11:05 a.m. When calculating a fixing rate, the highest and lowest values are disregarded, while the remaining values are used to calculate an average rate. Final settlement of the contract is performed against the 3-month STIBOR fixing rate published by NASDAQ OMX Stockholm on the expiration day.