

## NASDAQ OMX STOCKHOLM OFFERS CLEARING OF 3 AND 6 MONTH NIBOR-FRA CONTRACTS

The NIBOR-FRA contract was introduced in 2004 and has since averaged about 2 000 - 3 000 cleared contracts per day. The majority of the activity is in the 3 month contract, representing about 95 percent of the total cleared volume. Committed market makers quote indicative prices in Reuters available to the market.

### Facts

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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 and 6 month Oslo InterBank Offered Rate, OIBOR
Contract base size	Nominal value of NOK 1,000,000
Trading	Trades in NFRA 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 and 6 month OIBOR is established at expiration day at 12.05 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	3-month NFRA: Twenty-four months

## Market model and central counterparty clearing

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NIBOR FRA contracts are traded in the current market structure for Norwegian interest rate derivatives. Trades in NFRA forwards will be reached through bilateral negotiations between buyers and sellers, and reported to NASDAQ OMX for central counterparty clearing. 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

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The contract base is a fictitious three month loan of NOK 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.

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

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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

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Contracts are listed by the relevant NIBOR interest period and the short name NFRA followed by the expiration year and a letter designation for the expiration month.

Expiration month	Name
March	O
June	R
September	U
December	X