

Euronext® Eurozone Banks Index Option

**01**

Euronext's commitment

- Euronext aims to offer the full scope of derivatives contract on the Eurozone banking sector. Leveraging on the successful launch of the Euronext Eurozone Banks Index Future, Euronext is offering enlarged opportunities to investors by launching an option contract. Investors can also trade the single names part of the index using Single Stock Futures and Single Stock Dividend Futures.
- Euronext believes in win-win strategies, and as such is committed to implement **added-value solutions** with a **fair cost structure**. The Euronext Eurozone Banks Index Option has been **codesigned** with markets players to offer an easy access to block trades while focusing at implementing reasonable transactions fees combined with clearing efficiencies.
- On-screen liquidity is provided by 3 market makers committed to the success of this initiative.
- The index, while maintaining a high correlation and a low tracking error, is offering a 20% capping to suit to the needs of end investors.

Euronext Eurozone Banks Index Option vs. competition



~75% cheaper



Higher contract size (x5 bigger)



Calibrated tick size



Lower block size (10 lots, appr. €250k)



Same EDSP methodology

Supported by global leading market makers



Matching investors' needs

Contract specifications
codigned with market
participants

- The underlying contract size is **five-times bigger** than the competition, so that members can benefit from the clearing efficiency.
- **Comparable tick size for the COB trade in bps** while **finer tick size for wholesale trade**, which is fully aligned with the Index Future set-up.
- The minimum block size is **significantly lower** at Euronext, which makes it much easier to cross off-book.
- **Same EDSP methodology/timing** as the competition for both future and option.

Attractive contract specifications

Comparison (index level on 05/03/2021)	Eurozone Banks Index Option	Competition
Index Level (1)	489	87
Unite of trading (2)	50	50
Underlying contract size (1) x (2)	€24.5k	€4.4k
Tick size on-screen	0.25 index point (5.1 bps / €12.5)	0.05 index point (5.7 bps / €2.5)
Tick size off-screen	0.01 index point (0.2 bps / €0.5)	
Minimum block size	10 lots (€245k)	6,000 lots (€26.4m)
Exchange Delivery Settlement Price (EDSP)	Same for both - the arithmetic mean of all index values disseminated on Reuters between 11:50 and 12:00 CET	

Fair cost structure for all market participants

A yield adapted to the
contract size

- The Euronext Banks Index Option pricing combines two strong advantages:
 - **Lower transaction fees: 75% less expensive** compared to competition (based on 05/03/21).
 - **Bigger nominal value:** further strong economies at the clearing level (Euronext contract is **five-times bigger**).

Euronext Banks Index Option

FEE PER CONTRACT, in €	On-book		Off-book	
	Client	House	Client	House
Standard fee	0.16 bps (€0.40 per lot)	0.15 bps (€0.33 per lot)	0.18 bps (€0.44 per lot)	0.16 bps (€0.40 per lot)
Reduced fee (trade size > 500 lots)	0.8 bps (€0.20 per lot)	0.7 bps (€0.18 per lot)	0.09 bps (€0.22 per lot)	0.08 bps (€0.20 per lot)

Competition

FEE PER CONTRACT, in €	On-book		Off-book	
	Client	House	Client	House
Standard fee	0.76 bps (€0.33 per lot)	0.69 bps (€0.30 per lot)	0.80 bps (€0.35 per lot)	0.69 bps (€0.30 per lot)
Reduced fee (trade size >3000/2000 lots)*	0.39 bps (€0.17 per lot)	0.34 bps (€0.15 per lot)	0.41 bps (€0.18 per lot)	0.34 bps (€0.15 per lot)
Diff. in %	-78%	-79%	-78%	-76%
	-79%	-79%	-78%	-76%

*>3000 lots for Client
account type ; >2000 lots
for House account type

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Contract specifications

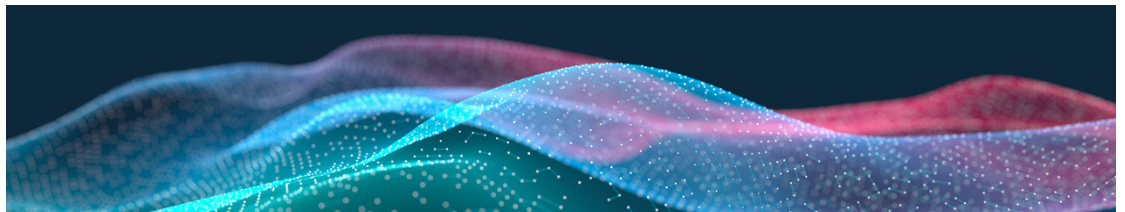
Contract name	Euronext Eurozone Banks Index Option
Exchange contract code	EBO
Euronext Derivative Market	Paris
Underlying indices	Euronext Eurozone Banks Index
Contract size	Contract valued at €50 per index point (e.g. value €25,000 at 500)
Unit of trading	50
Pricing unit/quotation	Index points (e.g. 500)
Minimum price movement (tick size and value)	Central Order Book: 0.25 index point (€12.5 per contract) Large-in-Scale Facility: 0.01 index point (€0.5 per contract)
Expiry months	1, 2, 3 monthly; 6, 9, 12, 15, 18, 21, 24 months quarterly (of the March, June, September, December cycle) and 36, 48, 60 months yearly (of the December cycle)
Introduction of new delivery months	New delivery months are available for trading on the first business day after the expiry of a maturity
Wholesale services	Large-in-Scale
Euronext market	Paris
Last trading day	Trading ceases at 12:00 CET on the third Friday of the delivery month. In the event that the third Friday is not a business day, the Last Trading Day shall normally be the last business day preceding the third Friday.
Settlement	Cash Settlement based on the EDSP
Settlement day	First business day after the Last Trading Day
Exchange Delivery Settlement Price (EDSP)	Price determined on the Last Trading Day. Euronext calculates the settlement index as the arithmetic mean of all index values calculated and disseminated between 11:50 and 12:00 CET, rounded to two decimal places (0.01). Such settlement index is taken to produce the closing settlement price.
Clearing organization	LCH S.A.
Trading hours	Central Order Book: 09:01 – 17:30 CET Large-in-Scale Facility: 07:15 – 18:30 CET
Trading platform	Optiq
Algorithm	Central order book applies a price-time trading algorithm with priority given to the first order at the best price
Minimum size LIS trade (pre-trade threshold)	10 lots
Vendor codes - Index Option contract	Bloomberg: EZBANK Index <OMON> Reuters: <0#BANKK*.p >

This product may not be offered and sold to US persons.

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Margin portfolio example

Benefit from margin efficiencies at portfolio level



Index basket: EBF Future vs EBF Option

Combined Commodity (CC)	PF	Name	Isin	Option Price	CVF	Price*CVF	Quantity (+Buy/-Sell)	Valuation
EBF	EBO	Euronext Eurozone Banks Index	NL0015000AR3	176.73	€50	€8,836.75	38	€335,796

Combined Commodity (CC)	PF	Name	Isin	Option Price	CVF	Price*CVF	Quantity (+Buy/-Sell)	Valuation
EBF	EBO	Euronext Eurozone Banks Index	NL0015000AR3	526.72	€50	€26,336.00	-38	€-1,000,000

Portfolio Valuation

€1,335,796

Portfolio IM%

0.01%

First Initial Margin (after Dime)

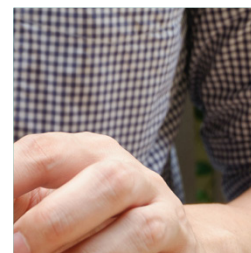
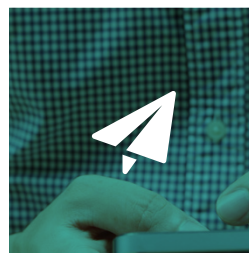
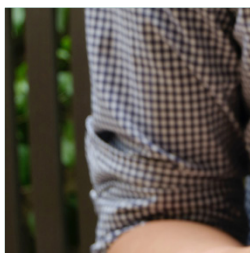
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