EURONEXT

EURONEXT DERIVATIVES

EURONEXT SINGLE STOCK OPTIONS

Fast Facts:

What is Euronext's Single Stock Options offering?

Single Stock Options are available via our central order book, or via our wholesale facilities, including bespoke flex contracts traded via Euronext's new AtomX service.

Why trade Standard and Flex on one venue?

Reap the benefits of margin efficiencies from holding standard and flex positions in the same portfolio, with settlement price alignment, harmonised corporate actions approach and auto-fungibility.

Who are Flex Single Stock Options for?

Anyone who trades bespoke European equity derivatives, as a Euronext member firm or the client of a member, can use the efficient new flex on AtomX service to report bilaterally negotiated trades while continuing to enjoy the efficiency and security of a regulated market.

Standard and Flex

- Over 250,000 stock option contracts traded daily
- New 'Flex' trading on AtomX
- Benefits of trading Standard and Flex Instruments on one venue

Trade standard, trade flex: trade them together

- **Significant margin efficiencies of holding both standard and flex positions in the same portfolio**
- **Auto-fungibility: when contract becomes standard, positions are automatically migrated across**
- **Settlement price alignment between standard and flex**
- **Harmonised corporate actions approach, minimising risk**

Euronext single stock option offering:

- Coverage of over **140 French**, **Dutch** and **Belgian underlyings** listed on Euronext cash markets
- **Average Daily Volume of over 235,000** stock option contracts in H1 2016
- **21 Liquidity Providers** ensure consistent price picture throughout the trading day
- Euronext is a **Recognised Investment Exchange (RIE)** in each location it operates, with all trades cleared through LCH SA, an **EMIR authorised CCP**
- SEC no-action letter: certain options contracts are available to US investors[1]

Standard contracts: building liquidity for over 35 years

- Central order books on each underlying
- **Diverse mix of participants**: retail to professional
- Widely disseminated prices, **available on major data vendors** and tradable via **over 20 ISVs**
- Large-in-Scale (LiS) Facility, LiS Package and AtomX services for reporting of large-in-scale off-orderbook, on-exchange trades of over 250 contracts.

Flex instruments: meeting clients' bespoke needs

Create a bespoke option contract on request to suit the situation.
Price formation is away from Euronext, with the deal reported upon completion.
Four characteristics can be flexed to suit demand.

BESPOKE EXPIRATION DATE[2]	CASH OR PHYSICAL SETTLEMENT	AMERICAN OR EUROPEAN OPTION STYLE	GRANULAR OPTION STRIKE PRICE

[1] See Euronext website for more information
[2] Any business day

AtomX: 4 reasons to trade standard and 'flex' on one venue

1. Manage margin requirements as one global portfolio

- **Efficient portfolio margining between standard and flex trades**, whether standard trades are executed on the central order book or via wholesale facilities
- **Reduced Initial Margin** if standard and flex positions held in same portfolio

EXAMPLE: VIVENDI STOCK FUTURE[1] STANDARD AND FLEX TRADES IN SEPARATE VS GLOBAL PORTFOLIOS:

STANDARD + FLEX IN SEPARATE PORTFOLIOS	STANDARD + FLEX IN **1 GLOBAL PORTFOLIO**
Positions: Listed trade: €100 on Vivendi Future 18 December Flex trade: –€100 on Vivendi Future 11 December	**Positions:** Listed trade: €100 on Vivendi Future 18 December Flex trade: –€100 on Vivendi Future 11 December
Parameters: Initial Margin: 10% Intra Spread: 1%	**Parameters:** Initial Margin: 10% Intra Spread: 1%
TOTAL MARGIN: €20 →	**TOTAL MARGIN: €2**
Listed trade: €10 Flex trade: €10	Margin for net Vivendi futures position: €0 Intra-Commodity Spreads: €2

SPAN management of Flex contracts

- The Standard Portfolio Analysis of Risk (**SPAN®**) margin system used to calculate margin requirements for Euronext derivatives market participants estimates the risk exposure in a uniform manner for all derivatives products across the same underlying instrument.
- In this system, derivatives **products that have the same source of risk (the underlying) are gathered together** in a combined commodity. Margin parameters are defined at the level of this combined commodity.
- The scanning risk step **sums up positive/negative P&Ls resulting from the risk array scenarios**. This is performed irrespective of maturities, or other specificities such as option style (American/European) or delivery method (cash settled/physical delivery).
- This approach allows **natural offsets for risk reducing positions in Flex contracts and standard contracts**

2. Auto-fungible Flex positions convert to standard when instrument listed on COB

If a trader holds a flex contract in a specification which is later listed on the central order book as a standard contract (for example a 3rd Friday expiry that is not yet listed) the Flex position is maintained until the standard contract is added. Upon listing of the standard contract, the position will automatically flip into the standard series.

3. Settlement price harmonisation

As Euronext will calculate both the standard and the Flex daily settlement prices, the client can be reassured that the same information is being leveraged across both products, i.e. Flex and standard prices are calculated off the same volatility surface.

4. Equivalent corporate action procedures

In the event of a corporate action, Euronext will apply identical corporate action rules and procedures to both standard and Flex contracts on the same underlying.

Find out more

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[1] Stock Future used for this example in the interests of simplicity.

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