

X-pand into the Future



eurex circular 024/15

Date: 13 February 2015
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Mehtap Dinc

Property derivatives: Introduction of futures on the calendar year returns of four IPD® UK Quarterly indices (UK Quarterly All Property, All Retail, All Office, All Industrial)

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Content may be most important for:

☞ All departments

Attachment:

Updated sections of Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

Summary:

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG passed the following decision that will become effective on **9 March 2015**:

Introduction of futures on the calendar year returns of four IPD® UK Quarterly Indices (UK Quarterly All Property, All Retail, All Office, All Industrial) of the company Investment Property Databank (IPD®).



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Property derivatives: Introduction of futures on the calendar year returns of four IPD® UK Quarterly Indices (UK Quarterly All Property, All Retail, All Office, All Industrial)

The Management Boards of the Eurex Exchanges passed the following decision that will become effective on 9 March 2015:

Introduction of futures on the calendar year returns of four IPD® UK Quarterly Indices (UK Quarterly All Property, All Retail, All Office, All Industrial) of the company Investment Property Databank (IPD®). To implement this decision, the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be amended as specified in the attachment with effect from 9 March 2015.

The reason for this change is that for the 2015 calendar year, and thereafter, MSCI will discontinue the formal publication of the legacy version of the IPD® UK Annual Property Index which excludes Residential Specialist Funds, which is the current underlying index for the IPD® UK Annual All Property Futures. From January 2016, only the full IPD® UK Annual Property Index will be formally published and supported. Neither Monthly nor Quarterly Indexes will be affected by this move.

For harmonisation reasons, Eurex will also change the underlying indices for the IPD® UK Annual Sector Futures to the corresponding UK Quarterly Sector Index.

More information on the MSCI changes to the IPD® indices is available under the following link:

<http://www.ipd.com/resources/derivatives/Property%20Derivatives%20Statement%20of%20Intent.pdf>

The new futures on the calendar year returns of four IPD® UK Quarterly Indices (UK Quarterly All Property, All Retail, All Office, All Industrial) will run in parallel to the existing IPD® UK Annual Indices (UK Annual All Property excluding Residential Specialist Funds, All Retail, All Office, All Industrial).

Once there is no open interest in an individual expiry of a futures contract based on the Annual IPD® indices, the expiry will not be available for trading anymore. Once there is in general no open interest in the old futures contracts based on the Annual IPD® indices, these contracts will be delisted.

As of the launch date 9 March 2015, only the following expiry months will be **available for trading**:

- Futures on UK Annual All Property excluding Residential Specialist Funds, All Retail, All Office, All Industrial MAR15, MAR16, MAR17,
- Futures on UK Quarterly All Property, All Retail, All Office, All Industrial – Calendar Year Returns FEB17, FEB18, FEB19, FEB20.
-

Further, as of the launch date 9 March 2015, the following expiry months **will not be available for trading**:

- Futures on UK Annual All Property excluding Residential Specialist Funds, All Retail, All Office, All Industrial MAR18, MAR19 (no further expiries will be generated after that in the futures based on Annual IPD® indices)
- Futures on UK Quarterly All Property, All Retail, All Office, All Industrial – Calendar Year Returns FEB16.

1. Contract specifications and product parameters

Detailed product parameters for the new futures will be available on the Eurex website www.eurexexchange.com under the following link as of start of trading:

Products > Property Derivatives

The following table contains all essential contract specifications and product parameters of the new futures on IPD[®] UK Quarterly Indices:

Eurex: IPD [®] UK Quarterly Property Futures							
Eurex-ID	Product Name	Futures ISIN	Contract Value in GBP	Tick Size	Tick Value	Currency	Product Group
PUKQ	IPD UK Quarterly All Property Index Futures Calendar Year Returns	DE000A13RW57	50,000	0.05	25	GBP	XNCHHG
PARQ	IPD UK Quarterly All Retail Index Futures Calendar Year Returns	DE000A13RW65	50,000	0.05	25	GBP	XNCHHG
PAOQ	IPD UK Quarterly All Office Index Futures Calendar Year Returns	DE000A13RW73	50,000	0.05	25	GBP	XNCHHG
PAIQ	IPD UK Quarterly All Industrial Index Futures Calendar Year Returns	DE000A13RW81	50,000	0.05	25	GBP	XNCHHG

Underlying Property index	IPD[®] UK Quarterly All Property, All Retail, All Office, All Industrial Indexes (calendar year returns)
Description of underlying	<p>IPD[®] UK Quarterly Indices: All Property, All Retail, All Office, All Industrial measure un-g geared total returns to direct UK property investments. The indices are calculated using time-weighted methodology with returns computed monthly and thereafter compounded for the purposes of the quarterly index construction. The indices are value-weighted with each property covered contributing additively and in proportion to its capital employed.</p> <p>IPD[®] Index and Calculation Guides are available at www.ipd.com (see also section 2. below).</p>
Contract period covered	Each contract will be based upon the compound total returns of respective IPD [®] UK Quarterly Indices All Property, All Retail, All Office, All Industrial for an individual calendar year.
Contract maturity dates	Contracts will expire on the seventh calendar day after the last exchange trading day in January of the year following the individual calendar year covered by that contract. For example, the contract for the calendar year 2015 (Cal 15), i.e. the year up to 31 December 2015, will expire on the 5 February 2016.
Contract years	The successive five annual contracts will be available at any time.
Settlement	Cash settlement, due on the first exchange trading day after the last trading day.

Price determination	Calculated to two decimal places and commercially rounded to the nearest 0.05.
Contract size/Par value	Contract has a nominal size of GBP 50,000 and a par value of 100.
Minimum price change/Tick size	Minimum price change is 0.05 which is equivalent to a value (tick) of GBP 25,00.
Final settlement price	<p>The final settlement price shall reflect a nominal value of 100 plus the compound Quarterly Total Returns in a calendar period or minus a loss during the calculation period of one calendar year. For this computation the latest relevant four Quarterly Total Returns in a calendar period as published by IPD®, that are valid on the Final Settlement Day, are used.</p> <p>The formula is as follows: Final settlement price = 100 * [TRI_{tQ} / TRI_(tQ-4)]</p> <p>Whereby: TRI_{tQ} = Total Returns Quarterly Index Value at the end of the fourth quarter of a calendar period valid on the Final Settlement Day. TRI_(tQ-4) = Total Returns Index Value at the beginning of the first quarter of a calendar period valid on the Final Settlement Day.</p> <p>Final settlement price will be determined to three decimal places commercially rounded to the nearest 0.005 or 0.01.</p>
Last trading day	<p>The seventh calendar day after the last exchange day in the month of January of the year in which the term of the futures contract expires, provided that such day is an exchange day, otherwise, it is the preceding trading day.</p> <p>Trading in the maturing contract ceases at 12:00 CET.</p>

The full contract specifications for the new futures will be available on the Eurex website as of the introduction date under the path:

Resources > Rules & Regulations > Contract Specifications

For further information on the assignment of products and product groups, please refer to Eurex circular 232/07, section 1.6.

2. Guidelines for IPD® UK Quarterly Property Indices

A detailed description of the IPD® index family and the underlying instruments of the IPD® UK Quarterly Index Futures (All Property, All Retail, All Office, All Industrial) can be found on the IPD® Investment Property Databank website under the link:

<http://www.ipd.com/about/ipd-guides-and-standards/methodology-guide.html>

3. Risk parameters

Risk parameters will be published on the Eurex website as of start of trading under the following link:

Market data > Clearing data > Risk parameters and initial margins

4. Trading hours (all times are CET)

Product name	Pre-Trading	Continuous Trading	OTC Block Trading	Post-Trading Late
IPD® UK Quarterly Index Futures	07:00-08:30	08:30-17:30	08:30-18:30	18:30-20:30

5. Position limits and mistrade parameters

Position limits and mistrade parameters will be published as of start of trading on the Eurex website under:

[Products > Property Derivatives](#)

6. Data vendor codes

As of start of trading, data vendor codes will be published on the Eurex website under the link:

[Products > Vendor Product Codes](#)

7. Trading calendar

The Eurex trading calendar applies. It can be found on the Eurex website under the link:

[Trading > Trading calendar](#)

8. Transaction limits, Minimum size for Cross- and Pre-arranged trades

The position limits will be published on the Eurex website under the link:

[Technology > Transaction limits](#)

9. Transaction fees

Fees for trading, clearing and settlement of the IPD® UK Quarterly Index Futures will be in line with the pricing for existing Eurex Property Derivatives and will be charged in Pound Sterling. For further details please consult the Price List for Eurex Clearing on the Eurex website under the link:

[Resources > Rules and Regulations > Price list](#)

10. Eurex Trade Entry Services

For the new IPD® UK Quarterly Index Futures the minimum amount of tradable contracts by means of the Eurex Trade Entry Services is one contract.

Members who are already registered for Block Trading and/or Vola Trading may use the Eurex Trade Entry Services for the new IPD® UK Quarterly Index Futures without any further action.

Members wishing to participate in the Eurex Trade Entry Services for the first time should confirm their acceptance of the General Conditions for Participation for usage of the Eurex Trade Entry Services by signing the appropriate form and returning it to Eurex. In addition, where the Member firm is a Non-Clearing Member, its General Clearer must sign and return the General Clearer's Declaration Agreement at the same time.

The necessary forms can be found on the Eurex website under the following link:

[Resources > Forms > Trade Entry Services](#)

Eurex introduced a non-disclosure facility for Eurex Trade Entry Services depending on the trade size, resulting in the intraday non-disclosure of price and size for Block Trades exceeding predefined thresholds. These volumes are reflected in the open interest of the next trading day.

The non-disclosure threshold for the five new IPD[®] UK Quarterly Index Futures is 300 contracts.

An overview of the Eurex Trade Entry Services available for the products and detailed information on a single product basis with regard to their availability, utilization possibilities and minimum contract sizes for the various Eurex Trade Entry Services can be found under the link:

[Trading > Eurex Trade Entry Services > Non-disclosure facility](#)

11. Full spread matrix for all IPD[®] Property Index Futures

Please note that order book trading of all calendar spread combinations (full spread matrix) with synthetic price-time priority matching is available for all IPD[®] Property Index Futures.

13 February 2015

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

[...]

**1. Part:
Contract Specifications for Futures Contracts**

[...]

**1.10 Subpart:
Contract Specifications for Property Index Futures Contracts**

The following subpart contains contract specifications for futures contracts on commercial property return indices hereinafter referred to as "Property Index Futures Contracts".

[...]

1.10.1 Subject Matter of Contract

- (1) A Property Index Futures Contract is a futures contract on a specific property index.
- (2) Futures Contracts on the following property indices are available for trading at the Eurex Exchanges. The publications of the respectively indicated institution shall be relevant for the composition, weighting and calculation of the indices:
 - IPD[®] UK Annual All Property (Excluding Residential Specialist Funds) Index - All Property (Excluding Residential Specialist Funds) Total Returns (Investment Property Databank Limited).
 - IPD[®] UK Annual All Retail Index - All Retail Total Returns (Investment Property Databank Limited).
 - IPD[®] UK Annual All Office Index - All Office Total Returns (Investment Property Databank Limited).
 - IPD[®] UK Annual All Industrial Index - All Industrial Total Returns (Investment Property Databank Limited).
 - IPD[®] UK Quarterly Shopping Centre Index - Shopping Centre Calendar Year Total Returns (Investment Property Databank Limited).
 - IPD[®] UK Quarterly Retail Warehouse Index - Retail Warehouse Calendar Year Total Returns (Investment Property Databank Limited).

- IPD[®] UK Quarterly City Office Index - City Office Calendar Year Total Returns (Investment Property Databank Limited).
- IPD[®] UK Quarterly Westend & Midtown Office Index - Westend & Midtown Office Calendar Year Total Returns (Investment Property Databank Limited).
- IPD[®] UK Quarterly South Eastern Industrial Index - South Eastern Industrial Calendar Year Total Returns (Investment Property Databank Limited).
- IPD[®] UK Quarterly All Property Index - All Property Calendar Year Total Returns (Investment Property Databank Limited).
- IPD[®] UK Quarterly All Retail Index - All Retail Calendar Year Total Returns (Investment Property Databank Limited).
- IPD[®] UK Quarterly All Office Index - All Office Calendar Year Total Returns (Investment Property Databank Limited).
- IPD[®] UK Quarterly All Industrial Index - All Industrial Calendar Year Total Returns (Investment Property Databank Limited).

The nominal value of a contract shall be GBP 50,000.

1.10.2 Obligation for Performance

After close of trading, the seller of a Property Index Futures Contract shall pay in cash any difference between the agreed price and the higher final settlement price (Chapter II, Number 2.12.2 of the Clearing Conditions of Eurex Clearing AG). The purchaser of a Property Index Futures Contract shall pay in cash any difference between the agreed price and the lower final settlement price.

1.10.3 Term

For Property Index Futures Contracts, several terms expiring on the final settlement day (subsection 1.11.4 Paragraph 1), each in February (for Property-Index-Futures-contracts that have their last trading trading day in February) or March (for Property-Index-Futures-contracts that have their last trading trading day in March) for the following five calendar years, are available for trading at the Eurex exchanges.

1.10.4 Last Trading Day, Final Settlement Day, Close of Trading

(1) The last trading day and final settlement day of the

IPD[®] UK Annual All Property (Excluding Residential Specialist Funds), IPD[®] UK Annual All Retail,

IPD[®] UK Annual All Office,

IPD[®] UK Annual All Industrial -Index

(4) Futures Contracts shall be the last exchange day in the month March of the year in which the term of the futures contract expires (according to Number 1.10.3), provided that such day is an Exchange day, otherwise, it is the preceding trading day.

(2) The last trading day and final settlement day of the
IPD[®] UK Quarterly Shopping Centre Calendar Year Total Returns,
IPD[®] UK Quarterly Retail Warehouse Calendar Year Total Returns,
IPD[®] UK Quarterly City Office Calendar Year Total Returns,
IPD[®] UK Quarterly Westend & Midtown Office Calendar Year Total Returns,
IPD[®] UK Quarterly South Eastern Industrial Calendar Year Total Returns
Property Index₁

IPD[®] UK Quarterly All Property Calendar Year Total Returns,

IPD[®] UK Quarterly All Retail Calendar Year Total Returns,

IPD[®] UK Quarterly All Office Calendar Year Total,

IPD[®] UK Quarterly All Industrial Calendar Year Total Returns

(2) Futures Contracts shall be the seventh calendar day after the last exchange day in the month of January of the year in which the term of the futures contract expires (according to Number 1.10.3), provided that such day is an Exchange day, otherwise, it is the preceding trading day.

(3) The close of trading of Property Index Futures Contracts on the last trading day shall be 12:00 p.m. CET.

1.10.5 Price Gradations

The price of a Property Index Futures Contract shall be quoted as percentage of their nominal value, with two decimal places. The minimum price change ("Tick") shall be 0.05 percentage points; this represents a value of GBP 25.

[...]

**Contract Specifications for Futures Contracts and
Options Contracts at Eurex Deutschland and Eurex Zürich**

As of 09.03.2015

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Annex C in relation to Contract Specifications:

Trading Hours Futures Contracts

[...]

Property Index Futures Contracts

Product	Product-ID	Pre-Trading-Period	Continuous Trading	Post-Trading Full-Period	OTC Block Trading	Last Trading Day	
						Trading until	
[...]							
IPD® UK Annual All Property (Excluding Residential Specialist Funds) Index Futures	PUKA	07:30–08:30	08:30–17:30	17:30–20:30	08:30–18:30	12:00	
IPD® UK Annual All Retail Index Futures	PARE	07:30–08:30	08:30–17:30	17:30–20:30	08:30–18:30	12:00	
IPD® UK Annual All Office Index Futures	PAOF	07:30–08:30	08:30–17:30	17:30–20:30	08:30–18:30	12:00	
IPD® UK Annual All Industrial Index Futures	PAIN	07:30–08:30	08:30–17:30	17:30–20:30	08:30–18:30	12:00	
IPD® UK Quarterly Shopping Centre Index Futures Calendar Year Returns	PSOP	07:30–08:30	08:30–17:30	17:30–20:30	08:30–18:30	12:00	
IPD® UK Quarterly Retail Warehouse Index Futures Calendar Year Returns	PREW	07:30–08:30	08:30–17:30	17:30–20:30	08:30–18:30	12:00	
IPD® UK Quarterly City Office Index Futures Calendar Year Returns	PCOF	07:30–08:30	08:30–17:30	17:30–20:30	08:30–18:30	12:00	
IPD® UK Quarterly Westend & Midtown Office Index Futures Calendar Year Returns	PWOF	07:30–08:30	08:30–17:30	17:30–20:30	08:30–18:30	12:00	
IPD® UK Quarterly South Eastern Industrial Index Futures Calendar Year Returns	PSEI	07:30–08:30	08:30–17:30	17:30–20:30	08:30–18:30	12:00	
<u>IPD® UK Quarterly All Property Index Futures Calendar Year Returns</u>	<u>PUKQ</u>	<u>07:30–08:30</u>	<u>08:30–17:30</u>	<u>17:30–20:30</u>	<u>08:30–18:30</u>	<u>12:00</u>	
<u>IPD® UK Quarterly All</u>	<u>PARQ</u>	<u>07:30–08:30</u>	<u>08:30–17:30</u>	<u>17:30–20:30</u>	<u>08:30–18:30</u>	<u>12:00</u>	

**Contract Specifications for Futures Contracts and
Options Contracts at Eurex Deutschland and Eurex Zürich**

Product	Product-ID	Pre-Trading-Period	Continuous Trading	Post-Trading Full-Period	OTC Block Trading	Last Trading Day	
						Trading until	
<u>Retail Index Futures Calendar Year Returns</u>							
<u>IPD® UK Quarterly All Office Index Futures Calendar Year Returns</u>	<u>PAOQ</u>	<u>07:30–08:30</u>	<u>08:30–17:30</u>	<u>17:30–20:30</u>	<u>08:30–18:30</u>	<u>12:00</u>	
<u>IPD® UK Quarterly All Industrial Index Futures Calendar Year Returns</u>	<u>PAIQ</u>	<u>07:30–08:30</u>	<u>08:30–17:30</u>	<u>17:30–20:30</u>	<u>08:30–18:30</u>	<u>12:00</u>	
[...]							

All times in CET

[...]