

# Fixed Income ETF Options

## WE'VE GOT OPTIONS. YOU'VE GOT CHOICE.

The range of fixed income ETFs has broadened significantly and institutional investors increasingly use them. This is due to the fact that fixed income ETFs allow investors to hedge and manage their exposure to the fixed income, corporate and high yield bond markets. Furthermore, volatility in portfolios can be managed by using a tool that is more representative of the cash bond market. Fixed income ETF options provide access for European investors that are unable to trade listed ETF Options in the US. Investors that have already embraced portfolio trades are now utilizing ETFs and ETF Options instead of CDS swaps and futures. ETFs can also be used to replicate the exposure of total return swaps, and to hedge their debt holdings using exchange-listed and centrally-cleared ETF Options rather than OTC credit default swaps.

The fixed income ETF industry has over USD 1 trillion in assets under management across a wide range of investors. The most traded ETFs in Europe are the IEMB, IEAC and IHYG – Eurex offers options on all three.

## BLOCK TRADE SERVICE

Fixed Income ETF options trades can be agreed bilaterally, and subsequently registered via the Eurex Trade Entry Services (TES). This allows investors to combine the flexibility of customized trading with the advantages of standardized clearing and settlement. For the Eurex Block Trade Service, the transactions are subject to a minimum block trade threshold of 100 lots.

## What are the key benefits?



### Volatility trading

Fixed income ETF options allow for trading volatility on fixed income ETFs, depending on market conditions and market performance.



### Managing exposure

Allows investors to gain leveraged ETF exposure, hedge exposure to the index, and synthetically short the ETF.



### Optimised portfolio management

Enables flexible management of interest rate beta as a portfolio overlay.



### European access

Opens access to fixed income ETF options for investors looking for UCITS compliant products.



## Contract specifications

Attribute	USD	USD	EUR
<b>Underlying</b>	iShares USD High Yield Corporate Bond ETF iShares J.P. Morgan USD Emerging Market Bond ETF iShares USD Corporate Bond ETF	iShares USD High Yield Corporate Bond ETF iShares J.P. Morgan USD Emerging Market Bond ETF iShares USD Corporate Bond ETF iShares USD Treasury Bond 20+yr UCITS ETF	iShares Core EUR Corporate Bond ETF iShares EUR High Yield Corporate Bond ETF
<b>Currency</b>	USD	USD	EUR
<b>Contract months</b>	The next 13 consecutive months, plus January and December expirations for the following two years. When the August contract expires, a January expiration for a fourth year becomes available. When the September contract expires, a December expiration for a fourth year becomes available.	The next three consecutive calendar months are available, and the next three succeeding quarterly expiration months (March, June, September, December) thereafter.	The next three consecutive calendar months are available, and the next three succeeding quarterly expiration months (March, June, September, December) thereafter.
<b>Last trading day (option expiration day)</b>	3rd Friday of expiration month		
<b>Final settlement day</b>	Physical delivery. Settlement in t+2 business days after the last trading day		
<b>Exercise</b>	<b>American-style</b>	<b>European-style</b>	<b>European-style</b>
<b>Daily settlement price</b>	Determined by Eurex based on the Cox/Ross/Rubinstein model		
<b>Contract size</b>	100 Index Fund Units	100 Index Fund Units / 2000 Index Fund Units for ODTL	100 Index Fund Units
<b>Minimum tick</b>	0.01		
<b>Trading hours</b>	<b>Order book:</b> 9:00 –17:30 CET <b>Off-book:</b> 9:00 – 19:00 CET (EurexT7 Trade Entry Services)		
<b>Market making</b>	9:00 –17:30 CET		
<b>Block trading</b>	Allowed. Block trade minimum size: 100 lots		
<b>Fees</b>	<b>Order book:</b> USD 0.30 <b>Off-book:</b> USD 0.40		<b>Order book:</b> EUR 0.30 <b>Off-book:</b> EUR 0.40

Eurex Product			
Eurex product code	Underlying	Name	Bloomberg code
OEAC	IEAC LN	Options on iShares Core EUR Corporate Bond ETF	IEAC LN <Equity> OMON
OHYG	IHYG LN	Options on iShares EUR High Yield Corporate Bond ETF	IHYG LN <Equity> OMON
OHYU	IHYU LN	Options on iShares USD High Yield Corporate Bond ETF (American-style)	IHYU LN <Equity> OMON
EHYU	IHYU LN	Options on iShares USD High Yield Corporate Bond ETF (European-style)	IHYU LN <Equity> OMON
OEMB	IEMB LN	Options on iShares J.P. Morgan USD Emerging Market Bond ETF (American-style)	IEMB LN <Equity> OMON
EEMB	IEMB LN	Options on iShares J.P. Morgan USD Emerging Market Bond ETF (European-style)	IEMB LN <Equity> OMON
OQDE	LQDE LN	Options on iShares USD Corporate Bond ETF (American-style)	LQDE LN <Equity> OMON
ELQD	LQDE LN	Options on iShares USD Corporate Bond ETF (European-style)	LQDE LN <Equity> OMON
ODTL	IDTL LN	iShares USD Treasury Bond 20+yr UCITS ETF	IDTL LN <Equity> OMON

August 2020 | ARBN Number: Eurex Frankfurt AG ARBN 100 999 764

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