

Three-Month Euro STR Futures

Supporting the Euro rates market transition to a new risk-free rate

In response to client demand and to support the market with an orderly transition to the new reference rate, Eurex launched **Three-Month Euro STR Futures** on 23 January 2023. This product is an important milestone in establishing €STR as the new benchmark risk-free rate for euro-unsecured overnight transactions.

With the Three-Month Euro STR Futures, Eurex offers a listed, centrally cleared, and cash-settled solution to trading or hedging the new risk-free rate. The contracts are based on the compounded €STR over a three-month period.

Eurex is committed to being the “home of the Euro yield curve” with a highly efficient, fully fungible product portfolio that encompasses both the short- and long-end and combines the listed and OTC businesses.

Customers can benefit from Eurex’s portfolio-based Prisma margining methodology designed to optimize margin offsets across OTC interest rate swaps and listed fixed income products.

KEY POINTS ABOUT €STR:

- In September 2018, the ECB's Euro Risk-Free Rate Working Group recommended the Euro Short Term Rate (€STR) as the replacement rate for EONIA.
- The euro short-term rate (€STR) reflects the wholesale euro unsecured overnight borrowing costs of banks located in the Eurozone. The €STR is published on each TARGET2 business day based on transactions conducted and settled on the previous TARGET2 business day (the reporting date “T”) with a maturity date of T+1. The transactions are deemed to have been executed at arm's length and thus reflect market rates in an unbiased way. The ECB officially started publishing €STR on 2 October 2019.

Key benefits



Hedging

Supports a smooth transition of the Euro rates market to the new risk-free rate. Hedge with a future that references the same rate as the one used for discounting.



Liquidity

A group of dedicated market makers supports orderbook liquidity.



Flexibility

Can be traded in the orderbook or TES (block).



Margin efficiency

Included in the same liquidation group as Euro OTC Swaps and Euro Government Bond Futures cleared at Eurex Clearing, thus offering margin reduction opportunities with Prisma margin methodology.



Contract specifications

Contract Name	Three-Month Euro STR Futures
Underlying	The compounded Euro Short Term Rate (€STR) over a three-month period, which represents the effective rate of interest achievable by re-investing at the €STR rate for each day of the compounding period.
Contract value	EUR 2,500 × rate index
Price quotation and minimum price change	The price quotation is in index points with four decimal places on an index basis of 100 less the numerical value of the interest rate traded. The minimum price change is 0.0025 index points, equivalent to a value of EUR 6.25.
Settlement	Cash settlement, by reference to the final settlement price, one exchange business day after the last trading day.
Contract months	Up to 36 months: the twelve nearest quarterly months of the March, June, September and December cycle
Naming conventions	Contracts shall be named by the beginning of the compounding period (e.g. a March contract would be for observation period March – June)
Trading hours	07:30 – 22:00 CET
Final settlement price	The final settlement price is established by Eurex on the final settlement day at 09:00 CET; based on the average of the Euro Short Term Rate (“€STR”) over a three-month period (taking into account the compounded interest effect) as determined by the European Central Bank.
Last trading day and final settlement day	Last trading day is the first exchange day preceding the 3rd Wednesday of the delivery month. Close of trading in the maturing futures on the last trading day is at 19:00 CE(S)T. Final settlement day shall be the exchange day immediately succeeding the last trading day.
Minimum block trade size	100 contracts (10 contracts for EFP services)
Trade matching	Time allocation: sorts eligible orders by their priority time stamp, orders with an older priority time stamp coming first. The allocation is then determined for one eligible order after the other in the sequence that they have just been sorted.
CFTC approval	CFTC approved for U.S. direct access.
Vendor codes	Bloomberg: JDBA Comdty Reuters: 0#FST3:

BLOCK TRADE SERVICE

To complement the Eurex orderbook, Three-Month Euro STR Futures trades can also be agreed bilaterally and subsequently registered via our Eurex T7 Entry Services (TES). Thus, Eurex allows investors to combine the flexibility of customized trading with standardized clearing and settlement advantages. For the Eurex Block Trade Service, the transactions are subject to the minimum block trade threshold (see contract specifications). Furthermore, the TES functionalities EFS and EFP-Fin are also available for the Three-Month Euro STR Futures.

MITIGATING RISKS THROUGH CCP CLEARING

Eurex Clearing is one of the leading CCPs globally – assuring the safety and integrity of markets while providing innovation in risk management, clearing technology and client asset protection. We clear the broadest scope of products under a single framework in Europe – listed products and OTC – offers the world's widest spectrum of eligible collateral.

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