



PLUS DERIVATIVES EXCHANGE SWAP INDEX CONTRACT (S.I.C.)

www.plus-dx.com



FTSE MTIRS

Index methodology

- FTSE has developed and is publishing a series of Indices reflecting the Interest Rate Swap Market in real time. Maturity's are every year, from 2 to 30 years as well as a number of spread and butterfly prices.
- All indices are a continuous reflection of the current IRS price and are open ended with no maturity date. ie: each index for a 10 year IRS is reflective of the current 10 year price rolling each day with no time decay to a maturity date. Effectively behaving as a Constant Maturity Swap (CMS), or a 24 hour future
- The Index calculation methodology has been designed to incorporate both fixed and floating legs into the published price.
- The final price is published in an Index form similar to a bond price.
- Each Index has an original par (100.00) setting rate available from FTSE or Plus DX
- The calculation methodology is fully transparent and available on the web at http://www.ftse.com/Indices/FTSE_MTIRS_Index_Series/index.jsp

Index Data

- The Indices are published on pages available on Reuters and Bloomberg (FOOT, Go, Option 8).
- Each Index is updated every 60 seconds 24 hours a day, reflecting the real time IRS market pricing.

Spread Trades

- Each spread trade has been designed to truly reflect the underlying spread between the relevant IRS maturities.
- The calculation has been constructed to take into account proper duration weighting, with the longer leg having a notional value of 25 million and the shorter leg the correct DV01 calculated amount. This is then reflected in a single published Index price.

Butterflies

- Calculated, like the spreads, to reflect the correct butterfly price based on the relevant maturities.
- The notional amount of the body is set at 25 million allowing for a split of 12.5 million for each constituent spread.
- The spread leg amount is then calculated using the correct DV01 for the duration amount resulting in a single published Index price.

Swap Index Contract (S.I.C)

Definition

- The S.I.C is a tradeable contract based on the FTSE MTIRS Index of the underlying IRS market.
- Traded through Plus Derivatives Exchange
- Cleared Through LCH Clearnet and published by FTSE.
- Acting like a CMS (Constant Maturity Swap) the contracts are rebalanced and rolled on a daily basis. If the position is not closed out, the client will remain with the desired exposure to the open maturity. A 10 year contract remains exposed to the underlying 10y IRS continuously.
- The purchase of an S.I.C. is equivalent to Receiving Fixed Paying Floating in the IRS market The sale of an S.I.C. is equivalent to Paying Fixed and Receiving Floating

Margining

- Cleared through LCH Clearnet, the S.I.C has been given margins very similar to those of futures
- The margining levels set by LCH are for the use of members, and those clearing through GCM's.
- Portfolio margined using VaR methodology



Notional Amounts

- Each contract has a notional value of one million in the relevant currency.
- Each Spread has a notional value of twenty five million for the longer and the duration weighted amount in the shorter
- Each duration weighted butterfly has a notional value of twenty five million of the body, split into twelve and half million for each leg of the spread.
- TIC value: $00.1 = \$100,000$ i.e. 101.12345 v $101.22345 = \$100,000$

Trading

- The Index is published 24 hours a day
- It is updated through our data vendors every 60 seconds from the underlying IRS market
 - Markets open for trading at 8 AM U.K. time
 - Markets close at 5 PM U.K. time
- The index is fixed, rebalanced and rolled at
 - 3 PM U.K. time, 10 PM New York time

Benefits

- Designed to adhere to anticipated global regulations for Interest Rate Derivative
- No time decay management on IRS exposures (effectively a CMS)
- No mismatches in closing out positions
- No Libor resets to manage
- No maturity dates
- Very low balance sheet usage
- No counterparty risk to manage
- Some spreads and butterflies traded as a single contract
- Instant cost effective exposure to the IRS market

Plus Derivatives Exchange

About Plus Derivatives Exchange

- Plus-DX is fully FSA authorized. Plus-DX is the host for the Swap Index Contract, based on the FTSE MTIRS Indices of the IRS Market.
- Plus-DX is part of the Plus Markets Group a fully FSA regulated and licensed Retail Investment Exchange

Services offered

- Secure VPN trade reporting and trade acknowledgments
- Real-time market data feed
- Credit limit check for your clients based upon GCM-imposed credit limits.



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