

# MSCI Total Return Futures

## EUREX – PIONEER AND GLOBAL HOME OF TRF AND MSCI DERIVATIVES

### Combining the best of both worlds: TRFs on MSCI indexes

Leveraging our expertise and success for Total Return Futures (TRF) on MSCI indices. Eurex now offers TRFs on MSCI World, MSCI EAFE and MSCI EM indexes. This move reflects Eurex's dedication to meeting the evolving demands of market participants and supports the industry's transition towards regulated, cleared and listed derivatives. Eurex has dominated the TRF market since 2016, with currently €122 billion\* of open interest. Eurex is also the largest derivatives exchange for MSCI derivatives, based on €146 billion\* in open interest.

### KEY FEATURES

- TRF derivatives cover key indices: MSCI World (NTR, USD), MSCI EAFE (NTR, USD), MSCI EM (NTR, USD).
- Available for direct market access during the US trading hours with expansion to European and Asian trading sessions later this year.
- Replicate returns of traditional bilaterally negotiated equity or equity index-based swaps.
- Risk mitigation toolkit to support structured products, allowing the hedging of delta, dividend, and repo exposure on the underlying benchmarks.
- The underlying benchmark US funding rate is SOFR (Secured Overnight Funding Rate).

\* Open interest as of 31 January 2024

## What are the key benefits?



### Liquidity

Clients can get competitive prices from dealers.



### Higher capital efficiency

Portfolio-margining offsets available against major equity derivatives. Margins are offset against other Eurex products (SX5E, MSCI, Dividends).



### Beta replacement

MSCI TRFs offer further benefits for institutional investors as an alternative to Total Return Swaps (TRS), cash equities, regular futures and ETFs.



### Reduce balance sheet costs

The Uncleared Margin Rule has made it more expensive to trade TRS. TRFs are a more cost-efficient alternative.

## MSCI TOTAL RETURN FUTURES – AN ALTERNATIVE TO TOTAL RETURN SWAPS

	Classic Index Futures	Total Return Swaps	Total Return Futures
Exchange listed	✓	–	✓
Liquidity	✓	✓	✓
Transparency	✓	–	✓
Fungible	✓	–	✓
Portfolio margining benefits	✓	–	✓
No counterparty risk	✓	–	✓
No specific valuation required by OTC counterparty	✓	–	✓
No quarterly roll risk	–	✓	✓
Lock in long-term financing	–	✓	✓

## USE CASES

### Alternative to Total Return Swaps

- Mechanics of swaps (long term maturities, quoting in basis points)
- Benefits of listed products (price transparency, central clearing)
- Lower initial margin than swaps under the Uncleared Margin Rule

### Alternative to regular Price Index Futures (for positions > 6 months)

- No need to roll positions quarterly
- Prices for all expiries, not just the nearest one
- Reduced dividend & financing risk

### Management of dividend risk

- Key instruments in times of extreme basis volatility resulting from dividend uncertainty

### Repo Term Structure Trading

- Relative value strategy
- Trading the shape of the repo term structure
- A calendar spread (e.g., long 1-year, short 5-year) provides exposure solely to the implied repo rates difference between the two expiries.

## Contract Specifications

(1/2)

	MSCI World Index TRF (TMWO)	MSCI EAFE Index TRF (TMFA)	MSCI Emerging Markets Index TRF (TMEM)
<b>Vendor codes</b>	Bloomberg: TWPA Index   Refinitiv: 0#TMWO:	Bloomberg: TFWA Index   Refinitiv: 0#TMFA:	Bloomberg: TXTA Index   Refinitiv: 0#TMEM:
<b>Underlying Indices</b>	MSCI World (NTR, USD)	MSCI EAFE (NTR, USD)	MSCI Emerging Markets (NTR, USD)
<b>Contract Currency &amp; Multiplier</b>	USD 10 per index point	USD 10 per index point	USD 100 per index point
<b>Minimum TRF Spread Change</b>	+/- 0.5 basis points	+/- 0.5 basis points	+/- 0.5 basis points
<b>Contract Months</b>	Next 3 succeeding annual December expiries		
<b>Settlement method</b>	Cash Settlement		
<b>Last Trading Day &amp; Expiry Day</b>	3rd Friday of the contract month (if this is an exchange day). Otherwise, the Eurex trading day immediately preceding this day		
<b>Final Settlement Price (FSP) of TRF (index points)</b>	Determined by Eurex on Final Settlement Day based the following components: Final Settlement Price (FSP) of Related Regular Index Future (same Expiry Day) <i>minus</i> Accrued Funding – calculated by Eurex as of 3rd Friday		
<b>Final Settlement Price (FSP) of Related Regular Index Futures (index points)</b>	Determined by Eurex on Final Settlement Day based on MSCI Index Official Close as of 3rd Friday (Expiry Day):		
	Final Settlement Price of FMWO NDDUWI Index (Official Close)	Final Settlement Price of FMFA NDDUEAFE Index (Official Close)	Final Settlement Price of FMEM NDUEEGF Index (Official Close)
<b>TRF Spread Quote (basis points)</b>	TRF Spread is quoted as an annualised rate expressed in basis points with one decimal (+/- /0)		
<b>Trade Types</b>	Trade at Close (“TAC”) with an index level with <b>3 decimals</b> based on the European Index Close (once determined) Trade at Market (“TAM”) with a custom index level with up to <b>3 decimals</b> based on the <b>underlying index value provided by the trader</b>		
<b>START OF DAY TRF Conversion Parameters</b>	The daily conversion parameters are entered by Market Supervision between 14:00 pm – 14:30 pm CET (8:00 am – 8:30 am ET) <ul style="list-style-type: none"> <li>Secured Overnight Funding Rate (SOFR) for Prior Day (t-1) – published in the morning of the current trading day (t) at 8:00 am ET</li> <li>MSCI Index Official Close for Prior Day (t-1) – used for Accrued Funding calculation and Preliminary Index for TAC Accrued Funding (t) – calculated daily, until 3rd Friday (Expiry Day) inclusive</li> <li>Days to Maturity (t) – calculated daily based on 3rd Friday (Expiry Day) + 2 Settlement Days (based on US calendar)</li> </ul>		
<b>Trading Hours: US trading hours (PHASE 1) (depending on Daylight Savings Timing)</b>	<ul style="list-style-type: none"> <li>Order book (TAC only): Pre-trading: 13:30 pm – 14:30 pm CET (7:30 am – 8:30 am ET); Continuous: 14:30 pm – 22:00 pm CET (8:30 am – 4:00 pm ET)</li> <li>Trade Entry Services (TAC and TAM): 14:30 pm – 22:00 pm CET (8:30 am – 4:00 pm ET)</li> <li>Last Trading Day until: 22:00 pm CET (4:00 pm ET)</li> </ul>		
<b>Minimum Block Trade Size</b>	10 contracts		



	MSCI World Index TRF (TMWO)	MSCI EAFE Index TRF (TMFA)	MSCI Emerging Markets Index TRF (TMEM)			
<b>TRF Futures Price (index points)</b>	<p>Traded Basis is used within the T7 system along with the <b>index level</b> specified and TRF conversion parameters such as <b>Accrued Funding</b> to determine an equivalent TRF Futures Price in index points equivalent (clearing notation)</p> <ul style="list-style-type: none"> <li>Traded Basis for <b>Trades at Market (TAM)</b> is based on the <b>custom index level</b> specified by the trader.</li> <li>Traded Basis for <b>Trades at Index Close (TAC)</b> is based on the <b>index level</b> specified by Eurex, as follows:</li> </ul> <table border="1"> <tr> <td>MSCI Index level <b>snapshot</b> at European close (17:30 CET)</td> <td>MSCI Index level <b>snapshot</b> at European close (17:30 CET)</td> <td>Index level <b>derived</b> from the Daily Settlement Price of the respective Index Futures (FMEM) (17:30 CET)</td> </tr> </table>			MSCI Index level <b>snapshot</b> at European close (17:30 CET)	MSCI Index level <b>snapshot</b> at European close (17:30 CET)	Index level <b>derived</b> from the Daily Settlement Price of the respective Index Futures (FMEM) (17:30 CET)
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<b>Accrued Funding (index points)</b>	<p><b>Accrued Funding</b> in index points will be calculated daily and accumulated from the product launch date (<b>11 March 2024</b>) representing the accumulated value of <b>Daily Funding</b> to (and including) each Trading Day</p>					
<b>Daily Funding (index points)</b>	<p><b>Daily Funding</b> will be calculated on each Trading Day based on the overnight cost of funding the index and is based on the previous index close, the reference overnight benchmark interest rate and the Funding Days period. <b>Funding Days</b> are determined as the period <b>from</b> [Previous Trading Day (t-1) + Settlement Days] <b>to</b> [Current Trading Day (t) + Settlement Days]</p>					
<b>TRF Spread (bps) Conversion to Traded Basis (index points)</b>	<p><b>TRF Spread</b> in basis points (trading notation) is converted within the T7 system into an equivalent <b>Traded Basis</b> in Index Points based on the index level used and the remaining term of the contract (Days to Maturity). The <b>Days to Maturity</b> of the contract are determined as the period <b>from</b> [Current Trading Day (t) + Settlement Days] <b>to</b> [Expiry Day (T) + Settlement Days]</p>					
<b>Daily Settlement</b>	<p><b>Daily Settlement:</b> determined daily in T7 trading system by Eurex Market Supervision around <b>18:00 – 18:30 pm CET</b>  <b>TRF Daily Settlement Price</b> in clearing notation (index points) is based on the <b>index level</b> specified by Eurex, as follows:</p> <table border="1"> <tr> <td>MSCI Index level <b>snapshot</b> at European close (17:30 CET)</td> <td>MSCI Index level <b>snapshot</b> at European close (17:30 CET)</td> <td>Index level <b>derived</b> from the Daily Settlement Price of the respective Index Futures (FMEM) (17:30 CET)</td> </tr> </table> <p><b>TRF Daily Settlement Spread</b> (basis points) based on the waterfall handling (note: on Expiration Day it will be zero)</p>			MSCI Index level <b>snapshot</b> at European close (17:30 CET)	MSCI Index level <b>snapshot</b> at European close (17:30 CET)	Index level <b>derived</b> from the Daily Settlement Price of the respective Index Futures (FMEM) (17:30 CET)
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