

# Next Generation ETD Contracts – Recap and Outlook

OpenDay  
2023

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21 September 2023



# Topics

- 1** NextGen ETD Contracts Initiative - Review
- 2** NextGen Business Initiatives
- 3** Business Initiative after NextGen
- 4** Summary and Conclusion



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# NextGen ETD Contract Initiative – Review

## Key Motivation, Business Initiatives and Launch



### Key Motivation

Enable a more flexible setup of ETD products by allowing more than one expiration per month on product level meaning **usage of contract identification logic** based on contract date YYYYMMDD (instead of expiry month/year” MM/YYYY)



### Three new business initiatives

**Integration of weekly expiring options contracts** into one options product

**Volatility strategies** in Equity Options

**Basis Trading (T+X)** for MSCI futures



### Successful Next Gen Launch on March 27, 2023

Transition Period introducing all sub-monthly expiring contracts lasted from Mar 27 to Apr 17 (OESX: to May 15)

# NextGen ETD Contract Initiative – Review

## New Contract Reference Data provided via the Eurex Reference Data Feed RDI/RDF

| Attribute                  | Tag   | Description  |
|----------------------------|-------|--|
| ContractDate               | 30866 | Date used to identify the instrument (YYYYMMDD) via functional instrument key  |
| ContractFrequency          | 30867 | Provides information how granular the creation and expiration of the contract can take place valid at contract creation; valid values are daily, weekly, monthly, flexible or end-of-month; fixed during contract lifetime |
| contractCycleType          | 30865 | Indicates the kind of regular expiration pattern in which the contract is embedded to during its lifetime; valid values are daily, weekly, monthly, quarterly, semi-annually, yearly; adapted during the contract lifetime |
| contractCycleSubType       | 31865 | Indicates the kind of regular expiration pattern in the context of contractCycleType; valid value is end-of-month  |
| isPrimary                  | 25216 | Defines if a contract based on its contract creation cycle is the primary contract or not  |
| displayName                | 28791 | Defines a string containing the name of the contract recommended for GUI display   |
| contractDisplayInstruction | 25186 | Specifies how the contract name is generated and gives an indication to front-end applications what kind of contract it is and how to name it  |
| displayYear                | 25213 | Provides information on the year used for the contract name  |
| displayMonth               | 25211 | Provides information on the month used for the contract name   |
| displayWeek                | 25212 | Provides information on the week used for the contract name  |
| displayDayOfWeek           | 25239 | Provides information on day of the week, i.e. Mon, Tue, ..., Sat, Sun  |
| displayRelativeDay         | 25220 | Provides information how many business days are between current business day and reference day (i.e. contract date); only used for contractDisplayInstruction=RelativeDay  |

**Eurex requested to take over the following Contract Reference Data into FIX standard (expected implementation in 2024)**

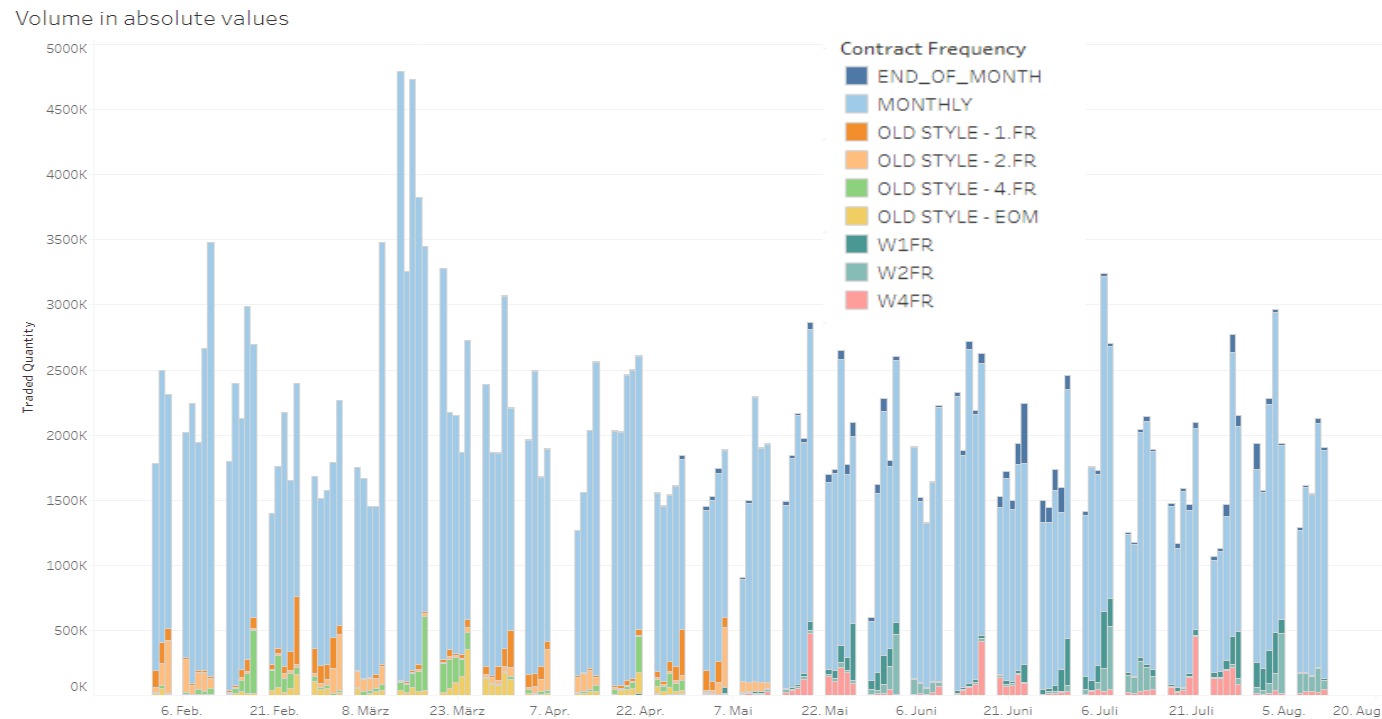
- ContractDate
- ContractFrequency

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## (2) NextGen Business Initiatives – Weekly & EoM Options

OESX – Daily Trading Volumes, Absolute Values (double counting)



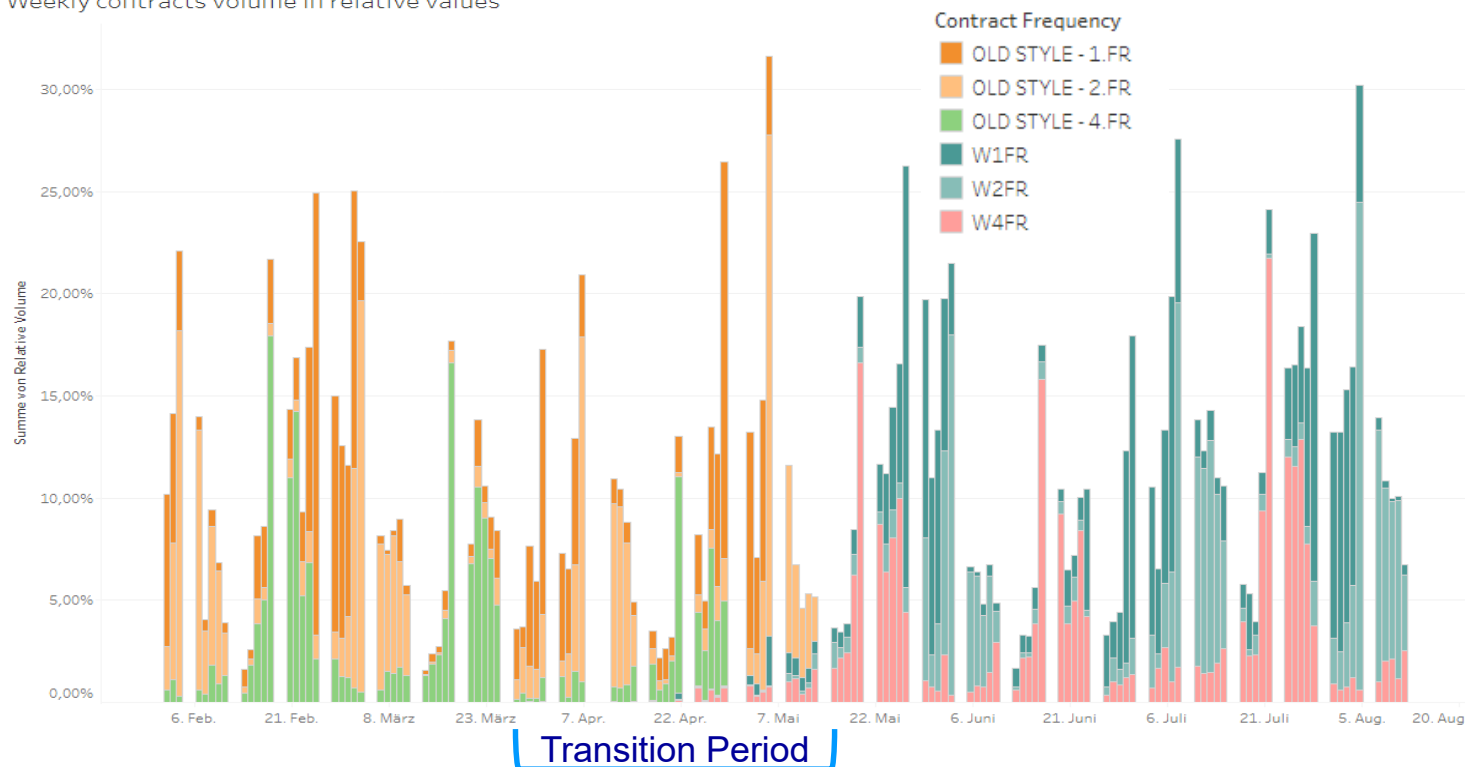
Transition Period

- Transition period from old-style to new-style weekly and end-of-month options contracts: Mar 27 to May 15
- No disruption in trading volume when switching from old-style to new-style weekly and end-of-month options contracts

# NextGen Business Initiatives – Weekly & EoM Options

## OESX – Daily Trading Volumes, Relative Values in Weekly Contracts

Weekly contracts volume in relative values

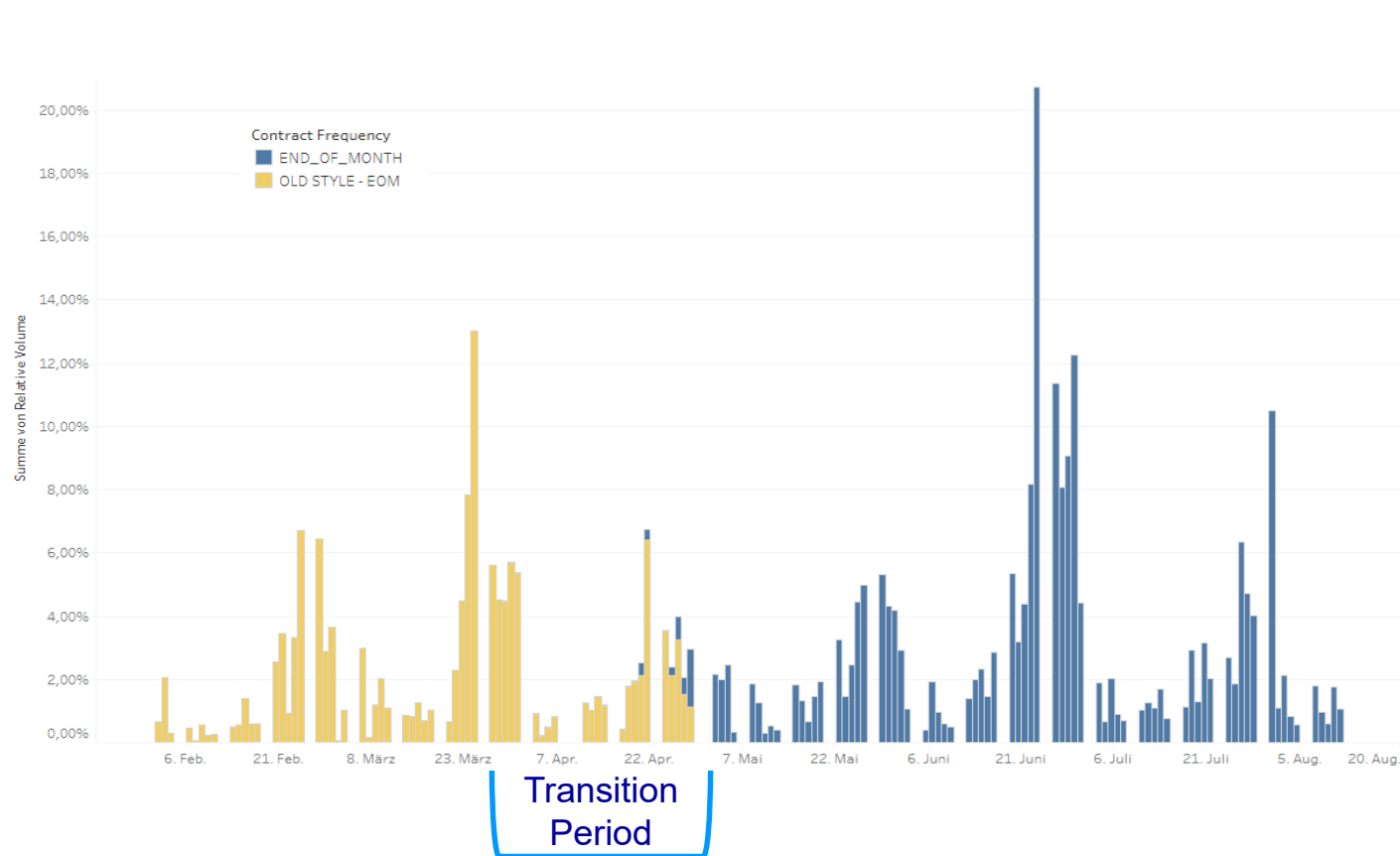


- Transition period from old-style to new-style weekly options contracts: Mar 27 to May 15
- Solid increase of relative trading volumes compared to overall trading volume in OESX
- In peak up to 30 % in weekly OESX contracts



# NextGen Business Initiatives – Weekly & EoM Options

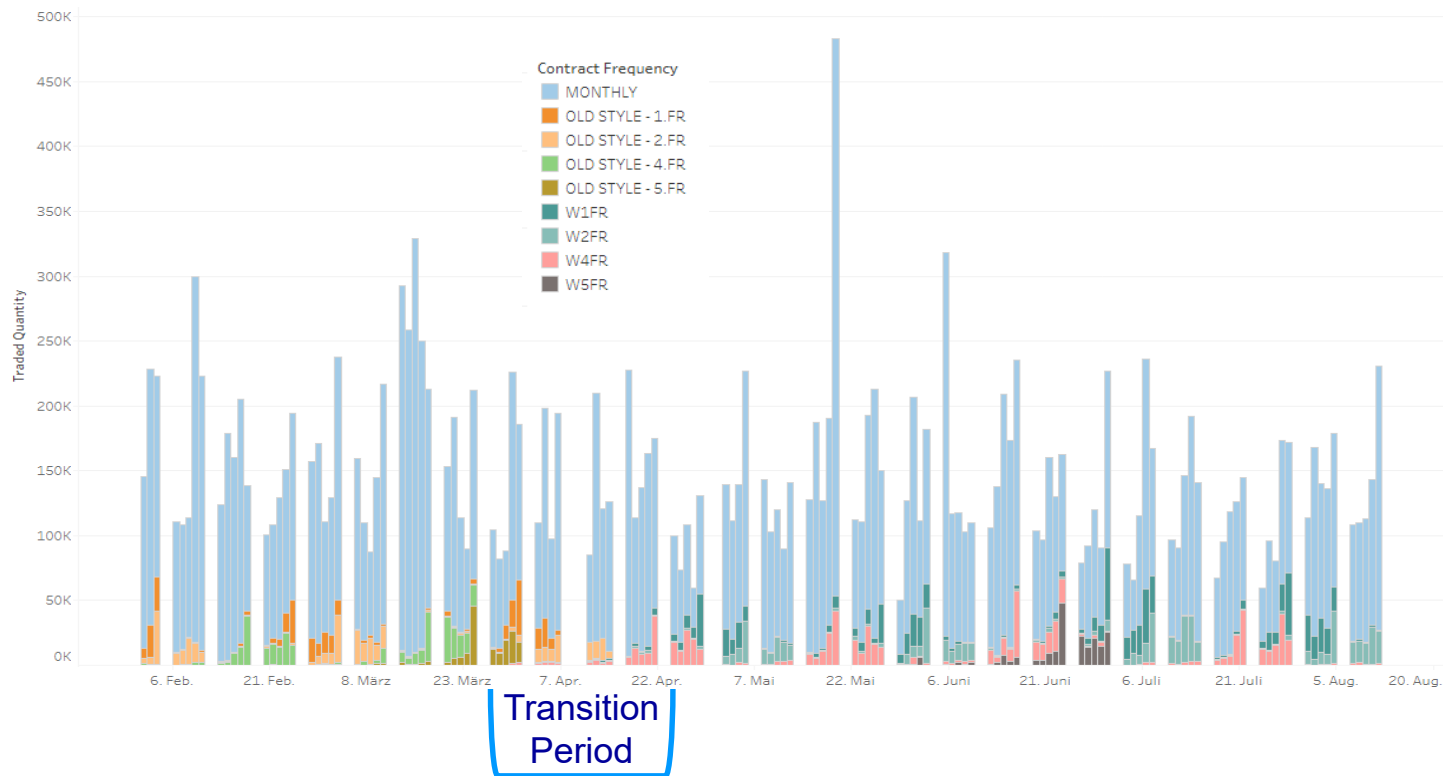
## OESX – Daily Trading Volumes, Relative Values in EoM Contracts



- Transition period from old-style to new-style end-of-month options contracts: Mar 27 to May 02
- Solid increase of trading volume in end-of-month contracts after activation of Next Gen
- In peak up to 20 % trading volume in end-of-month OESX contracts

# NextGen Business Initiatives – Weekly & EoM Options

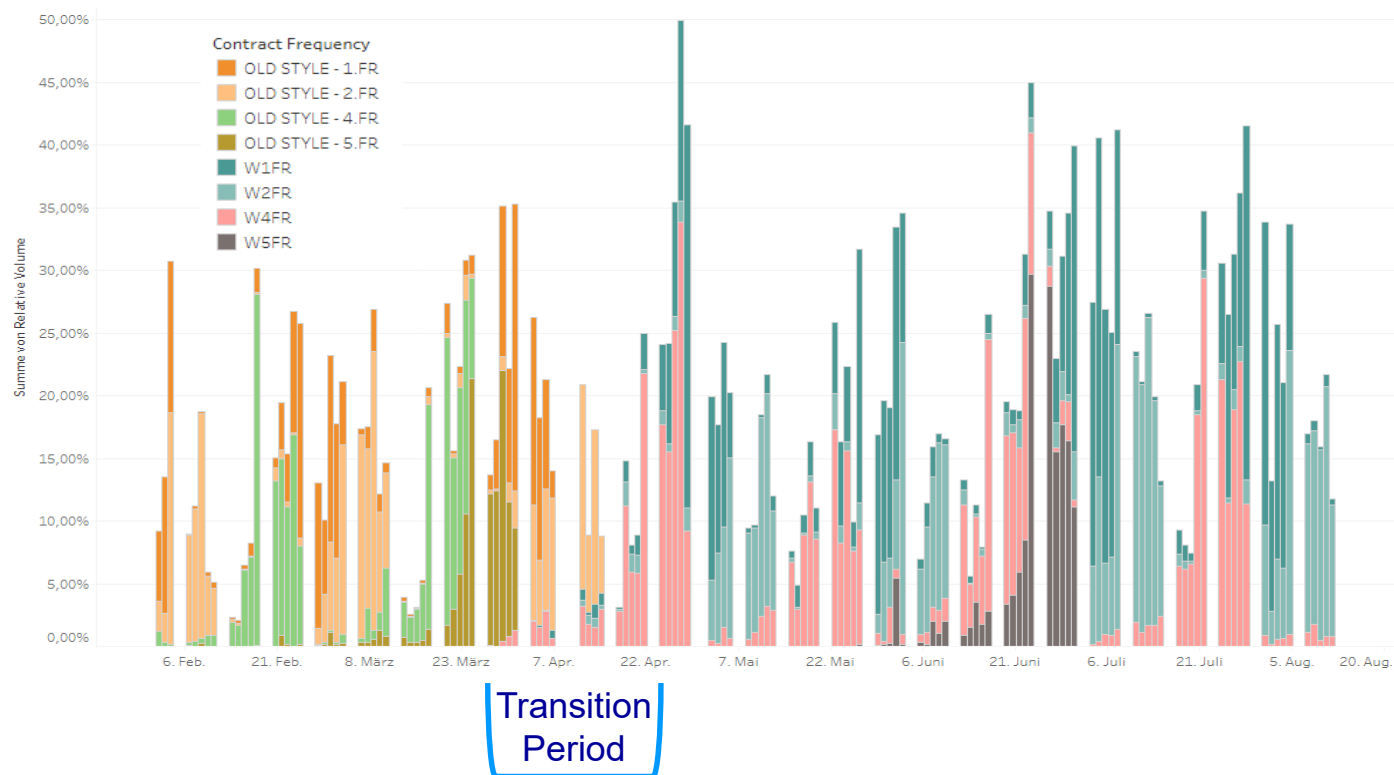
ODAX – Daily Trading Volumes, Absolute Values in Weekly Options (double counting)



- Transition period from old-style to new-style weekly options contracts: Mar 27 to Apr 17
- No disruption in trading volume when switching from old-style to new-style weekly options contracts

## (2) NextGen Business Initiatives – Weekly & EoM Options

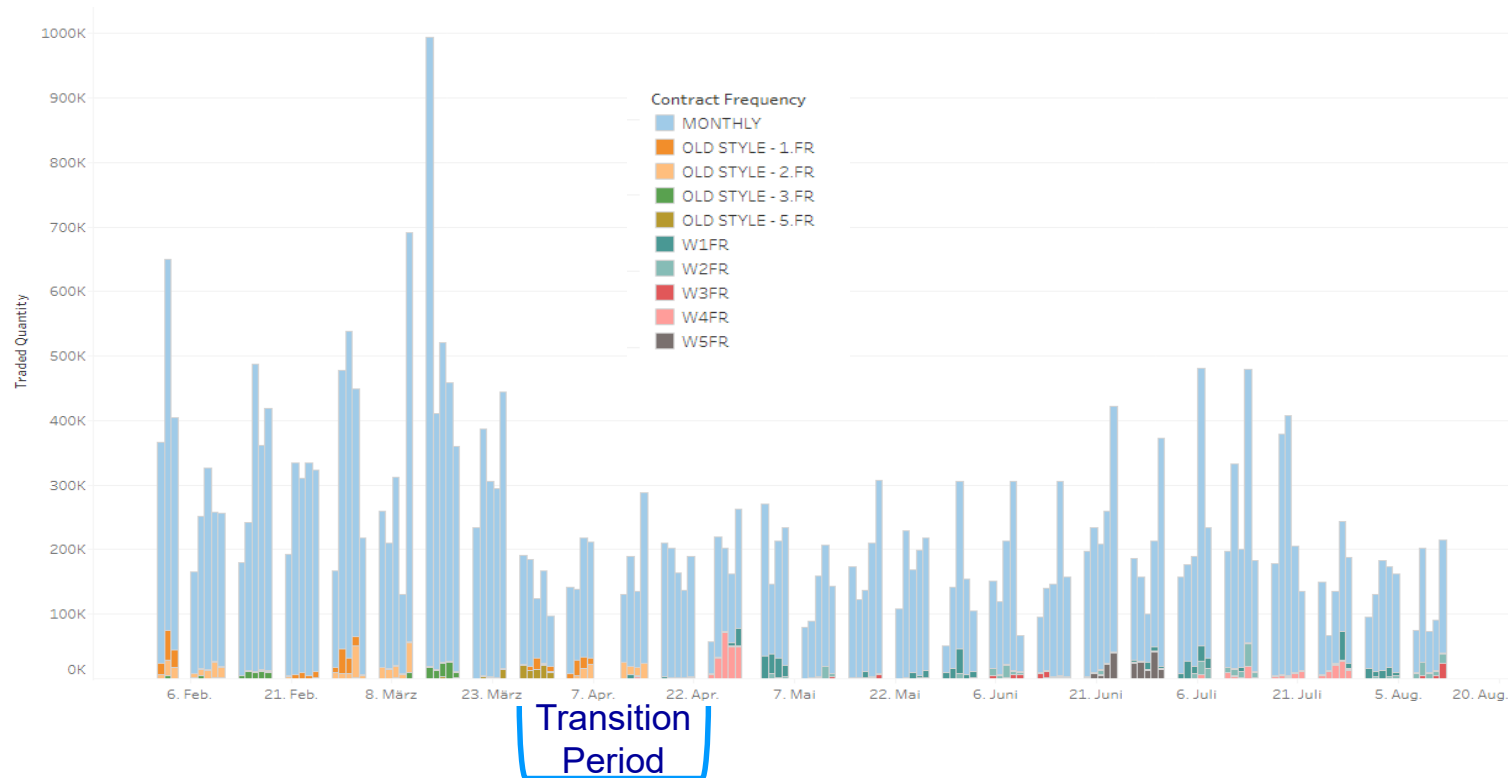
### ODAX – Daily Trading Volumes, Relative Values in Weekly Options



- Transition period from old-style to new-style weekly options contracts: Mar 27 to Apr 17
- Solid increase of relative trading volume in weekly contracts compared to overall trading volume in ODAX
- Peak values of up to 50 % after transition from old- to new-style weekly contracts completed

## (2) NextGen Business Initiatives – Weekly & EoM Options

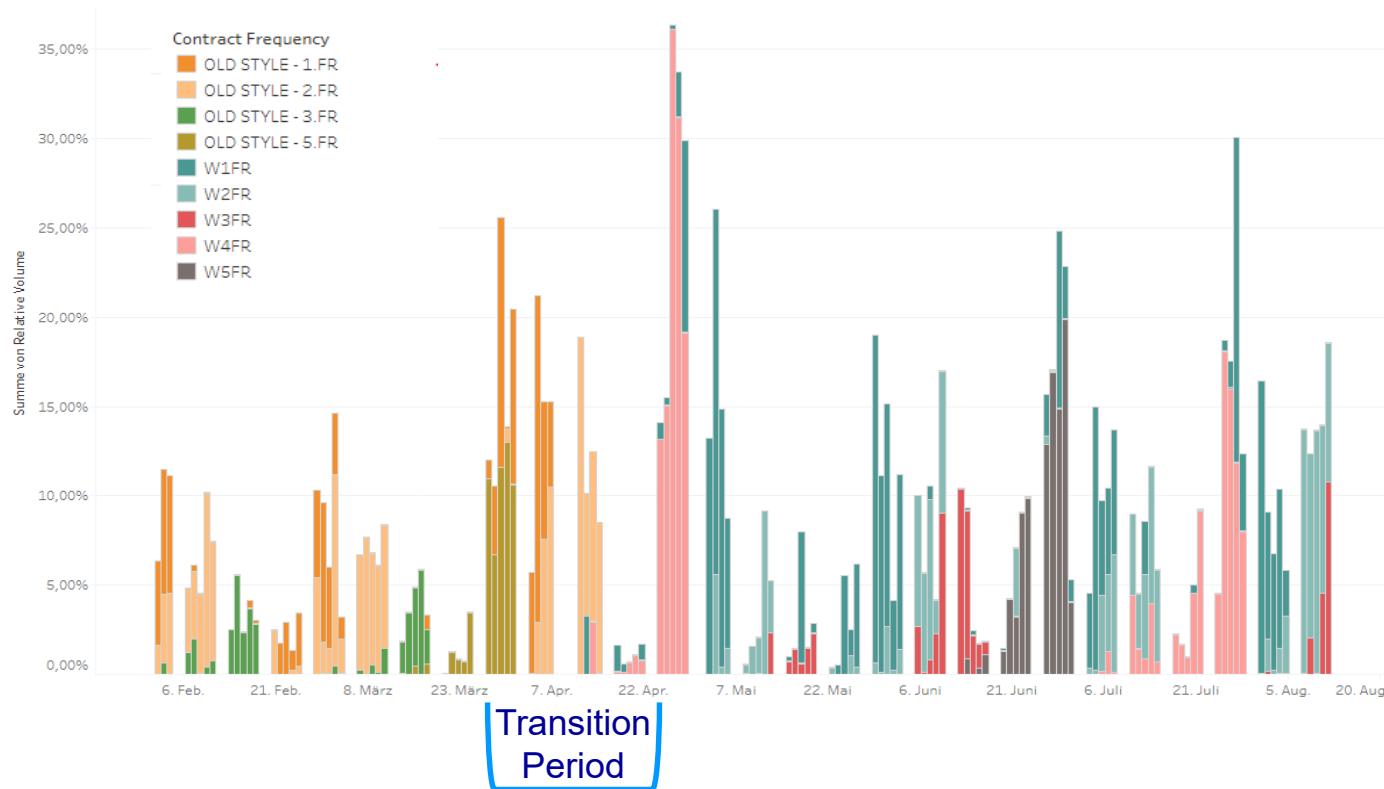
OGBL – Daily Trading Volumes, Absolute Values in Weekly Options (double counting)



- Transition period from old-style to new-style weekly options contracts: Mar 27 to Apr 17
- No disruption in trading volume when switching from old-style to new-style weekly options contracts

## (2) NextGen Business Initiatives – Weekly & EoM Options

### OBGL – Daily Trading Volumes, Relative Values in Weekly Options



- Transition period from old-style to new-style weekly options contracts: Mar 27 to Apr 17
- Solid increase of trading volume in weekly contracts compared to overall trading volume in OGBL
- Peak values of up to 35 % immediately after transition completed from old- to new-style weekly contracts

# NextGen Business Initiatives – Daily Futures

Up to now, business initiatives related to MSCI Basis Spreads and Options Volatility Strategies in Single Stock Options did not take off

## MSCI Basis Spreads

- Supported by Liquidity Providers (quoting activities) and Clearers
- Missing trading flow due to insufficient reference and market data provision
- Eurex is supporting data providers to improve data provision in MSCI basis spreads

Since feedback about both business initiatives is still positive, Eurex is confident about success of MSCI Basis Spreads and Options Volatility Strategies but it takes time

## Options Volatility Strategies in SSO

- High hurdles to handle complex instruments
- Eurex is collaborating with different market participants to stimulate trading interests

| Phase | Contract             | Curr | MC        | CPherSelPr | CBQQty | CBid    | CAsk    | CAQy | CLst    | CPotAut | CLstQty | COpen | CHigh   | CLow    | CLetChg | CVol     | ExDate     | SelfPrctChg |         |
|-------|----------------------|------|-----------|------------|--------|---------|---------|------|---------|---------|---------|-------|---------|---------|---------|----------|------------|-------------|---------|
| Cont  | FMEU T+0             | EUR  | 293.48200 |            |        |         |         |      |         |         |         |       |         |         |         |          | 12.09.2023 |             |         |
| Cont  | FMEU T+1             | EUR  | 293.51200 |            |        |         |         |      |         |         |         |       |         |         |         |          | 13.09.2023 |             |         |
| Cont  | FMEU T+2             | EUR  |           |            |        |         |         |      |         |         |         |       |         |         |         |          | 14.09.2023 |             |         |
| Cont  | FMEU Sep23           | EUR  | 293.55000 |            | 1      | 294.450 | 294.500 | 169  | 294.050 |         |         | 1     | 295.700 | 295.700 | 293.950 | 0.55000  | 32,272     | 18.09.2023  | 0.50000 |
| Cont  | FMEU Dec23           | EUR  | 296.35000 |            | 348    | 297.200 | 297.400 | 180  | 298.000 |         |         | 60    | 298.000 | 298.000 | 298.000 | 1.60000  | 31,212     | 18.12.2023  | 1.65000 |
| Cont  | FMEU Mar24           | EUR  | 296.85000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 18.03.2024 |             |         |
| Cont  | FMEU Jun24           | EUR  | 301.30000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 24.06.2024 |             |         |
| Cont  | FMEU Sep24           | EUR  | 304.10000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 23.09.2024 |             |         |
| Cont  | FMEU Dec24           | EUR  | 306.35000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 23.12.2024 |             |         |
| Cont  | FMEU Mar25           | EUR  | 308.75000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 24.03.2025 |             |         |
| Cont  | FMEU Jun25           | EUR  | 310.35000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 23.06.2025 |             |         |
| Cont  | FMEU Sep25           | EUR  | 312.85000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 22.09.2025 |             |         |
| Cont  | FMEU Dec25           | EUR  | 314.95000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 22.12.2025 |             |         |
| Cont  | FMEU Mar26           | EUR  | 317.20000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 23.03.2026 |             |         |
| Cont  | FMEU Jun26           | EUR  | 319.50000 |            |        |         |         |      |         |         |         |       |         |         |         |          | 22.06.2026 |             |         |
| Cont  | FMEU BSPD T+0 Sep23  | EUR  |           |            | 50     | -0.320  | -0.050  | 50   |         |         |         |       |         |         |         |          |            |             |         |
| Cont  | FMEU BSPD T+1 Sep23  | EUR  |           |            |        |         |         |      |         |         |         |       |         |         |         |          |            |             |         |
| Cont  | FMEU SPD T+2 Sep23   | EUR  |           |            |        |         |         |      |         |         |         |       |         |         |         |          |            |             |         |
| Cont  | FMEU SPD Sep23 Dec23 | EUR  |           |            | 200    | -2.810  | -2.800  | 169  | -2.810  |         |         | 9     | -2.820  | -2.800  | -2.870  | -0.02000 | 19,111     |             |         |
| Cont  | FMEU SPD Sep23 Mar24 | EUR  |           |            |        |         |         |      |         |         |         |       |         |         |         |          |            |             |         |
| Cont  | FMEU SPD Sep23 Jun24 | EUR  |           |            |        |         |         |      |         |         |         |       |         |         |         |          |            |             |         |
| Cont  | FMEU SPD Sep23 Dec24 | EUR  |           |            |        |         |         |      |         |         |         |       |         |         |         |          |            |             |         |
| Cont  | FMEU SPD Dec23 Mar24 | EUR  |           |            |        |         |         |      |         |         |         |       |         |         |         |          |            |             |         |
| Cont  | FMEU SPD Dec23 Jun24 | EUR  |           |            |        |         |         |      |         |         |         |       |         |         |         |          |            |             |         |
| Cont  | FMEU SPD Mar24 Jun24 | EUR  |           |            |        |         |         |      |         |         |         |       |         |         |         |          |            |             |         |



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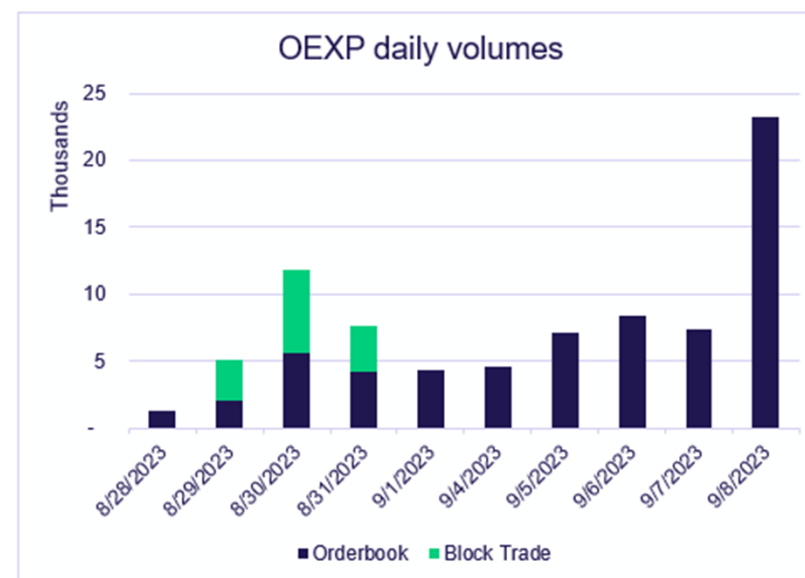
# Business Initiatives after Next Gen – Daily Index Options

Daily index options on SX5E are provided via new options product OEXP using end-of-day settlement procedures

- Development of trading volume immediately after launch of OEXP is promising
- Additional daily index options referring to other equity indices in consideration
- Set-up of daily options is based on 5 different weekly lifecycles, each one attached to a specific day of the week

| Date      | Orderbook | Block Trade |
|-----------|-----------|-------------|
| 8/28/2023 | 1,330     |             |
| 8/29/2023 | 2,084     | 3,000       |
| 8/30/2023 | 5,597     | 6,242       |
| 8/31/2023 | 4,205     | 3,400       |
| 9/1/2023  | 4,340     |             |
| 9/4/2023  | 4,588     |             |
| 9/5/2023  | 7,181     |             |
| 9/6/2023  | 8,373     |             |
| 9/7/2023  | 7,330     |             |
| 9/8/2023  | 23,227    |             |

| Key Stats        |          |
|------------------|----------|
| As of end of     | 9/8/2023 |
| Total volume YTD | 80,897   |
| Daily change, %  | 216.9%   |
| ADV              | 8,090    |







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# Summary and Conclusion

First positive results in terms of increased trading volumes observed in sub-monthly expiring contracts

| High Lights   |   | Low Lights   |  |
|---|---|--|--|
| Integrated weekly & EoM Options   | Daily Options OEXP  | MSCI Basis Spreads   | Options Volatility Strategies in SSO   |
| <ul style="list-style-type: none"> <li>No negative impact when switching in 77 options products from old-style to new-style contracts</li> <li>Traded volume increased in almost all affected options products since activation (e.g. OESX, ODAX and OGBL)</li> </ul> | <ul style="list-style-type: none"> <li>Separate option product OEXP required to handle end-of-day settlement</li> <li>Very promising first results</li> <li>Additional daily options products in consideration</li> </ul> | <ul style="list-style-type: none"> <li>Reference and market data provision outside Eurex is lacking</li> <li>Eurex is cooperating with data providers to improve market situation</li> </ul> | <ul style="list-style-type: none"> <li>Complex instrument structure difficult to handle</li> <li>Requires more time to be adapted by market</li> </ul> |

|            | Month of FACT_DATE |               |            |            |          |           |           |             |                |              |
|------------|--------------------|---------------|------------|------------|----------|-----------|-----------|-------------|----------------|--------------|
| FREQUENC.. | January 2023       | February 2023 | March 2023 | April 2023 | May 2023 | June 2023 | July 2023 | August 2023 | September 2023 | October 2023 |
| Flex       | 0.28%              | 0.38%         | 0.17%      | 0.02%      | 0.22%    | 0.19%     | 0.11%     | 0.35%       | 0.00%          |              |
| DAILY      |                    |               |            |            |          |           |           | 0.12%       | 0.66%          |              |
| MONTHLY    | 87.22%             | 86.49%        | 88.60%     | 88.78%     | 85.61%   | 86.19%    | 82.41%    | 84.22%      | 88.50%         |              |
| WEEKLY     | 12.50%             | 13.12%        | 11.23%     | 11.20%     | 14.17%   | 13.62%    | 17.47%    | 15.31%      | 10.84%         |              |

# Summary and Conclusion

**From a Eurex point of view, was it worth to implement Next Gen? Yes, because ...**

- Next Gen should be regarded as infrastructure project covering not only the 3 business initiatives introduced with Next Gen but also applies – and will apply – to additional business initiatives (example: Daily options in OEXP)
- Consequently, it is expected that Next Gen contracts will play an important role in Eurex markets in the upcoming years
- Looking about all business initiatives related to Next Gen contracts, so far, first results regarding trading volume are promising
- However, more time is required to digest the infrastructure changes introduced with Next Gen throughout the entire derivative values chain, particularly for complex instruments containing sub-monthly expiring contracts as leg instruments (e.g. basis spreads, OVS for SSO)

# Thank you!

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