

# **Futures and Options on db x-trackers Harvest CSI300 ETF**

## **Frequently Asked Questions (FAQ)**

January 2017

**Abstract**

This document intends to provide answers to frequently asked questions regarding the Futures and Options on db x-trackers Harvest CSI300 ETF. For further information, please contact us at any time.

**Keywords**

CEINEX, Eurex, Eurex Clearing, Derivatives, Futures, Options, CSI300 Index, China, A-Share, db x-trackers Harvest CSI300 ETF, Market Makers, Frequently Asked Questions (FAQ)

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## General

### Q1. What are the basic backgrounds and facts of the products?

In cooperation with Eurex, CEINEX – a joint venture of Shanghai Stock Exchange (SSE), China Financial Futures Exchange (CFFEX) and Deutsche Börse (DBAG) – is introducing two new derivative products based on Chinese underlying: Futures and Options on db x-trackers Harvest CSI300 ETF.

Starting from 20 February 2017, the futures are launched on Eurex.

Product: Futures on db x-trackers Harvest CSI300 ETF

Asset Class: Futures contracts

ISIN: DE000A2BMKV2

Contract size: 1,000 shares of the underlying ETF

Underlying ETF: db x-trackers Harvest CSI300 Index ETF

Underlying ISIN: LU0875160326

Settlement: Cash settlement

Currency: EUR

The introduction of Options contracts on the same underlying ETF is planned soon and subject to further detailed information to be announced by CEINEX and Eurex.

CEINEX, as initiator and product designer, is responsible for product marketing and promotion of the trading volume and customer relationship management for these cooperation products, while Eurex undertakes the listing, trading organization, clearing and settlement of the products in the Eurex regulated exchange market.

### Q2. What are the opportunities offered by the Futures and Options on db x-trackers Harvest CSI300 ETF?

The Futures and Options on db x-trackers Harvest CSI300 ETF are the first China A-Share related derivatives offered in Europe. They present different types of investors the possibility to hedge their China-related investment positions during European trading hours and to execute leveraged investment strategies in the Chinese market. Also, the products can be traded against other derivatives based on Chinese underlyings in Asian and North American markets, providing new opportunities for spread trading, cross-market arbitrage, cross-asset arbitrage and a variety of long-short strategies.

### Q3. Why was the db x-trackers Harvest CSI300 ETF chosen as the underlying?

The db x-trackers Harvest CSI300 ETF is the most liquid ETF on CEINEX and the largest offshore China tracking ETF in Europe, with assets under management of around EUR 227 million as of 18 January 2017. The underlying CSI300 Index is the most representative benchmark index covering

the China A-Share market. High liquidity of the underlying ETF evokes larger demand for risk management instruments.

**Q4. What is the CSI300 Index?**

Developed in April 2005 by CSI Index Company, the CSI300 Index is the most representative benchmark index covering the China A-Share market. The CSI300 is a price index. The constituents of the index are the 300 largest A-Share stocks selected and weighted by free-float market capitalization.

As of 18 January 2017, the CSI300 Index has a total market capitalization of RMB 21.01 trillion, making up about 60% of the China A-Share market as a whole. The CSI300 is the most popular benchmark China A-Share index among asset managers around the world. Until the end of 2016, 22 ETFs, 31 mutual funds and 2 feeder funds have been launched with CSI300 as underlying. (Source: [www.csindex.com.cn](http://www.csindex.com.cn))

**Product Design**

**Q5. What is the fee structure for trading and clearing the products?**

The exchange trading and clearing fee is calculated in total as follows:

Trade on order book (Futures or Options)	EUR 0.30 per contract
Trade Entry Services (block trading on Futures or Options)	EUR 0.40 per contract
Position Closing Adjustments	EUR 0.60 per contract
Exercise of Options	EUR 0.30 per contract
Position transfer with cash transfer	EUR 7.50 per transaction

A fee holiday for futures on the db x-trackers Harvest CSI300 ETF will be granted to all Eurex Members from 20 February 2017 to 31 July 2017.

**Q6. Can the products be traded on Chinese exchange holidays?**

Yes. The products will be traded according to the Eurex trading calendar; trading hours are in line with the Eurex EXTF Futures and Options. Chinese exchange holidays do not affect trading on these Futures and Options.

For detailed information about Eurex trading calendar and trading hours, please see: <http://www.eurexchange.com/exchange-en/trading/trading-calendar>

**Q7. Do price limits apply for Futures and Options on db x-trackers Harvest CSI300 ETF?**

Yes. The price limit rules of Eurex Trading Conditions apply for the products, especially with regard to volatility interruptions and mistrade ranges.

*Volatility Interruptions:*

Eurex volatility interruption measures prevent unintentional market movements, for example caused by mistrades or extensive stop order cascades. Volatility interruptions occur if the last effected price of an instrument is outside one of the price ranges with respect to specific time frames. During a volatility interruption, continuous trading is halted. The trading halt is followed by an auction period for the resumption of trading where the potential opening price is displayed. Market participants then have the possibility to enter, modify or delete orders. During the auction phase, Eurex reviews the order book situation and re-opens the product for continuous trading after ensuring orderly market conditions.

*Mistrade Ranges:*

In order to prevent trades not intended by market participants, Eurex defines mistrade ranges for each applicable product traded on Eurex. If the price of a transaction is outside these defined parameters, the transaction will be canceled. Mistrade ranges defined for CEINEX products are communicated on the Eurex product website.

For more details on Eurex price limit rules, please see: <https://www.eurexchange.com/exchange-en/resources/rules-regulations/Trading-conditions/136462>

## **Trading**

### **Q8. Where are the products listed? How can I trade the products?**

Futures and Options on db x-trackers Harvest CSI300 ETF are cooperation products of CEINEX and Eurex. The products are listed and traded on the Eurex trading platform T7. All Eurex trading members have direct access to trading. Once the products are launched on T7, no additional application or activation is required. Individual traders wanting to trade the new products will need to be assigned to the product group ENSFEE. Non-exchange member clients can join the products via qualified brokers that have access to the Eurex market.

### **Q9. How can I trade the derivatives products from Asia?**

CEINEX, together with Eurex, welcomes eligible investors from Asian markets to join trading in the new products. There are several highly-experienced brokers operating in Asia offering access to Exchange Traded Funds Derivatives listed on the Eurex platform. Unfortunately we cannot issue any recommendation for brokers, as such recommendation depends on individual requirements, and the costs involved.

In order to get a list of financial service provider, banks and brokers that enable institutional and private investors to trade the products and their contacts, please contact our CEINEX Sales Team:

Email: [sales.marketing@ceinex.com](mailto:sales.marketing@ceinex.com)

Phone: +49 (0)69 2474 15959

Fax: +49 (0)69 2474 159 159

### **Q10. How can I access the underlying ETF market?**

The underlying ETF is listed on the Frankfurt Stock Exchange. The underlying ETF is traded on Börse Frankfurt (MIC: "XFRA") and Xetra (MIC "XETR"). Therefore, either trading membership of Frankfurt Stock Exchange or brokerage is needed to access the underlying market.

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**Q11. Can I hedge my positions in other A-Share based ETFs with the Futures and Options on db x-trackers Harvest CSI300 ETF?**

Yes. The CSI300 Index has shown high correlation with other benchmark indices on the China A-Share market in the past. The correlation to other China A-Share indices frequently used by international ETF managers as underlying are listed as below:

	CSI300	SSE 50	MSCI China A (NTR)	FTSE China A 50	SSE 180	FTSE China A-H 50
CSI300	1	0.928	0.985	0.921	0.991	0.877
SSE 50	0.928	1	0.867	0.992	0.965	0.841
MSCI China A (NTR)	0.985	0.867	1	0.858	0.962	0.84
FTSE China A 50	0.921	0.992	0.858	1	0.956	0.835
SSE 180	0.991	0.965	0.962	0.956	1	0.876
FTSE China A-H 50	0.877	0.841	0.84	0.835	0.876	1

\*The correlation matrix is based on daily closing data for the time from 30 December 2015 to 18 January 2017.

Due to the high correlation with these other China-related indices, the Futures and Options on the db x-trackers Harvest CSI300 ETF can be used as a reliable hedging benchmark with other A-Share based ETFs.

**Q12. What are the margin requirements for trading the Futures and Options on db x-trackers Harvest CSI300 ETF?**

Margins for trading the products are calculated by Eurex Clearing Prisma methodology based on the net position per account in each Futures and Options contract. For Futures, initial margins will be charged. For Options, premium margins and additional margins will be charged. Margin requirements for the products will be published upon product launch on the following website on a daily basis: <http://www.eurexchange.com/exchange-en/market-data/clearing-data/risk-parameters>

For more information on Eurex Clearing Prisma, please see:

<http://www.eurexclearing.com/clearing-en/risk-management/eurex-clearing-prisma>

**Q13. How is price data for the ETF Futures and Options visible to users?**

Market data of Futures and Options on db x-trackers Harvest CSI300 ETF is included in the Eurex market data package. Eurex trading members receive data of the new products automatically via exchange data feed to support their respective trading purpose. Vendors and sub-vendors receive the data along with the Eurex market data package under the respective existing data dissemination license. End clients can get access to the data via their data vendors.

15 minutes delayed quotes are displayed on the respective product pages of Eurex Exchange or on the Eurex Mobile App. Detailed information can be found here:

<http://www.eurexchange.com/exchange-en/education/eurex-mobile-app>

**Q14. Is price information for the product based on a single ETF, or on the quantity of underlying instruments stipulated by the contract size?**

The prices quoted and published are always based on a single ETF. The contract value is 1000 db x-trackers Harvest CSI300 ETFs, and the contract price must be multiplied by 1000.

**Market Making**

**Q15. Are there Market Makers for the products?**

Yes. According to Eurex standard at least two market makers will be effective for the Futures and Options. More market makers are probable according to their application.

Market makers quotation requirements for db x-trackers Harvest CSI300 ETF Futures are as follows:

<b>Criterion</b>	<b>Obligation</b>
Minimum Quote Size	20 contracts on the buy and sell side
Maximum Spread	EUR 0.10
Minimum Quotation Time	80% of the trading period from 09:00 until 17:30 CET (monthly average)
Contract Months to be Quoted	First contract month (via the M-Account) Five trading days before expiry, quotation of both the front and the next expiration months

For further details, please refer to Eurex Circular 003/17, attachment 2: Designated Market-Making Scheme:

<https://www.eurexchange.com/blob/2866526/85ad27b14c856631c076d8508b085419/data/er17003e.pdf>

The exact quotation requirements for db x-trackers Harvest CSI300 ETF Options, as well as further details will be provided to the market via further Eurex Circular after the launch date for the Options product has been determined.

**Q16. Is there any incentive program provided for the market makers?**

Yes. The Designated Market Makers (DMM) in db x-trackers Harvest CSI300 ETF Futures shall receive stipends from product launch until 31 July 2017.

- Top 5 Designated Market Makers: EUR 5,000 per month
- Rankings are based on order book traded contracts on the M- and P-Account
- Payout on a monthly basis, if the respective market maker requirements are fulfilled in the respective month

In addition, an early adopter scheme for the top 3 DMM shall be offered from 20 February 2017 until 30 April 2017.

- Top 3 Designated Market Makers: EUR 5,000 per month
- Rankings are based on order book traded contracts on the M- and P-Account
- Payout on a monthly basis, if the respective market maker requirements are fulfilled in the respective month
- To receive the additional incentives for early adopter following conditions need to be met:
  - Signed DMM agreement or written confirmation by DMM sent to Eurex before 20 February 2017
  - Fulfillment of DMM requirements as of February 2017

For further details, please refer to Eurex Circular 003/17, attachment 2: Designated Market-Making Scheme:

<https://www.eurexchange.com/blob/2866526/85ad27b14c856631c076d8508b085419/data/er17003e.pdf>

The incentive program for db x-trackers Harvest CSI300 ETF Options will be similar to the Futures product. The exact incentive time period as well as further details will be provided to the market via further Eurex Circular after the launch date for the Options product has been determined.

**Q17. How can I become market maker for the Futures and/or Options?**

Only Eurex trading members are eligible to apply to become market maker for the products. Those who are already Eurex members can register for the corresponding market making schemes directly.

To register for the Designated Market Making Scheme for the Futures on db x-trackers Harvest CSI300 ETF, please see the following link: <https://www.eurexchange.com/exchange-en/resources/circulars/Exchange-Traded-Funds-derivatives--Introduction-of-futures--on-the-db-x-trackers-Harvest-CSI300-ETF/2866530>.

Detailed information for registration for Permanent Market Making Scheme on Options including contact details will be given to the market via further Eurex Circular after the launch date has been determined.

**Clearing and Settlement**

**Q18. How is the settlement price and final settlement price of the Futures and Options on db x-trackers Harvest CSI300 ETF determined?**

The final settlement price shall be the price of db x-trackers Harvest CSI300 ETF effected on the closing auction in the electronic trading system of the Frankfurt Stock Exchange on the final settlement day.

If no price in the underlying ETF is effected on the closing auction, the volume-weighted average of the last three “paid” prices of the respective underlying ETF effected in the electronic trading system of the Frankfurt Stock Exchange shall be authoritative.

If the determination of the prices is not possible or if the determined final settlement price does not reflect the true market conditions, Eurex Clearing AG may determine the final settlement price at its equitable discretion.

Please see Chapter II of the Clearing Conditions of Eurex Clearing AG for details: <https://www.eurexchange.com/exchange-en/resources/rules-regulations/Clearing-Conditions/136778>

**Q19. When is the final settlement day and the last trading day of the products?**

Final settlement day is the 3<sup>rd</sup> Friday of the maturity/expiration month, same as the last trading day. If this is a public holiday, then the preceding trading day will apply.

**Q20. In what form are the products settled?**

Cash settlement applies to both the Futures and Options on db x-tracker Harvest CSI300 ETF.