

IDEM: *the Italian derivatives market*

The year 2000 was an important year for the IDEM both as regards the innovations introduced, and for the volumes recorded. The offer of derivatives products was enhanced first of all with the introduction of options contracts on shares listed on the Nuovo Mercato, then with the launch of the miniFIB, the futures contract on the MIB30 with a size equal to one fifth of that of the MIB30 futures. In 2000 overall trading reached the all-time high of 13.3 million euro of standard contracts and 1,384 billion euro of notional turnover. The growth trend was driven by the options on single shares which tripled the number of standard contracts and doubled the notional value, arriving at 44% of the activity of the entire market from the point of view of the standard contracts.

FUTURES CONTRACTS

On the IDEM three futures contracts on Stock Exchange indices are traded: MIB30 futures, miniFIB and MIBEX futures. The first two contracts are derivatives on the MIB30, the index representing the top 30 shares of the Electronic Share Market (MTA) for liquidity and capitalisation. The MIBEX futures is based on the MIBEX, the index which since 1998 has represented the subsequent 25 shares of the MTA for capitalisation and liquidity.

MIB30 index futures

During 2000, the futures on the MIB30 index recovered the slight falloff in terms of notional

value shown in 1999 (chart 7). The situation was different as regards the number of standard contracts, where the downward trend begun in 1999 continued into 2000: with a total 4,259,350 and daily average of 16,769 standard contracts, a drop of 16.4% was recorded compared to 1999.

At the end of 2000 the open interest was down slightly (-1.3%) from 18,216 to 17,979 contracts.

The changed trend in liquidity affected the ratio between the notional value and the activity of the underlying stock market, which fell from 180% to 117%.

With a 9% growth on 1999, the notional turnover at the end of 2000 totalled 984,392 million euro, exceeding the amount of 977,751 million euro recorded in 1998

The miniFIB

From 3 July 2000, the day of its debut, through to the end of November, the miniFIB showed a continuous growth trend which ended only in December, nevertheless remaining above the starting levels.

The notional turnover reached an overall 16,786 million euro, with a daily average of 132

million euro which, during the month of November, rose as high as 164 million euro.

The number of standard contracts, starting with a level of 47,601 in the month of July, recorded a peak in November with a result of 75,170, falling off in December to 59,530 standard contracts. In 2000, a total of 358,439 standard contracts were traded (daily average: 2,822) to the end of December, the number of open contracts amounted to 2,948.

MIDEX index futures

The MIDEX index futures is the only derivative contract to have recorded negative performances during 2000, continuing the downward trend which has characterised it since 1999, the year after it was introduced.

The overall notional value amounted to 176 million euro, with a daily average of 8 million, for a total 2,044 standard contracts.

With the miniFIB, which has an index point value equal to 1 euro and whose size is therefore one fifth of that of the MIB30 futures, it is possible to acquire positions on the MIB30 index with a more limited economic commitment

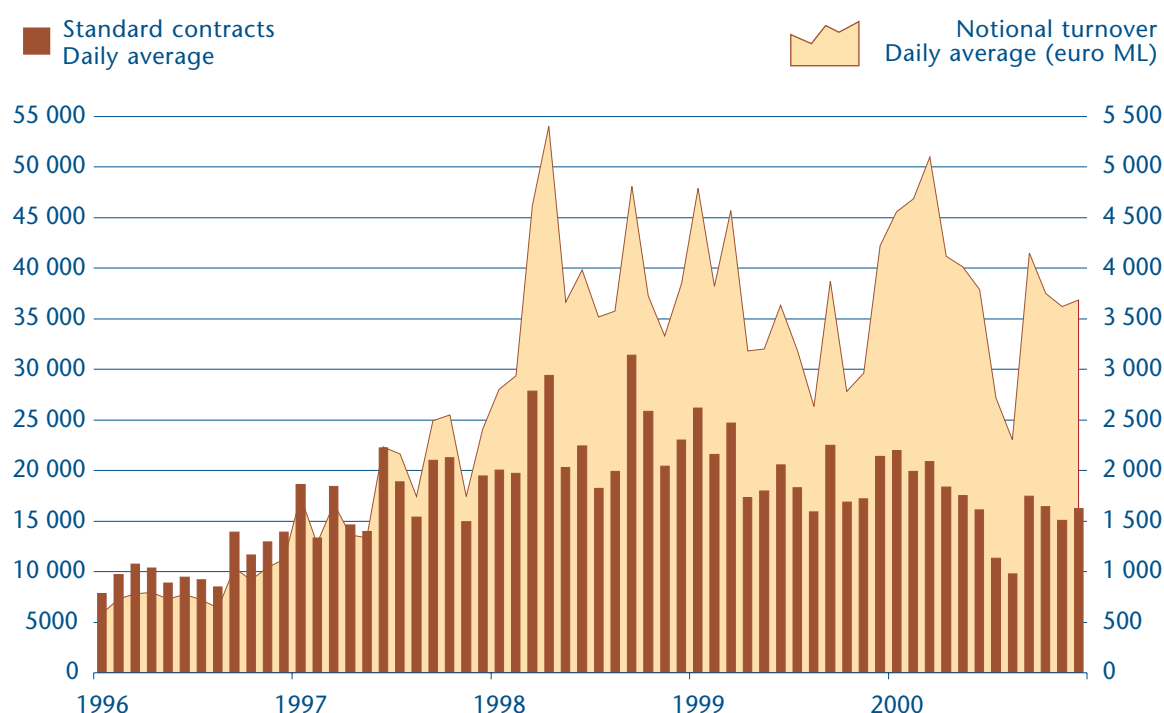
OPTION CONTRACTS

The options on the IDEM are based on the MIB30 index and on individual shares listed on the Borsa Italiana stock markets.

MIB30 index options

In 2000, the options traded on the MIB30 index rose by 22%, with overall turnover up from 264,181 to 323,166 million euro in notional value and the daily average from 1,040 to 1,272

CHART 7 - IDEM: MIB30 FUTURES



million euro. The number of standard contracts - standardised based on the new size which was halved in 1999 with the reduction of the index point from 5.0 to 2.5 euro - went from a daily average of 11,400 to 11,200. The ratio between the notional value and the value of trades carried out on the underlying shares, on the other hand, was down from 53% to 39%. Similarly, the open interest went from 211,569 to 180,186 outstanding contracts. As regards the ratio between call and put contracts, there was an even distribution of the notional value and the number of standard contracts: the call contracts accounted for 52% in terms of notional value and 50% in terms of standard contracts.

Stock options

The stock options reached all-time highs on all performance indicators, showing a higher growth trend with respect to the other financial derivative instruments traded on the IDEM. With 7 new options and 3 delistings, at the end of December the number of stock options rose to 31, including the two options on the Nuovo Mercato shares (e.Biscom and Tiscali).

Trades were up in terms of both notional value and number of standard contracts (chart 8). The overall notional value was up from 28,140 to 59,431 million euro, with the daily average up from 111 to 234 million euro (+111%). The ratio to the underlying increased from 8% to 10% and the daily average traded in terms of standard contracts tripled, from 7,669 to 23,114.

CHART 8 - IDEM: STOCK OPTIONS

