

FTSE MIB Dividend Futures

WHICHEVER WAY THE WIND BLOWS, LAND SAFELY



Market making

Primary Market Makers and Primary Specialists support liquidity on the new product according to the following set of quoting obligations:

- Providing liquidity on a continuous basis from 9:30am to 5:20pm on all listed maturities
- Restoring bid-ask quotes within 2 minutes following an application on the order book
- Providing minimum quantities and maximum spreads as detailed in the following table:

Maturity	Minimum number of contracts	Maximum spread
First and second year	30 contracts	80 index points
Third and fourth year	20 contracts	90 index points
Fifth year	10 contracts	100 index points

Benefits of FDIV trading

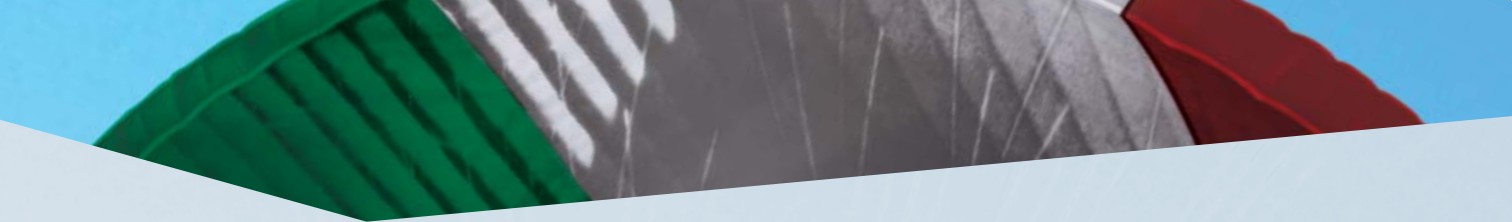
- Directly trade a view on dividends
- Implied dividend yield spread trading
- Diversify a portfolio's source of returns
- Low volatility and risks compared to equity
- Limited to no risk on interest rate and repo rate
- More efficient management of exposure to counterparty risk
- Hedge dividend risk on FTSE MIB index futures and options as detailed in the following table:

	Multiplier	Ratio
FIB	€ 5	1
MINI	€ 1	5
MIBO	€ 2.5	2

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The dividend policies recently adopted by the FTSE MIB companies have become of increasing interest to traders, for the element of uncertainty implicit in the positions taken on the FTSE MIB index, and for the opportunity to structure specific trading strategies on the basis of their expectations.

This interest has led Borsa Italiana to introduce futures on the FTSE MIB Dividend index on the IDEM market.

The FTSE MIB Dividend index

The FTSE MIB Dividend index represents the cumulative value of the gross ordinary dividends paid in cash or in kind in each calendar year by the FTSE MIB index constituents, expressed in index points and calculated as follows:

$$\frac{\text{Market Value of Dividends}}{\text{Latest Index Divisor}}$$

The FTSE MIB Dividend index captures all the changes and adjustments to the components of the FTSE MIB index. Each year, on the day following the December expiry date, the FTSE MIB Dividend index resets to “zero” and then gradually grows in value, day by day, over the following 12 months as companies of the FTSE MIB index pay dividends, until it takes on a fixed value at the time the last payment is made.

The index is managed according to a transparent and public set of rules. Regular index reviews and corporate action management are conducted to ensure that a continuous and accurate representation of the market is maintained in line with the FTSE MIB index.

Futures on FTSE MIB Dividend index (FDIV)

The futures contract on the FTSE MIB Dividend index (FDIV) allows traders to take positions on the basis of their dividends expectations without being exposed to price movements in the FTSE MIB stocks, or to hedge positions taken on the FTSE MIB Index from the effects of the dividends distributed by the issuers.

Accordingly, the value of the futures contract incorporates all the expectations for the distribution of dividends made during the year by the companies making up the FTSE MIB Index. As companies pay their dividends, the expectations incorporated in the futures price refer only to the distributions made by the remaining companies.

The value of the FTSE MIB Dividend index resulting from the last dividend payment coincides with the settlement value of the futures contract on the index, calculated by Borsa Italiana on the expiry date in December.

Contract specifications

- **Underlying:** FTSE MIB Dividend index
- **Multiplier:** € 5 per index point
- **Contract size:** futures price x multiplier
- **Price quotation:** index points
- **Minimum price change:** 1 index points (€ 5)
- **Expiries:** the 5 nearest successive annual months of the December cycle
- **Expiry day:** the third Friday of the expiry month at 9:05am
- **Last trading day:** trading in any contract closes on expiry of that contract
- **Settlement:** cash settlement
- **Settlement price:** cumulative total of the relevant gross dividends paid by the individual constituents of the underlying index as calculated in the form of index points by the index provider for the contract period
- **Block trade facilities:** minimum quantity: 5 lots; price: +/- 2% over the bid/ask spread
- **Trading hours:** 9:00am - 5:40pm

