

2023-02-23

## **IT – Equity Derivatives - Introduction of Custom Basket Forwards (CBF)**

Nasdaq Stockholm AB (the “Exchange”) is planning to introduce the new equity derivatives product Custom Basket Forwards (CBF), with a target go-live in May/June 2023 (pending regulatory approval and commitment from close-out providers).

From February 23<sup>rd</sup>, CBFs will be available for testing in EqD Test (trading) and EXT1 (clearing), and CBF functionality will be part of the Genium INET production upgrade on March 25<sup>th</sup>.

This Notice contains:

- An introduction to the product concept
- Information on the custom baskets underlying the CBFs
- Product information
- Technical product information
  - Trading: NDTs
  - Clearing: Genium INET
  - Market data: GCF, ITCH and AMD
- Information on testing

## Introduction to product concept

The product concept includes trading and CCP clearing of CBFs, where the basket underlying the forward contract is made up of a selection of European listed stocks, totaling around 1600+ stocks from 15 countries. Each basket is set up upon customer request and can therefore be tailored to individual customer needs.

Upon customer request, Nasdaq will set up and calculate a basket, and list a related forward contract with the basket as underlying instrument. Baskets can be set up as either public or private (where the composition of the basket is kept non-public).

Both on-exchange and off-exchange (OTC) transactions are supported. All exchange transactions must be executed in accordance with the Exchange Rules of Nasdaq Derivatives Markets and are subject to immediate CCP clearing. Off-exchange transactions are executed outside the Exchange and reported directly for CCP clearing. Exchange transactions are done in forward contracts on public baskets, and off-exchange transactions can be done in forward contracts on either public or private baskets.

The market is a block market only (i.e. no order book trading), and transactions are registered in the same way as existing equity derivatives transactions.

The forward contract is cash settled at expiration.

For further product information, please contact product manager Håkan Walden. A service description document is available upon request.

<http://www.nasdaq.com/solutions/custom-basket-forwards>

## Information on the custom baskets underlying the CBFs

Nasdaq Copenhagen A/S is the Benchmark Administrator of the custom baskets. On the Nasdaq Benchmark Administration website the following documentation can be found:

- Custom Basket Calculation Methodology
- Benchmark Methodology Key Element
- Benchmark Statement - EMEA Custom Basket Family

See "Benchmarks under provision" on [www.nasdaq.com/solutions/nasdaq-benchmark-administration](http://www.nasdaq.com/solutions/nasdaq-benchmark-administration)

Basket weight reports with information on basket composition, weights, units per stock, etc, will be available for all baskets on Nasdaq's SFTP site.

## Product information

### Custom baskets:

<b>Basket creation</b>	Upon request
<b>Basket return types</b>	Price, Gross or Net as agreed by the parties
<b>Basket constituents</b>	Max 200 constituents in a basket
<b>Basket currency</b>	EUR, GBP, USD, SEK, DKK, or NOK
<b>Methodology</b>	Custom Basket Calculation Methodology
<b>Benchmark Administrator</b>	Nasdaq Copenhagen A/S

### Forward contracts:

<b>Contract type</b>	Forward contract with cash settlement at expiration
<b>Contract currency</b>	EUR, GBP, USD, SEK, DKK, or NOK (same as underlying basket)
<b>Maximum contract maturity</b>	Up to four months
<b>Expiration month</b>	Mar, Jun, Sept or Dec
<b>Expiration day</b>	The first trading day following the third Friday of the expiration month.
<b>Last trading day</b>	The expiration day
<b>Trading mechanism</b>	Block trading (i.e. no electronic order book)
<b>Trade price</b>	Price with up to four decimal places as agreed by the parties.
<b>Contract multiplier</b>	1
<b>Notional value per traded contract</b>	Contract multiplier x Trade price
<b>Final settlement price</b>	The basket closing level, rounded to four decimals, from the Friday prior to the Expiration day
<b>Settlement</b>	Cash settlement. Settlement amount determined at the end of the expiration day as the difference between the final settlement price and the initial trade price, payable by the seller (buyer) if the amount is positive (negative) and due on the first trading day following the expiration day
<b>Position maintenance</b>	Forward positions are kept on gross basis until expiration at which time contracts are terminated
<b>Instrument name standard</b>	SB, OB, TB or OT followed by indicator for basket return type (G, N or P), basket number (three digits), expiration year identifier (one digit), and expiration month identifier (O=March, R=June, U=Sept, X=Dec). SB = Public basket, in production OB = Private basket, in production TB = Public basket, in test OT = Private basket, in test For example, SBG0013X for forward contract on basket SBG001 with expiration in December 2023.

## Technical product information

### Trading (NDTS) and Clearing (Genium INET):

MIC	MIC name	Venue	CCY	Genium INET Clearing Market nbr	Genium INET Clearing Instrument group ID	Genium INET Clearing Instrument group nbr	Genium INET Clearing Instrument type
<b>SEWB</b>	World Basket SEK	ETD (Exchange traded)	SEK	40	FOR	3	WIF
<b>DKWB</b>	World Basket DKK	ETD (Exchange traded)	DKK	50	FOR	3	WIDKKF
<b>EUWB</b>	World Basket EUR	ETD (Exchange traded)	EUR	41	FOR	3	WIEURF
<b>GBWB</b>	World Basket GBP	ETD (Exchange traded)	GBP	48	FOR	3	WIGBPF
<b>NOWB</b>	World Basket NOK	ETD (Exchange traded)	NOK	49	FOR	3	WINOKF
<b>USWB</b>	World Basket USD	ETD (Exchange traded)	USD	42	FOR	3	WIUSDF
<b>SEOB</b>	World Basket OTC SEK	OTC	SEK	45	FOR	3	WOF
<b>DKOB</b>	World Basket OTC DKK	OTC	DKK	52	FOR	3	WIDKKOF
<b>EUOB</b>	World Basket OTC EUR	OTC	EUR	46	FOR	3	WIEUROF
<b>GBOB</b>	World Basket OTC GBP	OTC	GBP	51	FOR	3	WIGBPOF
<b>NOOB</b>	World Basket OTC NOK	OTC	NOK	53	FOR	3	WINOKOF
<b>USOB</b>	World Basket OTC USD	OTC	USD	47	FOR	3	WIUSDOF

### Market Data - GCF:

CBF will be under the above mentioned markets (MIC name in the table above). The following data is made available in GCF:

- CBF instrument (forward):
  - BasicDataTradable
  - BasicDataTradableSupplementary
  - BasicDataDerivative
  - BasicDataUnderlyingInfo
    - UnderlyingId equals IdCode of the underlying basket
  - OrderbookSummary
- Underlying basket:
  - BasicDataNonTradable
    - IdCode equals the UnderlyingId of the CBF instrument
- Basket components:
  - BasicDataUnderlyingInfo (for each basket component)
    - IdCode same as IdCode of the non-tradable

Please note that basket component data is currently one day delayed, and applicable to public baskets only.

#### Market Data – ITCH and AMD:

On the ITCH feed, reference data will be disseminated via derivative directory message for both exchange-listed and OTC baskets. Off-book trade information will only be disseminated for exchange-listed instruments.

On the AMD feed, margin prices will be disseminated for all instruments, and open interest information will be disseminated for exchange-listed instruments only.

#### Information on testing

CBFs are available for testing from Feb 23, 2023, in EqD Test (trading) and External Test 1 (clearing).

Please contact Nasdaq representatives below for the following:

- List of CBF baskets and forward instruments available in the test system
- To request access to CBF market segments in test
- To request access to test basket weight reports on Nasdaq's SFTP site
- To request a new test basket
- Support in placing test trades
- General inquiries about CBF testing

For further **technical information and information for software providers** please contact Anders Bergström.

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For information of the **product concept and product information**, please contact product manager Håkan Walden.

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#### Nasdaq Derivatives Markets