

# 3M SARON<sup>®</sup> Futures

## Supporting the Swiss market transition to a new risk-free rate

Regulatory pressures, along with ongoing issues regarding LIBOR, have created the need for alternative risk-free reference rates (RFRs). In Switzerland the National Working Group (NWG) has proposed SARON<sup>®</sup> as an alternative interest rate benchmark. To support the market with an orderly transition to the new benchmark, Eurex launched a Three-Month SARON<sup>®</sup> Futures contract, the first exchange traded SARON<sup>®</sup> Futures globally, in October 2018.

In Switzerland both LIBOR and the TOIS-fixing have stopped being the most reliable way to determine the cost of debt securities. In 2017 the NWG proposed SARON<sup>®</sup> as an alternative interest rate benchmark. At the end of 2017 the Swiss market replaced the TOIS-fixing with SARON<sup>®</sup>. Eurex Clearing AG stopped clearing TOIS Indexed Swaps at the end of 2017 and at the same time switched to a SARON<sup>®</sup> swap discounting curve for CHF swap transactions. ECAG offers clearing for SARON<sup>®</sup> swaps since 2017.

In response to market demand and in order to facilitate the orderly transition to the new benchmark rate, 3M SARON<sup>®</sup> Futures have been re-launched on **27 September 2021**. SARON<sup>®</sup> Futures constitute a market-driven alternative that seeks to attract market participants by providing the opportunity to hedge their CHF exposures while benefiting from cross margining opportunities at Eurex Clearing AG.

## KEY POINTS ABOUT SARON<sup>®</sup>:

- A collateralized reference rate based on actual market transactions and quotes in the regulated SIX Repo market.
- Calculated transparently in accordance with the Index Regulations, which are available on the SIX Swiss Exchange website. SIX uses the IOSCO Principles for financial benchmarks making SARON<sup>®</sup> compliant with international benchmark standards.
- The new risk-free interest rate for the discount of CHF OTC Interest Rate Swaps. You can clear SARON<sup>®</sup> OIS swaps at Eurex Clearing AG.

## Key benefits



### Hedging

Help the Swiss market transition smoothly to the new risk-free rate. Hedge with a future referencing the same rate as the one used for discounting.



### Lower margin requirements

Can be traded in the orderbook or in TES (block).



### Margin efficiency

Included in the same liquidation group as CHF OTC Swaps cleared at Eurex Clearing and CONF Futures & therefore offering opportunities for margin reduction with PRISMA margin methodology.



## Contract specifications

3M SARON® Futures	
<b>Underlying</b>	Average rate of the effective overnight reference rate for Swiss franc (SARON® – Swiss Average Rate Overnight) for a three-month Swiss franc deposit, taking into account the compounded interest effect.
<b>Eurex product code</b>	FSR3
<b>Contract value</b>	CHF 1,000,000
<b>Settlement</b>	Cash settlement, payable on the first Swiss exchange day following the final settlement day.
<b>Price quotation and minimum price change</b>	The price quotation is in percent, with three decimal places, expressed as 100 minus the traded rate of interest. The minimum price change is 0.005 points, equivalent to a value of CHF 12.50.
<b>Contract months</b>	Up to 36 months; the twelve nearest quarterly months of the March, June, September and December cycle.
<b>Last trading day and final settlement day</b>	Last trading day is the final settlement day. Final settlement day is the first exchange days prior to the third Wednesday of the respective maturity month, provided that on that day the SIX Swiss Exchange AG has determined the reference interest rate SARON®; otherwise, the exchange day immediately preceding that day. Close of trading in the maturing futures on the last trading day is at 18:00 CET.
<b>Minimum Block Trade size</b>	100 contracts (10 contracts for EFP services)
<b>Vendor codes</b>	<b>Bloomberg:</b> SZAA Comdy <b>Reuters:</b> 0#FSR3:

## BLOCK TRADE SERVICE

To complement the Eurex Exchange orderbook, 3M SARON® Futures trades can also be agreed bilaterally, and subsequently registered via our Eurex T7 Entry Services (TES). Thus, Eurex allows investors to combine the flexibility of customized trading with the advantages of standardized clearing and settlement. For the Eurex Block Trade Service, the transactions are subject to the minimum block trade threshold (see contract specifications). Furthermore, the TES functionalities EFS and EFP-Fin are also available for the 3M SARON® Futures.

## MITIGATING RISKS THROUGH CCR CLEARING

Eurex Clearing is one of the leading CCPs globally – assuring the safety and integrity of markets while providing innovation in risk management, clearing technology and client asset protection. We clear the broadest scope of products under a single framework in Europe – both listed products and OTC – and offer the world's widest spectrum of eligible collateral.

## Contact

### EUREX FIXED INCOME SALES

Vassily Pascalis  
T +44-20-78 62-72 11  
vassily.pascalis@eurex.com

### EUREX FIXED INCOME ETD PRODUCT DESIGN

Maesa Beany  
T +44-20-78 62-72 35  
maesa.beany@eurex.com

Jenny Ivleva  
T +44-20-78 62-70 98  
jenny.ivleva@eurex.com



November 2021 | ARBN Number: Eurex Frankfurt AG ARBN 100 999 764

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