OneChicago

The exchange for single stock futures

Interactive Brokers
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OneChicago is a joint venture

CBOE
CHICAGO BOARD OPTIONS EXCHANGE

Interactive Brokers
The Professional's Gateway to the World's Markets

CME Group
A CME/Chicago Board of Trade Company

OneChicago is the Exchange for Single Stock Futures in the U.S.

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OneChicago Overview

Innovative Products	Fully Electronic	Structured for Liquidity	Open and Transparent Markets
• Over 500 single stock futures • ETF futures: DIAMONDS® ,SPY ® XLE, XLF, XLU, XLV • PowerSharesQQQ®, Russell 2000® • 1 SSF contract = 100 shares of underlying stock • 1 ETF Future contract = 1000 shares of stock, DIA contract=100 shares	• State of the art technology using the CBOEdirect® match engine • Access to OneChicago from CBOEdirect or GLOBEX® • CBOEdirect supports FIX and CMi APIs	• Lead Market Maker System* • Continuous two-sided markets and fast fills • WYSIWYG "What you see is what you get" quotes and execution	• Bid / Offer transparency and market depth • Anonymity • In US, Trade from securities or futures accounts

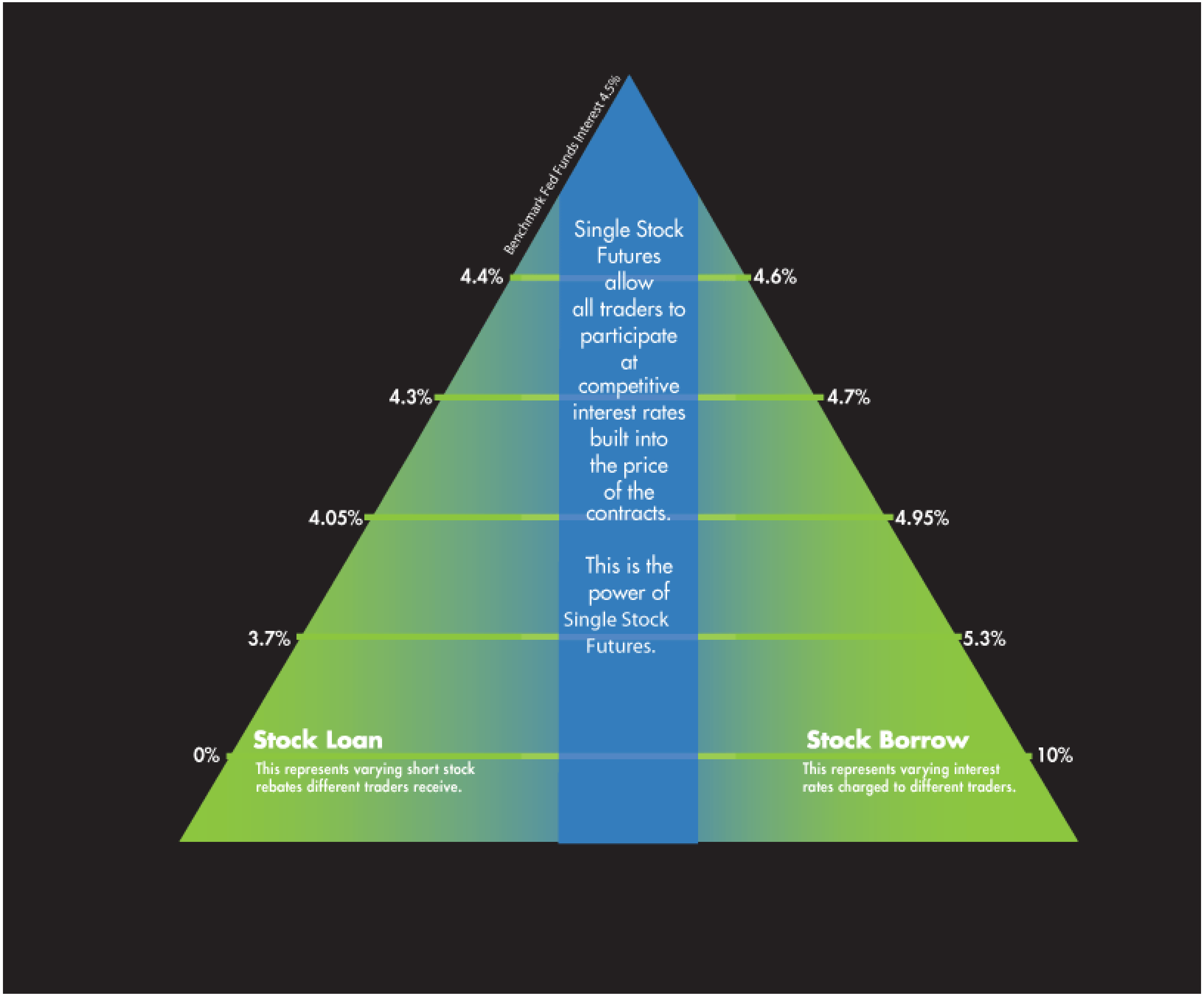
*For products listed on **www.OneChicago.com** with an * no LMM will be responsible for making continuous two-side markets.

The Problem

Trading costs for stocks come in the form of commissions, execution cost, and financing costs.

A great deal of attention is paid to commissions which are explicit, and with the advent of smart routers, more attention is being paid to execution cost

But despite the fact that most trade cost comes from financing charges or lack of interest paid, little attention is focused on financing rates because they are not transparent.


Benchmark Fed Funds Interest 4.5%
Single Stock Futures allow all traders to participate at competitive interest rates built into the price of the contracts.
This is the power of Single Stock Futures.
4.4%
4.6%
4.3%
4.7%
4.05%
4.95%
3.7%
5.3%
0%
10%
Stock Loan
This represents varying short stock rebates different traders receive.
Stock Borrow
This represents varying interest rates charged to different traders.

Long Stock Vs. SSF

Using 100 shares of RIMM at 115 and an interest rate of 5.75% and putting up 50% margin and holding the trade for 60 days, versus buying an SSF.

- Borrowing 50% of the position at 5.75% will cost $55.11 for 60 days

  $55.11=$5750.00*(5.75%/360) *60day

- No dividend

- Total Cost per 100 shares **$55.10**

- SSF cost for the sixty days **$88.00**(buy SSF $115.88)
- Performance Bond (20%*$115.88*100)=$2317.60
- Interest earned **$17.23**= (20%*$115.96*100* (4.46%/360)* 60days
- Invest difference of $5750-$2317.60 (SSF Bond) =$3432.40
- Interest earned **$25.51**=$3432.40*(4.46%/360) *60 days
- SSF cost: **$45.26**

Total savings on 100 shares using SSF v. Stock = **$9.84**

Exchange for Physical (EFP)

•An Exchange for Physical (EFP) allows the swap of a long or short stock position for a Single Stock Future (SSF) or vice versa.

•SSFs have an interest rate built into their price that is determined competitively by numerous market participants.

•Like Repos and Reverse Repos in the debt markets, EFP's provide a cheap and efficient financing vehicle.

•The EFP transaction is one where you sell the stock and buy the SSF, or you buy the stock and sell the SSF.

•You do the two legs as one transaction via an EFP.

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The Solution - EFP

Long Stock

If you carry a long stock position on margin, the EFP gives you the opportunity to reduce your financing cost because you will likely be able to sell the stock and buy the SSF (forward price) at a premium that is lower than your margin rate.

The Solution - EFP

Short Stock

If you are short the stock, you receive interest on the credit balance generated by your short sale, but this interest is less than the premium you would receive by selling the SSF and buying back the short stock.

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Short Stock Vs. SSF

Go short 100 shares of RIMM at 115 with 100% of the stock value held in cash as Margin , interest earned on short sale proceeds.

- Interest earned= **$85.48**
- (100% * $115.00 * (4.46% /360) * 60 days)
- No dividend paid

- Sell SSF $115.88 income earned **$88.00** ($115.88-$115.00)
- Interest earned on performance bond
  $17.23=(20%*$115.88*100* (4.46%/360)* 60 days
- Opportunity gained : invest $11,482.40= $13,800-$2317.60(SSF margin)
- Interest earned
  $85.35=$11482.40*(4.46%/360)* 60 days
- **$190.58**=$88.00+$17.23+$85.35

Income earned from Selling 1 SSF (100 shares per contract) vs. Selling 100 shares of Stock = **$105.10**

The Solution - EFP - Excess Cash

Excess Account Balance

If you have excess cash in your account and would like to earn a higher return, you could buy stock and sell a SSF (a forward price) at a premium higher than the interest your cash generates.

Interest on Cash Balance vs. Synthetic Yield EFP

Term of EFP , trade period-60 days

- Cash Balance-$250,000
- Interest Earned :

$1,858.33=$250,000*(4.46%/360)*60days

- Synthetic Yield EFP – (Buy1800 shares of Stock $120.00, Sell 18 SSF contracts at $121.00).
- Capital required : $226,800= (1800*$120.00=$216,000)+Margin for Synthetic EFP (5% * $216,000=$10,800)
- **$1,800.00** = (18 contracts(100 shares per contract)) *$1.00($121.00-$120.00)

$172.45 = $23,200($250,000-$226,800)*(4.46%/360)*60 days

$1,972.45 Income Earned

Extra income **$ 114.12**

OneChicago Quote Vendors

- Delayed snapshot quotes and daily market summaries are available on OneChicago's Web site at www.OneChicago.com

- For real-time quotes, traders should inquire directly with their current vendor for subscription information, or contact one of the vendors listed below.

Belzberg Technologies Inc. (HYTS®)
Bloomberg
ComStock
CQG, Inc.
Data Transmission Network (DTN)
eSignal
FutureSource
Moneyline Telerate
Reuters
Thomson Financial – ILX
Townsend Analytics
TrackData
Trade Station Technologies

Subject to change.
For complete list see OneChicago Web site

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Security futures trading involves the risk of loss, including the possibility of loss greater than your initial investment. Security futures may not be suitable for all investors. Consult your broker or financial advisor before trading.

All investors will be required to review risk disclosure materials and meet suitability requirements established by their brokers.

You should carefully review all disclosure statements and ensure you understand the risks of trading security futures.

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Web site:

www.OneChicago.com

> see full product listing

> get delayed snapshot quotes

> view daily market summaries

> explore our Learning Center

> **Use the calculator to compare SSF with equities.**

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