

OneChicago ✕

*The exchange for single stock futures*

***Welcome to OneChicago:  
Using Single Stock Futures as an  
alternative to selling Stock  
Short.***

***Aug 2008***

*Copyright ©2008 OneChicago, LLC. All rights reserved.*



# OneChicago Overview

## Innovative Products

- Over 850 Single Stock Futures
- 36 ETF Futures: DIAMONDS<sup>®</sup> IWM<sup>®</sup>, QQQQ<sup>®</sup>, FXI, EEM, MDY, EWZ, SPY, XLE, XLF, XLU, XLV, GLD
- 1 SSF contract = 100 shares of underlying stock

### Two Types ETF

#### Contracts sizes

- 1) one contract = 1000 shares,
- 2) one contract = 100 shares (mini)

## Fully Electronic

- State of the art technology using the CBOEdirect<sup>®</sup> match engine
- Access to OneChicago from CBOEdirect or GLOBEX<sup>®</sup>
- CBOEdirect supports FIX and CMi APIs

## Structured for Liquidity

- Lead Market Maker System\*
- Continuous two-sided markets and fast fills
- WYSIWYG "What you see is what you get" quotes and execution

## Open and Transparent Markets

- Bid/Offer transparency and market depth
- Anonymity
- In US, Trade from securities or futures accounts

\*For products listed on [www.OneChicago.com](http://www.OneChicago.com) with an \*, no LMM will be responsible for making continuous two-side markets.

# *Single Stock Futures*

- **Security futures** is the term used to collectively describe futures on individual stocks, narrow-based indexes and Exchange Traded Funds (ETFs).
- **Single stock futures** (SSFs) are an agreement to purchase or sell an underlying security at a designated date in the future (the expiration date).

OneChicago ✕



# ***The Profile of Single Stock Futures***

- **The price movement of the SSF is tightly coupled to its underlying Stock.**
- **Unlike Stock, there are no ownership, dividend or voting rights contained in a SSF.**
- **Contracts are cleared through the AAA-rated OCC (Option Clearing Corporation) or the CME Clearing House.**
- **OneChicago's SSF contracts expire into a CUSIP position at expiration. There is no early exercise.**
- **SSFs can be held in either a securities or commodity account.**

OneChicago ✕



***Single Stock Futures (SSFs) are an agreement to purchase or sell an underlying security at a designated date in the future (the expiry date).***

- **SSFs are competitively priced and traded on a regulated market**
- **SSFs are a derivative product whose value is derived from the stock:**
- **Futures Price = Stock Price *plus* Interest *minus* Dividends**
- **Futures price = stock price x [1+(interest rate/360) x days to expiration] – dividend (if any to expiry)**

**SSFs where Your Interest comes First!**

\*Simple pricing formula

OneChicago ✕



***"Shorting" is the practice of selling securities the seller does not own, in the hope of repurchasing them later at a lower price.***

***Short Selling Requirements for Stocks under recent SEC mandate:***

- 1) The Broker needs to "Pre-Borrow" or enter into a "Borrow Agreement" prior to executing the trade.
- 2) Fees may be assessed for the "Borrow Agreement".
- 3) You run the risk of the borrowed shares being recalled by the lender and the stock being bought back.

OneChicago ✕



## **Requirements for Selling the Single Stock Future**

***Simply sell the SSF on the underlying using the expiration month that most closely mirrors your time horizon.***

### **Benefits:**

- ***Capture 100% of the built in interest rate rather than a 'rebate' from the brokerage on the invested proceeds from the stock sale.***
- ***No risk of the borrowed Stock being recalled or having the rebate rate change during term.***
- ***Same economic exposure as a short stock position.***

OneChicago ✕





## ***Settlement Process for Single Stock Futures***

**At expiry, if not offset prior, the holder of the short SSF delivers to the holder of the long SSF through the DTCC.**

**At expiry, if not offset prior, the short holder of a SSF needs to have discussions with their brokerage house as the underlying stock will need to be delivered or a short stock position (with required borrowing) will be established.**

**In summary by selling the SSF you are deferring the possible borrow arrangement needed until the respective expiry of the SSF traded.**

OneChicago ✕





## OneChicago Calculator

Evaluate the benefits of SSFs vs. margin trading

CLICK TO TRY THE  
**OneChicago** Calculator

- **The OneChicago calculator allows the investor to compare the costs and incomes from trading two equivalent position: Stock or the SSF.**
- **When using the calculator it is important to key in the rates you are subject to. All trading is an interest rate game and the costs and incomes from both the Stock world and the SSF world are best compared via an interest rate analysis.**
- **Choose a stock along with the expiration date, number of shares, percent you will finance and your long and short interest rates. The calculator then determines your net cost of buying and income from selling either the stock or the SSF and displays the results as an interest rate for easy comparisons.**
- **By placing your mouse over the areas of the calculator you are able to expand the details of your results and understand how the numbers were derived.**

[www.onechicagocalculator.com/index.php](http://www.onechicagocalculator.com/index.php)

**For more information click the link below:**

**[www.OneChicago.com](http://www.OneChicago.com)**

**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.**

**OneChicago** ✕



©2008 OneChicago LLC. All rights reserved

The information in this presentation has been compiled by OneChicago, LLC (OneChicago) for general information purposes only. Although every attempt has been made to ensure the accuracy of the information, OneChicago assumes no responsibility for any errors or omissions. Examples herein are hypothetical situations used for explanation purposes only and should not be considered investment advice. All matters pertaining to rules and specification herein are made subject to and are superceded by the official OneChicago rules.

The Exchange for Single Stock Futures<sup>sm</sup> is a service mark of OneChicago. CME Group<sup>™</sup> is registered trademark of CME Group, Inc.®. CBOE® and The Chicago Board Options Exchange® are registered trademarks of The Chicago Board Options Exchange, Incorporated. Other names, logos, designs, titles, words or phrases may constitute trademarks, service marks or trade names of OneChicago or other entities and which may be registered in certain jurisdictions

"Dow Jones, "The Dow, "Dow Jones Industrial Average", "Dow Jones Industrials", "DJIA" and "DIAMONDS" are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by OneChicago. OneChicago's DIAMONDS futures are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such products.

PowerShares QQQ® is not sponsored, endorsed, sold or promoted by either PowerShares Capital Management LLC, The Nasdaq Stock Market Inc. or the PowerShares QQQ Trust, Series 1 (together "ETF Related Parties"). ETF Related Parties make no representation or warranty, express or implied, to the owners of the PowerShares QQQ® or any member of the public regarding the advisability of trading in the Contract(s). ETF Related Parties only relationship to OneChicago is the licensing of certain trademarks and trade names of PowerShares and Nasdaq respectively. The ETF Related Parties are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the PowerShares QQQ® to be listed and have no obligation or liability in connection with the administration, marketing or trading of the PowerShares QQQ®. The PowerShares QQQ® have not been passed on by the ETF Related Parties as to their legality or suitability. The PowerShares QQQ® are not issued, endorsed, sold, or promoted by the ETF Related Parties. The ETF Related Parties make no warranties and bear no liability with respect to the contract(s)."

"Russell 2000® is a trademark and service mark of the Frank Russell Company."

"SPDR® S&P 500® ETF®", are trademarks of The McGraw-Hill Companies, Inc. and State Street Global Markets, LLC.

OneChicago ✕

