

## Interest Rate Futures

**5 Years Government Bond Futures** is futures contract on 5 Year Thai Government Bond with 5% coupon rate

**3M BIBOR Futures** is interest rate futures contract on 3M BIBOR

**6M THBFIX Futures** is interest rate futures contract on 6 M THBFIX

### Symbol of Interest Rate Futures

- Character No. 1 – 6 (No longer than 6 letter) represent the underlying asset which will be TGB5 (for 5Y Government Bond Futures), BB3 (for 3M BIBOR Futures, and TBF6 (for 6M THBFIX Futures)
- Character No.7 represent the expiry month including
  - H : March
  - M : June
  - U : September
  - Z : December
- Character No.8 – 9 represent expiry year by using the last 2 digits of the following year such as the year 2012 will be represented by 12

### Example

- TGB5Z12 is 5 Year Government Bond Futures contract expiry in December 2012
- BB3Z12 is 3M BIBOR Futures contract expiry in December 2012
- TBF6Z12 is 6M THBFIX Futures contract expiry in December 2012

### Contract Specification of 5 Years Government Bond Futures

Specification	Detail
Underlying Asset	5 Year Government Bond with Coupon rate of 5% per year and pay interest semi annually
Expiry Month	2 nearest quarter month: March, June, September and December
Contract Size	1,000,000 Baht
Tick Size	0.01 or equivalent to 100 Baht per 1 contract

Specification	Detail
Trading Session	Pre-open 9.15 – 9.45 am Morning Session 9.45 – 12.30 am Pre-open 14.00 – 14.30 pm Afternoon Session 14.30 – <b>16.00</b> pm
Daily Price Limit	<ul style="list-style-type: none"> <li>Initial price limit is <math>\pm 2.50\%</math> from previous day settlement price. Should traded price reaches the limit, trading will be halted for a certain period announced by TFEX</li> <li>After trading assume, the price limit will be expanded to <math>\pm 5.00\%</math> of previous day settlement price</li> </ul>
Final Settlement Price	<ul style="list-style-type: none"> <li>Base on basket of eligible bond A designated basket of Government bonds with a Minimum issuance size of Baht 5,000 and 4 – 6 year term to maturity on the first calendar day of the contract month</li> <li>Calculated from average yield quoted by primary dealer (4 decimal points)</li> </ul>
Position Limit	Net 20,000 contracts on one side of the market in any contract month or all contract months combined
Reportable Level	From 500 contracts net long or short in any contract month or all contract month combined
The Last Trading Day	The third Wednesday of the contract month
Settlement Method	Cash Settlement

#### The Basket of Eligible Bond

The Basket of Eligible Bond needs to have the following qualification

- Outstanding value on the announcement date by TFEX of each of the Lone Bond in the basket should not be less than 5,000 million Baht
- Time to maturity of the eligible bond in the basket will be in the range of 4 – 6 year on the announcement date
- Basket of eligible Bonds which will be announced by TFEX on October 18, 2010 is as shown in detail in below table

Series	Issue Code	ISIN Code	Maturity Date	Coupon (%)	Amount ฿ (Million)*
TGB5Z10	LB14DA	TH062303OC00	3 Dec, 14	5	44,000
	LB155A	TH062303P508	22 May, 15	3.625	101,572
	LB157A	TH062303P706	7 July, 15	7.2	35,950
	LB15DA	TH062303PC09	11 Dec, 15	3.125	20,000
	LB167A	TH062303Q704	27 July, 16	5.4	52,000
	LB16NA	TH062303QB09	18 Nov, 16	4.125	55,000
TGB5H11	LB155A	TH062303P508	22 May, 15	3.625	101,572
	LB157A	TH062303P706	7 July, 15	7.2	35,950
	LB15DA	TH062303PC09	11 Dec, 15	3.125	20,000
	LB167A	TH062303Q704	27 July, 16	5.4	52,000
	LB16NA	TH062303QB09	18 Nov, 16	4.125	55,000
	LB171A	TH062303R108	18 Jan, 17	5.5	40,000

\*Information at October 1, 2010

- TFEX will be announced the Basket if Eligible Bond of each of Series at least 7 days before the nearest futures contract last trading day.

#### Trading Practice on 5 Year Government Bond Futures

##### 1. The order entry of Combination Order

Bid – Offer should not be larger than  $\pm 1.5$  from the previous settlement price of each of Series in the Combination Order

##### 2. The risk management on order entry

Order entry need to be checked by asking for the confirmation from the customer in case of Bid or Offer price entry exceed  $\pm 1\%$  of the last execution price

##### 3. Final Settlement Price

The Final Settlement price of 5 Year Government Bond Futures contract will be calculated from the average of Bid – Offer Yield of the eligible bond in the basket quoted by 9 primary dealers. The detail will be described below

- The Cash Flow discount method will be implemented by using mid range of the average yield from the eligible bond in basket
  - Average Bid and Offer Yield of each of the eligible bond in the basket quoted by 9 Primary dealers and cut off the highest and lowest yield of Bid and Offer
  - Mid Range will be calculated from the average of Bid and Offer Yield which will be used as final Yield to the futures contract expiry in the following month
- Discount futures cash flow with the Final Yield by using Mid Range which will be Equally Weighted Average from the basket of the eligible bonds. The Final Yield will be in 4 decimal points

ณ วันซื้อขาย

วันสุดท้าย

Bond Dealers

Quote ราคา/yield ที่ยอมรับแต่ละรุ่นใน Basket

Trading Hours

After Trading Hours (after 16:00)

**ตัวอย่างการคำนวณ**

- ใน Basket มี Bond 3 รุ่น
- กำหนดให้ธนาคาร 9 บริษัทเป็นผู้เสนอซื้อ (Bid) และเสนอขาย (Offer)
- ตัด 1 อันดับสูงสุด และต่ำสุด ของ Bid
- ตัด 1 อันดับสูงสุด และต่ำสุด ของ Offer
- เอา Bid / Offer มาเรียงกัน แล้ว ทำ Simple Average ของ Bond นั้นๆ
- ทำซ้ำ ข้อ 3-5 สำหรับ Bond ที่เหลือ
- เอา Average bid-offer ของ Bond ทั้งหมด มาทำ Average อีกครั้ง จะได้เป็นค่า Final Yield *ปิดให้เป็นที่นิยม 4 ตำแหน่ง*
- นำค่า Final Yield มาคำนวณ Settlement price ตามสูตรในหน้าถัดไป (*ที่นิยม 4 ตำแหน่ง*)

	Bond 1	Bond 2	Bond 3	
Bid 1	<b>3.2800%</b>	<b>3.1900%</b>	<b>3.3300%</b>	
Bid 2	3.5935%	3.4000%	3.4200%	
Bid 3	3.6210%	3.4300%	3.5800%	
Bid 4	3.6800%	3.4710%	3.6500%	
Bid 5	3.6900%	3.5435%	3.7310%	
Bid 6	3.8300%	3.5800%	3.7400%	
Bid 7	3.8700%	3.5900%	3.8400%	
Bid 8	3.9400%	3.8400%	3.8800%	
Bid 9	<b>3.9540%</b>	<b>3.9200%</b>	<b>3.9854%</b>	
Offer 1	<b>3.0100%</b>	<b>3.0100%</b>	<b>3.0300%</b>	
Offer 2	3.1400%	3.0800%	3.0900%	
Offer 3	3.1400%	3.0900%	3.1200%	
Offer 4	3.1410%	3.1100%	3.1400%	
Offer 5	3.1500%	3.1100%	3.1750%	
Offer 6	3.1500%	3.2600%	3.1900%	
Offer 7	3.1570%	3.3100%	3.2510%	
Offer 8	3.1572%	3.3400%	3.2770%	
Offer 9	<b>3.1600%</b>	<b>3.3600%</b>	<b>3.3990%</b>	
Average	3.447121%	3.368179%	3.434571%	3.416624%
Final Yield	<b>3.4166%</b>			

- The Final Settlement Price will be calculated from Final Yield quoted by 9 primary dealers with the Face Value of 100 Baht (4 decimal points)

$$\text{Final Settlement Price} = \sum_{i=1}^{10} \frac{2.5}{\left(1 + \frac{y}{2}\right)^i} + \frac{100}{\left(1 + \frac{y}{2}\right)^{10}} \quad (1)$$

หรือ

$$= \left\{ \frac{c}{y} \left( 1 - \left( 1 + \frac{y}{2} \right)^{-10} \right) + \left( 1 + \frac{y}{2} \right)^{-10} \right\} * 100 \quad (2)$$

C is the coupon rate with 5% per year

Y is the Final Yield quoted by 9 primary dealers

From example: Average yield is equivalent to 3.4166%. This is to be placed in the following formula

$$= \left\{ \frac{0.05}{0.034166} \left( 1 - \left( 1 + \frac{0.034166}{2} \right)^{-10} \right) + \left( 1 + \frac{0.034166}{2} \right)^{-10} \right\} * 100$$

$$= 107.2212828$$

Contract Specification of 3M BIBOR Futures and 6M THBFIX Futures

Specification	3M BIBOR Futures	6M THBFIX Futures
Underlying Asset	3 Month BIBOR	6 Month THBFIX
Settlement Month	March, June, September and December	
	2 nearest quarter	4 nearest quarter
Price Quotation	Quotation in term of index 100 – 3M BIBOR (on annual basis with 3 decimal points)	Quotation in term of index 100 – 6M THBFIX (on annual basis with 3 decimal points)
Contract Size	10,000,000 Baht	
Tick Size	0.005	
	Equivalent to 125 Baht /contract	Equivalent to 250 Baht/contract
Daily Price Limit	<ul style="list-style-type: none"> <li>Initial price limit is +/-1.25% from previous day settlement price. Should traded price reached the limit, trading will be halted for a certain period announced by TFEX.</li> <li>After trading resumes, the price limit will be expanded to +/-2.50% from previous day settlement price.</li> </ul>	
Trading Hour	Pre-open	9.15 – 9.45 am
	Morning Session	9.45 – 12.30 am
	Pre-open	14.00 – 14.30 pm
	Afternoon Session	14.30 – 16.00 pm

Specification	3M BIBOR Futures	6M THBFX Futures
Final Settlement Price	100 – 3M BIBOR (calculated from 3M BIBOR at 11.00 am(BKK time) of the last trading day (4 decimal points))	100 – 6M THBFX calculated from 3M BIBOR at 11.00 am(BKK time) of the last trading day (4 decimal points))
Position Limit	Net 2000 contracts on one side of the market in any contract month or all contract months combined.	Net 2000 contracts on one side of the market in any contract month or all contract months combined.
Reportable Level	From 500 contracts net long or short in any contract month or all contract months combined	From 500 contracts net long or short in any contract month or all contract months combined
Last Trading day	The third Wednesday of the contract month	
Settlement Method	Cash Settlement	

#### Trading Practice on 3M BIBOR and 6M THBFX Futures

##### The order entry of Combination Order

Bid – Offer should not be larger than  $\pm 1.5$  from the previous settlement price of each of contract month in the Combination Order

##### The risk management on order entry

Order entry need to be checked by asking for the confirmation from the customer in case of Bid or Offer price entry exceed  $\pm 0.5\%$  from the last execution price

#### Marginal Requirement of Interest Rate Futures

Underlying		Retail			Institution		
		IM	MM	FM	IM	MM	FM
5Y Government Bond	Outright	7,220	5,054	2,166	5,130	3,800	N/A
	Spread	1,805	1,263.50	541.50	1,282.50	950	N/A
6M THBFX	Outright	7,220	5,054	2,166	5,130	3,800	N/A
3M BIBOR	Outright	760	532	228	540	400	N/A

**Notice:** No combination order in the between 3M BIBOR Futures and 6M THBFX Futures

### Exchange Fee for Interest Rate Futures

Calculate commission by contract by day. Classifying each trading order execution channel to the following;

Fee includes all charges, commission, trading fee, expenses related to Clearing Fee

5Y Gov. Bond	Fee Charged (Marketing)	Fee Charged (Internet)
1 May,11 – 31 Oct, 12	55 THB	50 THB
1 Nov, 12 onward	60 THB	55 THB
6M THBFIX	Fee Charged (Marketing)	Fee Charged (Internet)
1 June, 11 – 30 Nov, 12	110 THB	100 THB
1 Dec, 12 Onward	120 THB	110 THB
3M BIBOR	Fee Charged (Marketing)	Fee Charged (Internet)
1 June, 11 – 30 Nov, 12	110 THB	100 THB
1 Dec, 12 Onward	120 THB	110 THB

**Notice:** Fee charged above has not yet include VAT7%