

Nasdaq Custom Basket Futures & Forwards

Frequently Asked Questions

What are Nasdaq Custom Basket Futures & Forwards?

Custom Basket Futures & Forwards allow investors to create a cash settled futures or forward contract on a customized equity basket, combining tailored and bespoke elements with the benefits of CCP clearing and trading on a regulated market.

Who are Nasdaq Custom Basket Futures & Forwards for?

Custom Basket Futures & Forwards are for investors seeking tailored and cost-efficient equity exposures without bilateral risk, dependency in liquidity provision and entering/maintaining ISDA agreements. Nasdaq has developed Custom Basket Futures & Forwards to address an increasing demand for a simpler and more efficient way to handle equity exposures with standardized contracts on a regulated market.

What are the advantages of trading Nasdaq Custom Basket Futures & Forwards?

For buy-side:

For firms who are finding equity swaps increasingly difficult due to the pressure of regulations and changes in the industry, Custom Basket Futures & Forwards offer a simple and cost-effective alternative, that gives them tailored equity exposure to a broad universe of stocks in a single contract, with the benefit of CCP clearing and trading on a regulated market.

For sell-side:

For banks who are looking for new ways to reach buy-side clients locked in ISDA agreements with other banks, clients who don't want to trade swaps/bilateral, or clients who want more cost-efficient ways to create tailored equity exposure, Custom Basket Futures & Forwards offer a simpler and more efficient way to handle equity exposures with standardized contracts on a regulated market.

What are the main drivers for Custom Basket Futures & Forwards?

The main drivers are:

- Global market exposures with simplified operations and execution in local currency
- Cost-effective alternative to Total Return Swaps
- Exchange-Traded Derivative status and benefits of Central Counterparty (CCP) clearing

Who can submit basket requests?

Exchange- and Clearing members of Nasdaq Stockholm AB can submit basket requests following the signing of a license agreement and subject to the Exchange Rules and Clearing Rules of Nasdaq Derivatives Markets.

How is the basket set up practically?

Baskets are set up by submitting a basket request (a pre-defined basket request template) to product.management@nasdaq.com

What is the lead time from requesting the basket until it is possible to trade and clear basket derivatives?

Basket requests submitted before CET 12:30 will be available for trading and clearing upon opening the following business day.

Where can I find the Corporate Action treatments?

The Custom Baskets Calculation Methodology including the corporate action treatments is available [here](#).

What elements can be tailored upon basket creation?

The following elements can be customized:

- Basket currency
- Return type
- Basket composition
- Basket weights

The referenced derivatives are traded and cleared in the same currency as the defined base currency of the basket.

Which FX conversion rate is used for stocks traded in a different currency than the basket currency?

End-of-day FX conversion (basket closing level) is based on official WM company rate as defined in the Custom Baskets Calculation Methodology.

What are the withholding tax rates for net return basket calculations?

Country specific withholding tax rates are applied in accordance with the Custom Baskets Calculation Methodology.

How is rebalancing of baskets managed?

Practically, a change of the basket is managed by setting up a new custom basket and rolling the futures or forward position to a new futures or forward contract based on the new custom basket. This can be managed either in conjunction with the quarterly expirations or intra-quarter.

Is it possible to define a basket with a negative number of stocks?

No. The number of units per stock included in a basket must be a positive number. Short exposures are managed by selling the referenced derivatives contract.

Where is the basket level available?

The basket level is disseminated to a designated ticker in Bloomberg and a RIC at Refinitiv in addition to daily publications of weight reports to Nasdaq's SFTP.

Is there a daily valuation for the futures and forwards provided by the CCP/Exchange?

Yes. For futures, a daily settlement price is published by the CCP. For forwards, a daily margining value is published by the CCP. The value is derived from the underlying basket value plus risk free interest rate and deduction of dividends if applicable.

Is it possible to set up a basket with its composition undisclosed?

Yes. Upon basket creation the requestor of the basket has the possibility to select if the daily weight reports of the basket should be public or private. Public baskets are transacted as ETD's and private baskets are available for clearing only.

What are the fee levels for Custom Basket Futures & Forwards?

A transaction and expiration fee of 0.15 bps of the notional value applies for member accounts and 0.30 bps of the notional value for client accounts.

Where can I find the stock basket universe?

The stock basket universe can be found on the Nasdaq SFTP as defined in the Quotation List. Currently the stock universe includes +2 000 stocks from 16 markets covering Europe and U.S.

Will additional markets be included in the universe?

Yes, additional markets will be added to the service based on member and client interest.

How is risk- and default management being managed?

Margins are being handled within the OMSII margin model and default management is based on a close out provider structure whereby a defaulting members' portfolio will be auctioned to close out providers.

