

## CME Equity Products



### CME E-mini® MSCI EAFE® Futures » Frequently Asked Questions

**1) How long has the MSCI EAFE Index been in existence?**

The MSCI Europe, Australasia and Far East Index (EAFE, pronounced ee-fah) has been calculated by Morgan Stanley Capital International (MSCI) since January 1970. Pension plan sponsors and money managers around the world — particularly in North America — have long considered the MSCI EAFE Index to be **the** key international benchmark for developed countries. About \$1.5 trillion is benchmarked to the MSCI EAFE Index.

**2) With the MSCI EAFE Index containing over 1,100 stocks across 21 countries, how does MSCI calculate the cash index, and when is the daily value posted (i.e., what currency is used and what time does the daily settlement value come out)?**

MSCI determines the closing value for the MSCI EAFE Index every business day at 4:00 p.m. London time (10:00 a.m. Chicago time). MSCI calculates the MSCI EAFE Index in U.S. dollars. The closing prices of each component issue are used and the appropriate spot currency (obtained from Reuters at 4:00 p.m. London time) conversion is made. The final USD prices are used to calculate each issue's market cap, which, in turn, is used in the daily settlement of the MSCI EAFE Index.

**3) What is the actual index that the futures track?**

MSCI calculates a price index (currently trading around 1770), a total return index based on gross dividends (currently trading around 4600) and a total return index based on net dividends (which takes into account taxes on dividends and is currently trading at 3650). CME E-mini MSCI EAFE futures track the MSCI EAFE price index.

**4) How does MSCI maintain the Index – i.e., how often is the Index rebalanced to reflect mergers, acquisitions, bankruptcies and other corporate events?**

The Index is maintained during three different time periods: Annually, quarterly and as needed. In May, an annual full country index review is conducted and implemented on the last business day of the month. The purpose of this review is to reassess the equity universe for all countries, evaluate free-float adjustment factors, and update guidelines. The quarterly review process is designed to ensure that the Index reflects the equity market place. During these reviews, constituents may be added or deleted, and changes may be made to the free-float adjustment factor and the number of shares. The Index also may be reviewed and adjusted on an as-needed basis, due to ongoing event-related changes such as mergers, acquisitions, and other corporate events.

**5) Do the futures settle at the same time as the cash index?**

No. CME E-mini MSCI EAFE futures trade until 3:15 p.m. (Chicago time). The futures begin trading for the next trade date at 3:30 p.m. Chicago time.

**6) What is the contract size for CME E-mini MSCI EAFE futures?**

The contract size is the Index value times a multiplier of \$50 per index point. With the Index at 1770.00, the contract size is approximately \$88,500 USD.

**7) Some foreign index futures, such as CME Nikkei 225 futures, trade via open outcry and electronic platforms. On which platform(s) do CME E-mini MSCI EAFE futures trade?**

CME E-mini MSCI EAFE futures trade electronically only on the CME Globex trading system.

**8) Are CME E-mini MSCI EAFE Index futures available for trading around the clock?**

CME E-mini MSCI EAFE futures will be available nearly around the clock. Trading stops from 3:15 p.m. (Chicago time) until 3:30 p.m., and again for 30 minutes from 4:30 p.m. until 5:00 p.m. Thus, the contract trades for 23 1/4 hours during the trading day. Trading on Sundays begins at 5:00 p.m.

**9) Are exchange for physicals (EFPs) and block trading available on CME E-mini MSCI EAFE futures? Is the iShares MSCI EAFE ETF deliverable for EFP purposes?**

Block trading and EFPs are available with CME E-mini MSCI EAFE Index futures, with a 50 contract minimum. The iShares MSCI EAFE ETF can be used in EFP transactions.

**10) Is there a month-end fair value settlement for CME E-mini MSCI EAFE index futures?**

No. Because the components of the underlying spot index are from 21 countries in multiple time zones around the world, it is impossible to obtain a truly updated cash market calculation like those CME receives for domestic indexes. Hence, a fair value calculation is not possible. For example, the Asian components of the Index will have been closed for several hours by the time the CME E-mini MSCI EAFE futures close at 3:15 p.m. Those prices are, in effect, stale, and cannot be used to provide an accurate fair value calculation.

**11) Is there a special opening quotation of CME E-mini MSCI EAFE futures at final settlement as with other CME equity products?**

There is no special opening quotation for CME E-mini MSCI EAFE futures. The final settlement price will be the closing index level of the MSCI EAFE Index calculated by MSCI, rounded to the nearest 1/100<sup>th</sup> of an index point. This value will be based on the closing prices of the stocks at their respective primary exchanges on the third Friday of the contract month. Closing prices will be converted from local currency to U.S. dollars based on the spot exchange rate provided by Reuters at 4:00 p.m. London time on the day of the final settlement price calculation.

**12) What is CME doing to generate liquidity from the first trading day?**

CME is instituting a market-making incentive program for CME E-mini MSCI EAFE futures, designed to help facilitate deep, narrow, two-sided markets that can accommodate size. The exchange will have up to four market makers at the commencement of trading.

**13) How can I access the CME Globex system (and in turn, CME E-mini MSCI EAFE futures)?**

There are a number of ways to access the CME Globex platform. Futures Commissions Merchants (FCMs) and other brokers typically provide access via a proprietary front-end system that connects to the CME Globex system, or through one of the ISVs that offers access to the system. CME clearing member firms also usually provide access. Anyone who has previously traded CME equity futures should be able to easily access CME E-mini MSCI EAFE futures on the CME Globex system.

**14) Are calendar spreads available so that I can roll positions from one expiration to the next in an efficient manner?**

Yes, market makers are required to make two-sided markets during the roll period to facilitate this trade.

**15) What are the position limits for CME E-mini MSCI EAFE futures?**

The position limit is 10,000 contracts. In some cases, bona fide hedgers can obtain exemptions to exceed this limit.

**16) What are the initial and maintenance margins on CME E-mini MSCI EAFE futures?**

Initial and maintenance margins will be posted on the CME Web site at [www.cme.com](http://www.cme.com) just prior to the first day of trading.

**17) What is the order quantity restriction on CME E-mini MSCI EAFE futures on the CME Globex system?**

The CME E-mini S&P 500 product has an order quantity restriction of 1,500 contracts. The order quantity restriction for all other CME equity contracts, including CME E-mini MSCI EAFE futures, is 500 contracts.

**18) Are options on CME E-mini MSCI EAFE futures also available?**

Initially, no. CME typically likes to establish core liquidity in a contract before listing options on it. Nearly all CME futures contracts have options listed for trading, so stay tuned.

**19) What are the daily price limits for CME E-mini MSCI EAFE futures?**

Although most CME equity futures contracts have daily price limits, the CME E-mini MSCI EAFE futures contract initially will not have price limits.

**20) How is the final settlement price determined if a primary exchange (where MSCI EAFE Index component stocks trade) is closed or if a component stock fails to trade on the day scheduled for determination of the final settlement price?**

If a component stock in the Index does not trade on the final settlement day but the primary market for that stock is open for trading, for the purposes of calculating the Final Settlement Price, the price of that stock shall be determined based on its most recent closing price. In the event of an unscheduled close of one or more primary exchanges due to unforeseen circumstances, MSCI will use the most recent available prices for the purposes of calculating the final settlement prices.

**Visit [www.cme.com/mscieafe](http://www.cme.com/mscieafe) to learn more about CME E-mini MSCI EAFE futures.**

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