

No Dividend Risk Security Futures

The NDR (No Dividend Risk) product was launched on October 2010 in response to the customer demand to eliminate the risk associated with forecasting dividends. This is achieved by adjusting down the previous trading day's settlement price (by the dividend amount) at the start of business on ex-dividend date.

- No short sale restriction, no locate requirement
- NDR futures on ADRs are adjusted by the estimated gross amount on the ex-date, which differ from the actual distribution due to currency fluctuations
- NDR products are adjusted for all distributions including ordinary dividends, special dividends, capital gain distributions, etc.

Overview:

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NDR Futures Described

OneChicago's No Dividend Risk (NDR) futures are designed to capture the dividend exposure while holding a futures position through a dividend ex-date. The goal of the product is to mirror the net effect of holding the equivalent stock position. This is achieved by adjusting down the previous closing price by the dividend amount on ex-date. Each day the previous closing price is compared against the current closing price to determine the mark to market for futures positions. The adjusting down of the previous close results in increased gains (equal to the dividend) for long and losses for short position holders.

Comparison of NDR Future and Stock

Assumes 100 shares of stock and 1 NDR future contract (100 shares).

Day Action	Previous Close / Cost Basis	Close	Long NDR Future		Long Stock		Short NDR Future		Short Stock	
			Daily Realized	Net Realized	Daily Realized	Net Realized	Daily Realized	Net Realized	Daily Realized	Net Realized
D1 Enter Position @ 32.10	32.10	32.00	-10	-10	0	0	+10	+10	0	0
D2 ...	32.00	32.38	+38	+28	0	0	-38	-28	0	0
D3 ...	32.38	32.40	+2	+30	0	0	-2	-30	0	0
D4 Ex-Date • (0.50 dividend)	*31.90 = 32.40 - 0.50	31.75	-15	+15	0	0	+15	-15	0	0
D5 Exit Position @ 31.90	31.75	31.90	+15	+30	-20	-20	-15	-30	+20	+20
D9 Pay Date • (Long receives) • (Short pays in lieu)					+50	+30			-50	-30
Total				+30		+30		-30		-30