



## 30-day Overnight Repo Rate Futures

Unanticipated interest rate movements can expose participants in the shortterm money markets to unacceptable risks. Interest rate sensitivity can increase in the overnight and short-term sectors of the money markets because of fundamental and technical factors in the cash markets. For example, anticipated changes in Bank of Canada or Fed policy, expectations about government reports and economic indicators, and intermarket concerns about the strength of the Canadian dollar can all affect market expectations for short-term rates.

The ONX futures is based on the overnight repo rate (CORRA)<sup>1</sup>. The current price of the contract will reflect both the average overnight repo rate up to that point in the month, as well as the market's expectations for the overnight repo rate for the remainder of the month. The price of the 30-day Overnight Repo Rate futures is 100 minus the monthly average overnight repo rate for the contract month. The contract enables professionals to manage interest rate risks ranging from one to 30 days with the nearest contract month, and up to 4 months with deferred contract months.

In Canada, the overnight repo rate is the daily overnight rate of reference of the floating leg of the Overnight Indexed Swaps, a successful derivative used on OTC market.

In the United States, a similar and very successful contract is the 30-day Fed Funds futures.

Typical users of this contract would include amongst others: banks and other lenders with floating rate assets and liabilities, corporate treasurers looking manage financing costs, asset managers hedging core positions, and repo traders.

For more details on uses and strategies, visit our Website at [www.m-x.ca](http://www.m-x.ca).

The following firms are supporting the launch of ONX by providing pricing services:

- **RBC DOMINION SECURITIES INC.**
- **TD SECURITIES INC.**

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<sup>1</sup> The overnight repo rate or CORRA is a weighted average of the rates to which the typical (i.e. not special) repo transactions are traded by dealers on the screens of the following interdealers brokers: Cantor Fitzgerald Securities Co., Freedom International Brokers, Prebon Yamane (Canada) Ltd., Shorcan Brokers Ltd. and Tullet & Tokyo Forex (Canada).

## ONX Contract Specifications

<b>Trading Unit</b>	Each contract shall be for a nominal value of C\$5,000,000.
<b>Contract Months</b>	The four nearest calendar months.
<b>Price Quotation</b>	Index: 100 minus the monthly average overnight repo rate for the contract month.
<b>Last Day of Trading</b>	Last business day of the contract month.
<b>Contract Type</b>	Cash settlement.
<b>Minimum Price Fluctuation</b>	0.01 = C\$41.10 (1/100 of one percent of C\$5,000,000 on a 30-day basis).
<b>Reporting Limit</b>	300 contracts.
<b>Position Limits</b>	Information on position limits can be obtained from the Bourse as they are subject to periodical changes.
<b>Final Settlement Price</b>	The contract is cash settled against the monthly average of the daily overnight repo rate for the contract month. The daily overnight repo rate (CORRA) is calculated and reported by the Bank of Canada. The monthly average is a simple arithmetic average corresponding to the sum of the daily overnight repo rates divided by the number of calendar days in the month. Weekend and holiday rates are considered to be the rate applicable on the previous business day for which a rate was reported. For example, Friday's rate is used for Saturday and Sunday rates. The final settlement price is determined on the first business day following the last day of trading.
<b>Minimum Margin Requirements</b>	Information on minimum margin requirements can be obtained from the Bourse as they are subject to periodical changes.
<b>Daily Price Limits</b>	None.
<b>Trading Hours</b>	8:00 a.m. to 3:00 p.m. (EST).
<b>Clearing Corporation</b>	Canadian Derivatives Clearing Corporation (CDCC).
<b>Ticker Symbol</b>	ONX



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