

AGREX

**Agricultural Derivatives Exchange:
Harvesting growth opportunities**



AGREX

Overview

AGREX (Agricultural Derivatives Exchange) is the new Agricultural Commodity Derivatives segment of IDEM, the Italian Derivatives Market managed by Borsa Italiana, a company of London Stock Exchange Group.

Currently durum wheat futures are listed on AGREX. Durum wheat is primarily used to produce pasta in Europe and couscous in North Africa and the Middle East.

Supply variations can create extreme price volatility for durum wheat. Durum wheat futures allow operators within the industry to mitigate risk by hedging their positions, promoting better business planning and greater operational profitability, whilst increasing price transparency.

“Durum wheat futures allow operators within the industry to mitigate risk by hedging their positions.”

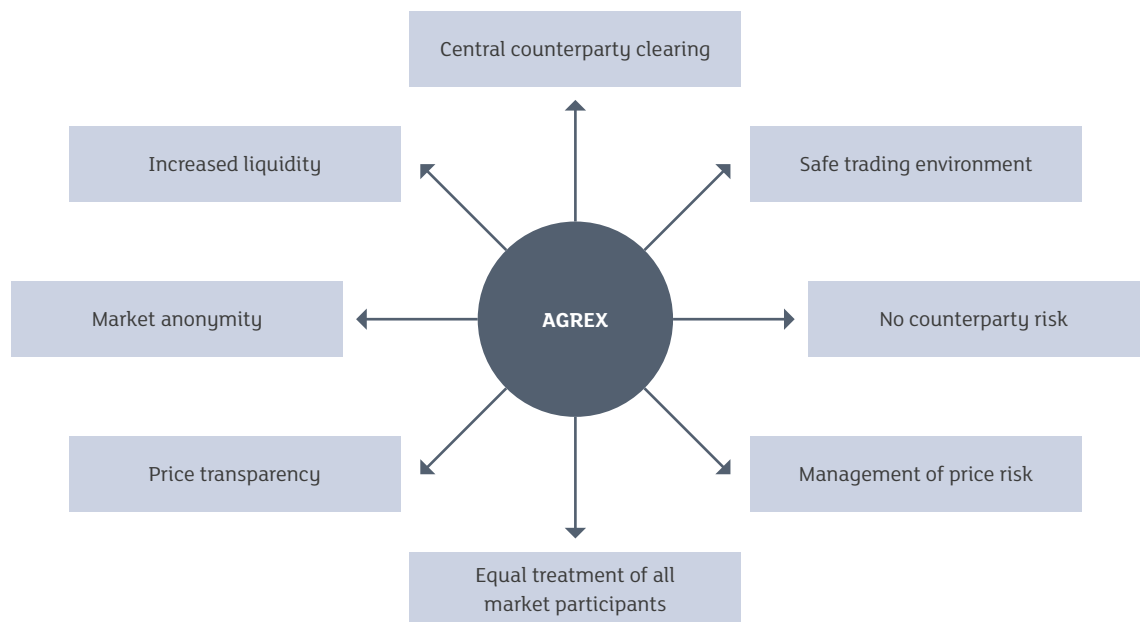
Agricultural Derivatives Exchange

8

plus points

Key benefits for the marketplace

AGREX provides many benefits to the overall marketplace:



2

options

Access to trading

Via a financial intermediary

- The most convenient way to trade on AGREX for companies who do not intend to trade large volumes, allowing savings on fixed costs associated with direct access to the market
- Fees sustained by the final client are not determined by Borsa Italiana but by the financial intermediary who is in direct competition with other intermediaries

Via direct membership

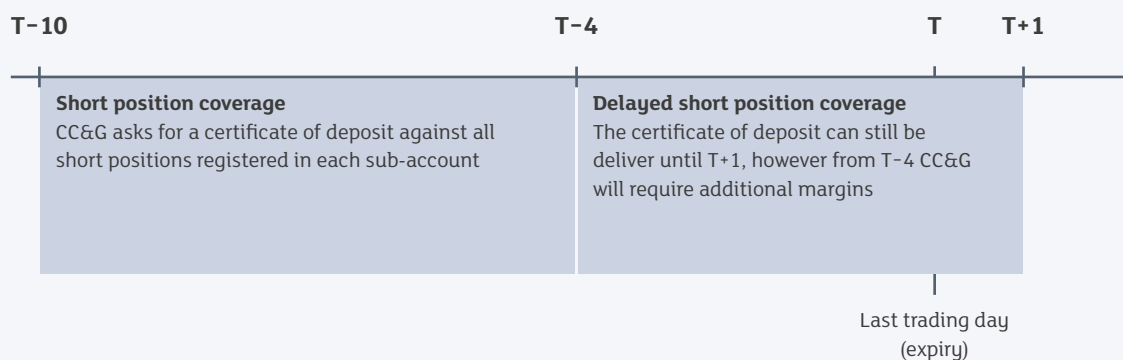
- All intermediaries authorised to trade on proprietary and/or third parties account can access the market directly
- Firms set up in the legal form of a limited company or a limited liability company or equivalent, which satisfy membership requirements, can trade via direct membership
- Non-financial companies are allowed to trade on proprietary account only

Contract specifications

Durum wheat contract on AGREX

Characteristics	Description
Underlying	Sound, fair and marketable durum wheat of any origin. In compliance with EU sanitary requirements for grain for human consumption
Contract size	50 metric tons
Price quotation	€/metric ton, market price does not include VAT
Tick	0.25 €/t
Delivery months	Delivery months: March, May, September, December. There are 5 expiries traded in the market
Trading hours	2.30pm–5.40pm
Deliverable specifications	Specific weight: 76.00 kg/hl min; Protein content: 11.5% min; Moisture content: 13.5% max; Impurities: 2% max; Vitreous grains: 62% min; Sprouted grains: 2% max; Mottled grains: 12% max; Broken grains: 6% max; Other cereals: 3% max; Grains affected with fusariosis: 0.5% max
Delivery points	Authorised silos (the first authorised silo is near Foggia)
Expiry date	10th calendar day of delivery month (T). If the 10th calendar day is a non-trading day, the expiry is on the next trading day of the month
First delivery date	4th trading day after expiry (T+4)
Last delivery date	10th trading day after expiry (T+10)
Laboratory for analysis	A.G.E.R Bologna
Settlement price	Borsa Italiana sets the settlement price as the last settlement price calculated by CC&G
Position limits	There are three levels of position limits: current expiry, following expiries and all expiries together

Managing certificates of deposit



AGREX: the right market for every type of participant

AGREX futures offer several benefits to all players, allowing them to meet their objectives.

Wheat producers

They have a method for pricing crops that are yet to be produced, limiting exposure to adverse price movements and allowing operators to focus on production management.

Millers/food companies

They have a risk management tool that helps to stabilise costs, allowing them to fix future margins.

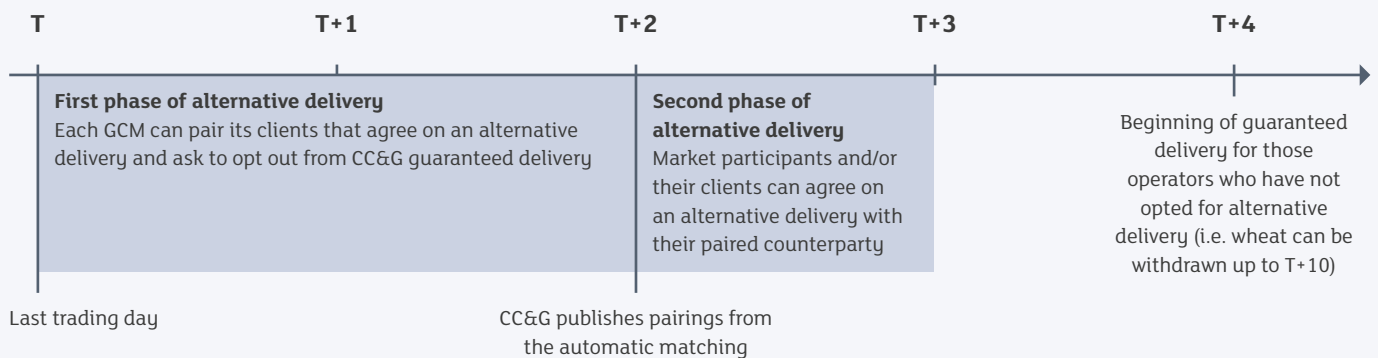
Financial players/traders

They benefit from exposure to investment opportunities in the agricultural industry without the need for a direct link to farming or food production; and can offer several services to final users such as hedging, clearing and market access.

“Farmers, food companies and financial players can all benefit from AGREX.”

10 days allowed for delivery after trading

Alternative delivery



Trading and order types

Trading on AGREX takes place on the SOLA® platform which is the same platform used for IDEM. AGREX provides members with several options to enter, modify or cancel orders on the electronic order book. Every type of order can be sent out with specific features for execution criteria, and orders are always processed according to price/time priority criteria.

AGREX	Order type	Daily	Good till maturity	Good till date	Fill and kill	Fill or kill
		The order remains on the book until the end of the session	The order remains on the book until the maturity of the contract	The order remains on the book until the specified date	The order is filled up to the quantity available on the opposite side of the book and any unfilled quantity is automatically cancelled	The order is either executed in full or automatically cancelled
Single order Buy or sell order sent to the market	Limit	x	x	x	x	x
	Market				x	x
Stop order Order that becomes active when the market price is equal or less favourable than the trigger price	Limit	x				
	Market				x	x
Iceberg order Orders with limited disclosed quantity to be filled	Limit	x				
	Market					
Market makers quotations Buy and sell orders inserted by market makers, according to their obligations	Limit	x				
	Market					

Alternative order execution

Committed cross order

Aimed at the conclusion of a contract in which the counterparties are predetermined, and where the set price is included within the order book price spread.

Internal cross order

Aimed at the conclusion of a contract in which both counterparties are the single operator who entered the order, and where the set price is included within the order book price spread.

Block order

Committed cross and internal cross orders can be entered at any price if the contract quantity is equal or greater than 100.

Market makers

In order to improve the liquidity of AGREX, Borsa Italiana may provide the following types of market makers:

Primary market makers

Obligation to quote all expiries until the last trading day

Liquidity providers

Obligation to quote all expiries until T-6 (included), where T is the last trading day

- Continuous quoting from 2.30pm–5.40pm
- Minimum quantity of 3 contracts
- Spread: €8 for the first four expiries and €10 on the 5th expiry

Central counterparty system

Cassa di Compensazione e Garanzia (CC&G)

CC&G is the central counterparty and guarantees all transactions executed on the market. CC&G has created a new section (Agricultural Commodities Derivatives section) and a related default fund for futures contracts traded on AGREX.

General Clearing Member (GCM)

A GCM becomes a counterparty of the clearing house for proprietary and/or client and/or non-clearing members' transactions.

Individual Clearing Member (ICM)

An ICM becomes a counterparty of the clearing house for proprietary and/or client transactions.

Non-Clearing Member (NCM)

An NCM stipulates an agreement with a GCM so that the latter becomes counterparty of the clearing house for the NCM's proprietary and/or client transactions. Banks and investment firms authorised to provide investment services in Italy can become GCMs, ICGs or NCMs while other members of AGREX can only become NCMs.

CC&G has three key financial safeguards in place to ensure that all transactions can be guaranteed. The safeguards include a margining system, admission requirements and additional resources.

“Three key financial safeguards ensure that all transactions can be guaranteed.”

Contacts

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