

UAE SINGLE STOCK FUTURES

Products

Nasdaq Dubai's Derivatives Platform provides a unique opportunity for investors to trade **Single Stock Futures** on the shares of some of UAE's leading and most liquid companies.

The market is the outcome of collaboration between Nasdaq Dubai and leading capital markets participants including **SHUAA Capital and Al Ramz Capital**, which are providing market making services, and a number of brokers including **Al Ramz Capital, Arqam Capital, EFG Hermes, Integrated Securities, Menacorp Financial Services, AlSafwa Mubasher, Naeem Shares & Bonds, SICO UAE, and Brokerage House Securities**.

Benefits

Leverage is a key feature of these products where investors initially pay only %10 to %30 of the value of the underlying contract.

Shorting allows investors to make profits when share prices are falling as well as rising.

Hedging allows investors to manage their existing market exposure to underlying shares.

Futures trading is **cost-effective** as trading fees can be much lower than trading underlying equities.

Contracts

Underlying Shares

Underlying Shares	Trading Currency
Abu Dhabi Commercial Bank	AED
Aldar Properties	AED
Arabtec Holding	AED
ADNOC Distribution	AED
DAMAC Properties	AED

Settlement currency will be AED or USD

Contract Specifications

Parameter	Specification
Contract underlying	Security traded on a UAE stock exchange and as approved by Nasdaq Dubai and published by way of notice
Currency	Same as trading currency of underlying security in primary market. Settlement currency will be in AED or USD as selected by each Clearing Member
Contract Series	1 month, 2 months and 3 months expiry
Minimum Price Movement (Tick size)	0.001
Daily Price Limits	20% up and 15% down from previous closing price
Settlement Type	Cash settled
Expiration Settlement Price	Last 30 minutes of volume weighted average price (VWAP) of the underlying security
Last Trading Day /Expiry Day	3rd Thursday of the expiry month. In the event of this not being a Business Day, the Last Trading Day shall normally be the Business Day prior to the 3rd Thursday.
Settlement Day	Business Day following the Expiry Day
Listing of New Contract Month	2nd Thursday of the expiry month i.e Thursday prior to Expiry Day
Trading Hours	Sunday - Thursday, 10:00 am - 2:00 pm
Contract Size	100 shares

Trade Example 1: Buying underlying shares vs buying single stock future contracts

BUYING SHARES	BUYING SINGLE STOCK FUTURES
Pay AED 20,000 Exposure to 4,000 shares @ AED 5.00 Valued at AED 20,000 ----- Sell on open market @ AED 5.50 Receive cash of $5.50 \times 4,000 = \text{AED } 22,000$ ----- PROFIT = AED 2,000 Return = $20,000/2,000$ %10)	Pay AED 20,000 margin Exposure to 40,000 shares @ AED 5.00 Valued at AED 200,000 Margin %10 is AED 20,000 ----- Difference between final price and spot price on 40,000 shares is paid to investors $(5.00-5.50) \times 40,000 = \text{AED } 20,000$ ----- PROFIT = AED 20,000 Return = $20,000/20,000$ %100)
Three months later share price rises to AED 5.50	

Margin requirements are set by Nasdaq Dubai

Trade Example 2: Bullish view vs Bearish view (ability to short)

Futures contracts of X company shares are trading at AED 3.00. An investor with a bullish view will go long on X company futures by buying 100 futures contracts; and an investor with a bearish view will go short on X company futures by selling 100 futures contracts. Pay off will be as follows:

One Futures Contract= 100 shares
 Futures Margin= %10

INVESTOR WITH BULLISH VIEW

Equity Futures Payoff when price rises to AED 4
Pay AED 3,000 margin Exposure to long 10,000 shares @ AED 3.00 valued at AED 30,000 ----- Price rises to AED 4.00 Difference between final price and spot price on 10,000 shares is paid to investors $(10,000 \times (4-3) = \text{AED } 10,000$ ----- PROFIT = AED 10,000 Rate of Return = %333 *There will be magnified losses if price falls below AED 3.00

INVESTOR WITH BEARISH VIEW

Equity Futures Payoff when price falls to AED 2
Pay AED 3,000 margin Exposure to short 10,000 shares @ AED 3.00 valued at AED 30,000 ----- Price falls to AED 2.00 Difference between final price and spot price on 10,000 shares is paid to investors $(10,000 \times (3-2) = \text{AED } 10,000$ ----- PROFIT = AED 10,000 Rate of Return = %333 *There will be magnified losses if price falls below AED 3.00

Product Risks

Trading in futures can carry risks for investors. These include losses that can be greater than the initial investment on account of leverage. It is recommended that investors seek advice before trading.

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