

NFX Open Interest Migration to EEX

Frequently Asked Questions

Introduction:

EEX Group and U.S. based Nasdaq Futures, Inc. (NFX) have successfully reached an agreement to sell NFX's futures and options exchange business to EEX Group. EEX Group will acquire the core assets of NFX, including the portfolio of NFX contracts. In support of the sale, the transaction involves the transfer of existing open positions in U.S. Power, U.S. Natural Gas, Crude Oil (Brent & WTI), Ferrous Metals and Dry Bulk Freight futures and options contracts to EEX Group's clearing houses Nodal Clearing and European Commodity Clearing (ECC).

This transaction gives NFX freight market participants the opportunity to migrate their open positions to EEX Group which offers identical contracts through its European and Asian trading venues. By migrating positions over, participants will benefit from consolidating collaterals, a dedicated customer service team and several offered value-added services. EEX Group has over 20 years of experience in the development of energy and commodity markets and is committed to further invest into the development of the global freight market.

This FAQ document specifically covers the Dry Bulk Freight market migration. A separate document for the transfer of the U.S. energy and commodity business is available at Nodal Exchange.

Frequently Asked Questions:

(1) What does it mean to "migrate" positions?

EEX and ECC in coordination with NFX and OCC will facilitate matching sessions where the open interest of each participant will be matched-up, and subsequent offsetting blocks will be entered into NFX to close-out the positions and new blocks will be entered at EEX to re-establish the positions. The transfer of these positions will be net at NFX's closing price from the prior day. Some other key considerations:

- **Fees:** EEX and NFX aim to offer the full transfer free of charge.
- **Timing:** The first matching session for Dry Bulk Freight is scheduled for Thursday, December 12th with additional sessions scheduled as needed. In preparation of the first

matching session NFX and Nodal require consent from all interested customers by December 2nd.

- **Requirements:** Prior to participating in the sessions each participant must have a trading account with EEX, a clearing account with one of ECC's GCMs, a positive trade risk limit, and an executed Migration Consent Letter.
- **Deadline:** Participants are expected to migrate or close out all positions on NFX prior to February 1, 2020. Once the migration has been completed and all open interest has been closed out NFX will suspend all contracts from trading and de-list all products. All trading will continue only on EEX and EEX Asia which are both cleared by ECC.

EEX works with a wide range of brokers and clearing members active in the freight market. In most cases your trading activities may continue as before using the same brokers and clearing members.

(2) Will this migration apply to the complete NFX freight suite?

All Dry Bulk Capesize, Panamax, Supramax and Handysize futures and options positions will be subject to the transfer. The Panamax P8 voyage route contract is currently not available at EEX/EEX Asia but we are committed to launch P8 in the first half of 2020.

Tanker freight at NFX will not be migrated to EEX/EEX Asia and discontinued.

(3) Why the change / what is the benefit?

By combining the two open interest pools we are creating a deeper liquidity pool for our joint client base and provide better matching opportunities for our brokerage partners. Also, EEX offers a recently expanded product distribution through EEX Asia in Singapore. Plus, clients that were active at both exchanges (NFX and EEX) before benefit now from higher capital efficiency through margin offsets in a single clearing house instead of two.

(4) What happens if I don't want to migrate to EEX?

We would welcome you to migrate your business to EEX. We believe that EEX provides value to the market by offering choice regarding your preferred clearing venue and keeping global competition strong.

We plan on making any transition as seamless as possible and do not expect any disruption in trading. All open interest that resides on NFX is binding until expiry, but we believe a migration would offer you significant benefits in liquidity and service.

(5) What clearing members are connected to EEX?

European Commodity Clearing, the clearing house for EEX and EEX Asia, connects 25 clearing members. An up-to-date list with contact details is available on <https://www.ecc.de/ecc-en/about-ecc/partners-products/clearing-members>.

ECC has many participating freight clearing members. You may continue to use your existing clearing member relationship after the migration. Please confirm with your FCM/GCM that they have a clearing arrangement in place with ECC (either directly or via a third party).

(6) I am already active on EEX in other products. What do I need to do to start trading?

Clients already signed up with EEX should inform their clearing member to check and adjust trade risk limits and liaise with their relationship manager at EEX. In most cases you won't have to do anything else. We will work with your clearing member to setup and activate the access.

(7) I currently do not hold an account at EEX. What are the steps to open an account and be ready for the migration?

The easiest way to access EEX is through a DMA account of your clearing member, if offered. In case you are already using this channel to access NFX you may simply redirect it to EEX.

Alternatively, you may also select an exchange membership with EEX or EEX Asia which requires a participant agreement and a Non-Clearing Member agreement with our clearing house ECC. In this case please get in contact with your relationship manager who will initiate the process for you.

(8) Can I trade freight products via EEX Asia?

EEX Group offers identical contracts for the whole freight product suite at EEX under European and at EEX Asia under Singaporean regulation while providing full margin offsets in our clearing house ECC. If you are interested to trade any freight contract via EEX Asia please request access via your clearing member or get in contact with your relationship manager.

(9) Why now the transfer back to Europe after all has been migrated to the US in 2018?

We understand that every position transfer causes significant effort on your side and did not take this decision lightly. What mattered for us is to provide the highest level of continuity for your business. EEX has continuously developed competitive trade registration and robust clearing services under our European offering. Compared to our US market at Nodal, EEX already offers the complete solution and has already an established large customer network in the freight community.

(10) What do I have to consider when trading under MIFID II regulation?

EEX operates very successfully a significant number of energy and commodity markets under European regulation and serves more than 250 customers. We support our clients by offering regulatory reporting solutions that help EEX customers to comply with MIFID II. The same service offering will be available for the Dry Bulk Freight market.

Under MIFID II regulation all trading participants have to report transactions and positions to their National Regulatory Authority (NRA). To protect all market participants a position limit regime has been put in place. EEX is working with its NRA in Germany to assure adequate position limits.

(11) I transact in the voice brokered market and wish to confirm that my brokers can report trades to EEX. Is there a list of approved brokers available?

EEX works with all active brokers in the dry bulk freight market. A full list of these including contact details is available under <https://www.eex.com/en/trading/brokers>

(12) Is there a trading screen?

Transactions in Dry Bulk Freight markets are typically broker executed and registered with the exchange for clearing. EEX has currently no plans to introduce a trading screen for Dry Bulk Freight.

(13) How does the block trade entry work?

Block trades are typically entered by the brokers using the EEX Portal, a web-based solution providing trade registration and pre-trade risk management facilities for EEX and EEX Asia. Access to the Portal is possible via <https://portal.cleartechasia.com/account/logon>. Additionally, the market operations team in Germany and Singapore offer support to enter and register block trades.

(14) How can I see trades? Is there a block trade ticker on the web?

The EEX Portal shows a ticker containing all EEX and EEX Asia block trades.

(15) What ETRM systems are connected?

EEX offers integration from the EEX Portal to ETRM systems. Please contact your relationship manager for more details.

(16) How do I get data from EEX?

Our complete data offering is available via various channels in our EEX Group DataSource offering including a Desktop App, APIs and sFTP server. Further information is provided under <https://www.eex.com/en/market-data/eex-group-datasource>.

(17) Will all contracts be exactly the same of those I currently hold open interest in?

Yes, the Dry Bulk Freight contracts of NFX and EEX are identical and use the same daily and final settlement prices provided by the Baltic Exchange.

(18) How will the migration process work in general?

Open positions at NFX will be closed at end of day settlement price of the day prior to the transfer and reopened at EEX at the identical price using block trades. All transfer trades will be marked as such for further processing. Please see separate migration timeline for further details.

(19) Will there be any fees related to the transfer?

EEX and NFX aim to offer the full transfer free of charge.

(20) What about NFX contracts that don't have any open interest?

Once the migration has been completed and all open interest in Dry Bulk Freight Futures and Options has been closed out NFX will suspend all contracts from trading and de-list all products.

(21) In addition to the current portfolio of freight futures and options will EEX list the new Panamax 82 5TC contracts and when will this take place?

Panamax (82) 5TC Futures and Options will be available for trading at EEX and EEX Asia during November 2019.

(22) I have positions that currently exceed the position limits for freight contracts at EEX/ECC. Is there a solution for this situation?

EEX is working closely with the competent National Regulatory Authority in Germany (BAFin) to ensure that position limits are extended in time and cover all transfers. Please contact your relationship manager for further details.

(23) Will there be a collateral pre-funding required ahead of the migration? If so, how long will I be double-margined?

Margins will be released in accordance with standard operating procedures at OCC the day following the close out of any positions T+1 provided no additional margin payments are to be satisfied due to open position mark to market.

ECC may call margin for some positions intra-day on the day of the transfer, T. In other cases, margin will be called on the day following the transfer, T+1. Therefore, it may be necessary that margin is

required by both OCC and ECC for the period of 1 business day. Please contact your relationship manager and/or your FCM/GCM.

(24) What is the margining methodology at EEX/ECC? Is there any comparison available vs NFX/OCC?

A comparison for most common positions will be available at the beginning of each month. Additionally, margin files are available on the listed websites:

NFX & OCC: <https://www.theocc.com/risk-management/ofra/>

EEX & ECC: <https://www.ecc.de/ecc-en/risk-management/margining>

(25) How do EEX Pre-Trade Risk Limit administration compare vs NFX? Will I need to request limits for EEX or will the current NFX limits be replicated?

There is no need to request limits for EEX and current NFX limits will not be replicated. If deemed necessary, the ECC clearing member will set new limits or adjust existing ones.

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