

## Circular 19/128

### Introduction of Inter-Contract Spreads for ICE Futures Europe Gilt Futures

#### Category

Trading

#### Attachments

None

The purpose of this Circular is to notify Members and their customers of the launch by ICE Futures Europe ("the Exchange") of the following Inter-Contract Spread ('ICS') strategies:

- Short Gilt Futures and Long Gilt Futures (the "Short-Long ICS");
- Medium Gilt Futures and Long Gilt Futures (the "Medium-Long ICS"); and
- Short Gilt Futures and Medium Gilt Futures (the "Short-Medium ICS").

To support implied pricing the Exchange is introducing Ratio markets for the Short and Medium Gilt Futures, trading at fixed contract multiples of 6 and 2 lots respectively. Ratio markets will complement existing Short and Medium Gilt Futures markets ("the single lot markets") which, for the avoidance of doubt, will remain in their current form. Contracts traded via Ratio and single lot markets are identical in clearing.

The aforementioned ICS strategies will be available for trading from **Monday 30 September 2019**.

| Spread           | Spread Name                   | Spread Construct  | Spread Ratio  | Pricing Convention  |
|------------------|-------------------------------|---|---|---|
| Short-Long ICS   | Short Gilt/Long Gilt Spread   | buying the Short Gilt Future and selling Long Gilt Future for the same contract month   | 6:1 which is 6 lots of Short Gilt Futures and 1 lot of Long Gilt Future for each 1 unit traded of the ICS   | the difference between 6 x Short Gilt Future and 1 x Long Gilt Future   |
| Medium-Long ICS  | Medium Gilt/Long Gilt Spread  | buying the Medium Gilt Future and selling Long Gilt Future for the same contract month  | 2:1 which is 2 lots of Medium Gilt Futures and 1 lot of Long Gilt Future for each 1 unit traded of the ICS  | the difference between 2 x Medium Gilt Future and 1 x Long Gilt Future  |
| Short-Medium ICS | Short Gilt/Medium Gilt Spread | buying the Short Gilt Future and selling Medium Gilt Future for the same contract month | 3:1 which is 3 lots of Short Gilt Futures and 1 lot of Medium Gilt Future for each 1 unit traded of the ICS | the difference between 3 x Short Gilt Future and 1 x Medium Gilt Future |

Key information about the ICS in scope can be found below:

- **Risk Limits:** required in both legs to trade;
- **Implied Logic:** in all instances:
  - the Long Gilt market will imply into the ICS market;
  - the ICS will imply out to the Ratio market; and
  - the ICS will not imply out to the Long Gilt market.

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09 August 2019

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Please ensure that the appropriate members of staff within your organisation and customers are advised of the content of this Circular.

Signed:



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Head of Regulation and Compliance

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