SKYTRA

Reinventing Risk Management for Air Travel

Skytra MTF / CCP jointly with NASDAQ

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Skytra Chief Operating Officer

April 8th 2020

Skytra price indices have reacted as expected
under extreme COVID-19 conditions

Skytra data base & methodology allows in-depth analysis
on both regional and airline basis

Skytra has a strong partner
for MTF Technology & CCP with Nasdaq

Skytra "go live" should come at a good moment
(assuming COVID-19 recovery from autumn 2020)

- Risk management will be in greater focus
- Price-locks could support airlines during recovery
  - get customer back on planes quicker
  - generate revenues
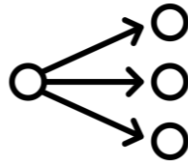 - protect against selling tickets too cheap

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New Products

Reputation

RISK

CLIENT TRUST

SKYTRA
MTF

Control

Long Term

By and for the air travel industry

Airbus has very long investment horizons compared to financial organisations

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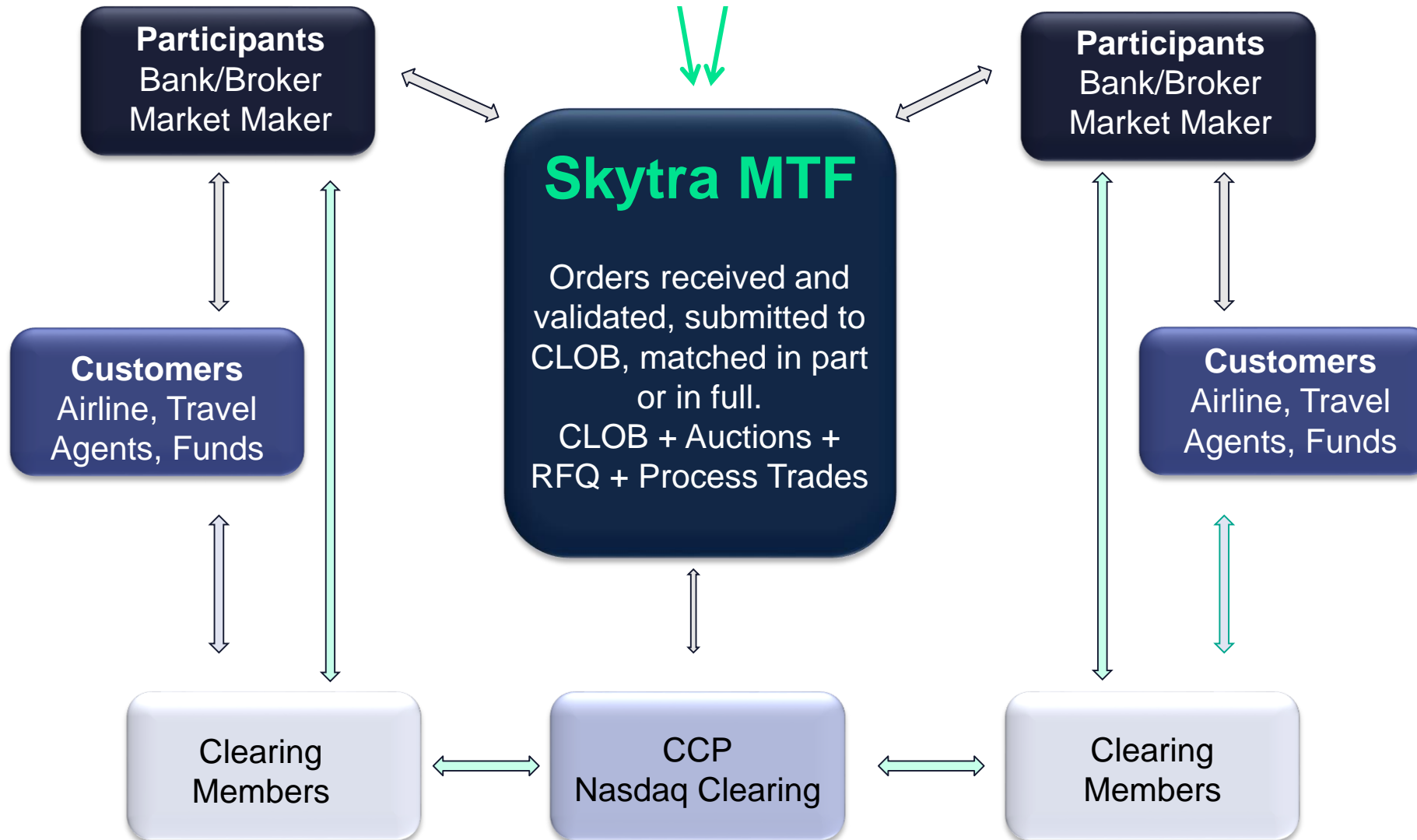1. Partner with Industry Leaders: finance & aviation

2. Engagement with ISVs & MDVs

3. Familiarity with the trading infrastructure

Skytra's approach

Market Standard Trading

CLOB

RFQ

Process Trades

Times

Market Standard Connectivity

DEA, Algo, Co-Lo

FIX, ITCH

Skytra Workstation

Liquidity Provision

Market Makers incentivised to provide pricing and trading commitments in return for transaction fee income up to 6 years

Risk & Surveillance

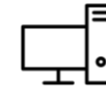Pre-Trade risk functionality

SMARTS

Key Features of the MTF

FEES

No membership

No port

No market data fees

Trading $0.5 per lot

Clearing $0.25 per lot

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Risk Management

- Initial Margin calculated according to Nasdaq Clearing's SPAN® framework with margin offsets across the curve and between Futures & Options

- Historical simulations (2013-2018) result in IM rates of approximately 10%

- Skytra proposed to be included in Nasdaq Clearing's existing Financials Market Default Fund with a Loss Sharing Pool – subject to internal and external governance processes

- Mandatory default management obligations with close-out provision for all clearing members

- Range of collateral for IM, cash for VM (calculated intra-day and end-of-day)
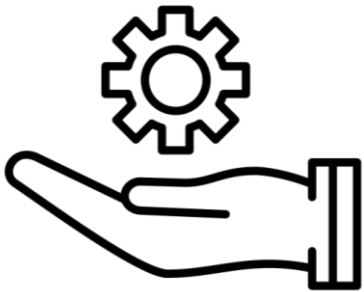
Service

- Full range of CCP services provided to CMs, including Give-Ups, Average Trade Price
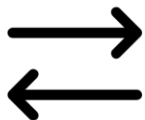
- Will collect Skytra's transaction fees from CMs

Key Features of the CCP

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Key Contract Terms

- Quotation: Index points (e.g. 12.34c)

- Unit of Trading: 100,000 RPK per index point (e.g. an index @ 12.34c = value $12,340.00)

- Minimum Price Movement: 0.01c = USD 0.0001 ($10.00)

NB Skytra's indices are valued at between USD 0.08 and USD 0.17

Contracts Admitted to Trading

- Futures and Options (European style) - at the same time

- Two year term structure: 3 serial and 8 quarterly delivery months

- 5 Option strikes above and below ATM @ strike intervals of 0.20c

- DEA, Algo Trading, Co-location supported

Daily Settlement Prices and Expiry Price

- Waterfall approach to determine Closing Price, CCP will also calculate Settlement Price

- Expiry Price is the underlying index value published on the last Trading Day

- Last Trading Day – expiry @14:00 GMT on the last Thursday of the month – Cash Settlement

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Key Milestones

- Submitted MTF Application to FCA in March
- Complete Internal Testing (Aug)
- Obtain BA Registration from FCA (July)
- Onboarding of Participants (August onwards) / Customer Testing (Sept to Dec)
- MTF & CCP to obtain respective authorisation (end Q4/Q1), advise market of Go Live Date

Skytra MTF Documents will be Available @ www.skytra.com

- Skytra MTF Rules + Service Description
- Skytra MTF RFQ Service Description
- Skytra MTF Process Trade Service Description
- Summary Contract Specifications
- Liquidity Provider Scheme
- Connectivity Guide
- Draft Market Data and Index Data Licences
- Customer Test Guide (Q3)

Milestones & Deliverables

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Skytra Index Futures

Contract Skytra Futures	Underlying Skytra Price Index
Trading Platform	Skytra Electronic Order Book for Futures and Options
Trading hours	08:30 - 16:30 (pre-open from 08:20)
Unit of trading	Contract Valued at 100,000 RPK per index point (e.g. value $12,340.00 at 12.34c)
Quotation	Index points (e.g. 12.34c) – tbd if we have a half ticks
Minimum price movement (tick size and value)	0.01c = USD 0.0001 ($10.00)
Delivery months	The three nearest serial months and the eight following quarterly months of the March, June, September, December cycle
Matching Algorithm	Electronic Order Book applies a Price/Time matching algorithm with priority given to the first order at the best price
Daily Settlement Price	The Daily Settlement Price for a delivery month is derived as per Skytra MTF's Rules
Last Trading Day	Last Trading Day is the last Thursday in delivery month (in the event of the last Thursday not being a business day, the Last Trading Day shall be the last business day preceding the last Thursday
Close of Trading	Trading shall cease at 14:00 London time on the Last Trading Day
Exchange Delivery Settlement Price (EDSP)	The value of the Skytra Index is calculated by Skytra with reference to the value of the index as calculated by Skytra on the Last Trading Day N.B. the index will be an average over the previous 28 days
Delivery day	First business day after the Last Trading Day
Settlement	Cash settlement based on the Exchange Delivery Settlement Price
Alternative Trading Facilities	Process Trading, RFQ
Central Counterparty Clearing	Nasdaq Clearing AB provides the full range of clearing services
Full contract specification and related documentation	Available on www.skytra.com/derivatives

Futures Contract Spec Summary

Skytra Index Options (European Style)

Contract Skytra Options	Underlying Skytra Price Index
Trading Platform	Skytra Electronic Order Book for Futures and Options
Trading hours	08:30 - 16:30 (pre-open from 08:20)
Unit of trading	Contract Valued at 100,000 RPK per index point (e.g. value $12,340.00 at 12.34c)
Quotation	Index points (e.g. 12.34)
Minimum price movement (tick size and value)	0.01c = USD 0.0001 ($10.00)
Delivery months	The three nearest serial months and the eight following quarterly months of the March, June, September, December cycle
Matching Algorithm	Electronic Order Book applies a Price/Time matching algorithm with priority given to the first order at the best price
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Delivery day	First business day after the Last Trading Day
Exercise	Exercised at expiry on the Last Trading Day. Exercised automatically if "In-The-Money" at the Close of Trading into the Skytra Futures contract
Exercise/Strike Prices	Exercise Price Intervals every 0.20 Index Points. Upon listing eleven exercise prices for each put and call, five in-the-money, one at-the-money and five out-of-the money
Settlement	Cash settlement based on the Exchange Delivery Settlement Price
Alternative Trading Facilities	Process Trades, and RFQ, and auction
Central Counterparty Clearing	Nasdaq Clearing AB provides the full range of clearing services
Full contract specification and related documentation	Available on www.skytra.com/derivatives

Options Contract Spec Summary

THANK YOU!

information@skytra.com

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DISCLAIMER

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