



U.S. Dollar Index Contracts

FAQ

April, 2011

What is the U.S Dollar Index®?

The U.S. Dollar Index (U.S.DX®) is a geometrically-averaged calculation of six currencies weighted against the U.S. dollar. The U.S. Dollar Index was created by the U.S. Federal Reserve in 1973. Following the ending of the 1944 Bretton Woods agreement, which had established a system of fixed exchange rates, the U.S. Federal Reserve Bank began the calculation of the U.S. Dollar Index to provide an external bilateral trade-weighted average of the U.S. dollar as it freely floated against global currencies.

Which currencies are included in the U.S. Dollar Index?

The U.S. Dollar Index contains six component currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc. Before the creation of the euro, the original USDIX contained ten currencies—the ones that are currently included (but not the euro), plus the West German mark, the French franc, the Italian lira, the Dutch guilder, and the Belgium franc. The euro replaced the last five of these currencies.

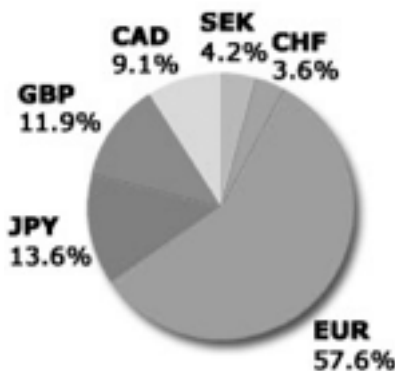
What are the formula and the percentage weights of the component currencies?

The U.S.DX is calculated with this formula: $USDIX = 50.14348112 \times EURUSD^{-0.576} \times USDJPY^{0.136} \times GBPUSD^{-0.119} \times USDCAD^{0.091} \times USDSEK^{0.042} \times USDCHF^{0.036}$

Note that in the formula, when the U.S. dollar is the base currency, the value is positive; and when the U.S. dollar is the quote currency, the value is negative. The above value is compared against the U.S. dollar relative to March 1973, when the world's major trading nations allowed their currencies to float freely against each other.

Not all the currencies have the same weight. Below are the weightings of each currency, and the image shows weight of each currency graphically.

Currency	Weight
Euro (EUR)	0.576
Japanese Yen (JPY)	0.136
British Pound (GBP)	0.119
Canadian Dollar (CAD)	0.091
Swedish Krona (SEK)	0.042
Swiss Franc (CHF)	0.036



Is the ICE U.S. Dollar Index adjusted or rebalanced?

There are no regularly scheduled adjustments or rebalancings of the ICE U.S. Dollar Index. The U.S.DX has only been adjusted once, when the euro was introduced as the common currency for the European Union (EU) bloc of countries. Without any other adjustments, the combination of components and their respective weightings in the U.S.DX have yielded performance results similar to other commonly used U.S. dollar indexes, whether those index methodologies are based on trade weights or capital flow weights.

When did the U.S.DX become available for exchange trading?

Futures contracts based on the U.S. Dollar Index were listed on November 20, 1985. Options on the futures contracts began trading September 3, 1986. U.S.DX futures are now available only on the ICE electronic trading platform; U.S.DX options on futures are available both on the electronic trading platform and on the ICE options trading floor.

How is the U.S. Dollar Index calculated?

The ICE U.S. Dollar Index is calculated by Reuters in real time approximately every 15 seconds from a multi-contributor feed of the spot prices of the Index's component currencies. The price used for the calculation of the Index is the mid-point between the Reuters top of the book bid/offer in the component currencies. This real-time calculation is delivered to the Exchange and redistributed to all data vendors. The prices of the DX futures contracts are set by the market, and reflect interest rate differentials between the respective currencies and the U.S. dollar.

What is the contract symbol for the U.S. Dollar Index?

The Exchange symbol for the contract is DX, followed by the month and year code. The U.S. Dollar Index is commonly referred to as the U.S.DX. The Exchange symbol for the value of the underlying Dollar Index (sometimes called the cash or spot index) is also DX (without a month or year code), although different data providers may use different symbols. A list of the data vendor symbols for the U.S. Dollar Index is available at <http://data.theice.com/Services/DataDistribution/Vendor/VendorCodes.aspx>

Given the foreign exchange market is a 24-hour marketplace, can I trade the U.S. Dollar Index contracts at any time?

The DX contracts trade electronically on the ICE electronic trading platform from 8:00 pm through 5:00 pm. ET the next day Monday through Thursday. Trading ends at 5:00 p.m. ET on Friday afternoon. On Sunday evening, trading in the Dollar Index contracts begin at 6:00 p.m. ET; the trading session that begins on Sunday evening ends at 5:00 p.m. ET on Monday evening. The ICE trading platform is available for order entry thirty minutes before the opening of trading.

Exchange rules also allow EFP trades in U.S. Dollar Index futures contracts. If an EFP is executed during electronic trading hours, the deadline for reporting the transaction is thirty minutes after the close of the electronic trading session. If the EFP transaction occurs outside of electronic trading hours, the futures leg of the transaction should be reported by thirty minutes after the close of the next electronic trading session. EFPs can be entered by an ICE Futures U.S. clearing member directly into the Exchange's trade processing system.

How does the market trade the performance of the U.S. dollar? Why is the ICE U.S. Dollar futures contract a better choice?

Institutional investors, hedge fund managers, commodity trading advisors and high net worth investors all trade variations of U.S. dollar indexes with commercial and investment banks. These various formulations of dollar indexes are proprietary indexes and do not offer the price discovery and transparency of an exchange-listed contract. The ICE DX futures contract is the only successful, publicly-available, regulated market for U.S. Dollar Index trading allowing access to all investors and offering competitive pricing and full market liquidity.

What are the contract specifications of the U.S. Dollar Index futures contract?

The size of the U.S. Dollar Index futures contract is \$1,000 times the index value—e.g., with the Index at 89.450, the value of the contract is \$89,450. Each full Index point is worth \$1000 (1.000=\$1000). The smallest price increment for trading in the U.S. Dollar Index futures contract is .005, which is worth \$5.

The futures contracts are listed for the March/June/September/December quarterly cycle. The futures contracts settle daily to the volume-weighted average price of all transactions executed in electronic trading in the closing period (2:59 – 3:00 p.m. Eastern time). Even though the minimum tick size for the U.S.DX contracts is .005, the settlement prices for the contracts are expressed in .001 increments. For more information about the smaller settlement increment, please visit

https://www.theice.com/publicdocs/futures_U.S./exchange_notices/exnot031810dxSTPR_3_.pdf

The DX contract is settled quarterly. The quarterly settlement at the expiration of the contract is on the third Wednesday of the contract month. The last day of trading is the two business days prior to the third Wednesday of the contract month, and trading ends at 10:16 am ET on the last trading day. **Unlike many index contracts, the U.S. Dollar Index contract is settled by the delivery of its six component currencies (see next question).**

Full contract specifications for the U.S. Dollar Index futures contracts are available at:

<https://www.theice.com/productguide/productDetails.action?specId=194>

How is the U.S. Dollar Index contract settled at its expiration?

Unlike many index futures contracts, the U.S. Dollar Index futures contract is a physically delivered contract. The contract settles by physical delivery of the Index's six component currencies in the percentages indicated in the composition of the Index (see above, percentages and weights of component currencies). If a Dollar Index contract is held through final settlement, the holder of a long position is required to deliver the basket of currencies in the Index in the weights specified and in turn receives U.S. dollars; the holder of the short position receives the basket of currencies and pays U.S. dollars.

Are the DX contracts liquid?

The U.S.DX futures contract derives its liquidity directly from the spot currency market, estimated to have turnover of over \$2 trillion daily. There is market maker program to help assure continuous liquidity for the electronic trading of the contracts, which should help to

assure continuous liquidity. The electronic distribution of the futures contract on the ICE trading platform also helps to enhance liquidity.

Can I trade calendar spreads? Will there be implied prices?

ICE Futures U.S. lists all combination of the first four quarterly contracts of U.S. Dollar Index futures as calendar spreads. There are no implied prices in the U.S.DX contracts.

Are block trades allowed in the U.S. Dollar Index contracts?

Yes, block trades are allowed in both U.S. Dollar Index futures and options. The minimum quantity requirement for a block trade for futures is 75 contracts and the minimum block quantity for options is 25 contracts. Spreads may also be executed as blocks; in the case of a spread transaction, each of the legs must meet the minimum quantity requirement. More information about block trades is available at

https://www.theice.com/publicdocs/futures_U.S./exchange_notices/Block_Trade_FAQ.pdf

TAS trading is available in many ICE commodities markets. Can I do a TAS trade in U.S.DX contracts?

ICE supports Trade At Settlement (TAS) trading for U.S.DX futures contracts on the ICE electronic trading platform. TAS capability allows a trader to enter an order to buy or sell an eligible futures contract month during the course of the trading day at a price equal to the settlement price for that contract month, or at a price that is up to two minimum price fluctuations above or below the settlement price. In the case of U.S.DX futures, while the minimum price fluctuation is .005 index points, or \$5, settlement prices are expressed in .001 index points. The clearing price for Dollar Index TAS trades is calculated to the smaller increment; for example, a TAS trade price of +0.005 index points and a daily settlement price of 80.251 would generate a clearing price for the trade of 80.256. Additional information on TAS trades can be found at

https://www.theice.com/publicdocs/futures_U.S./TAS_FAQ.pdf

TAS orders for U.S.DX futures may be entered from the start of the pre-open period, which begins 30 minutes before the U.S.DX futures begin trading, through the end of the futures contract settlement window each day. The end of the settlement window for U.S.DX futures is normally 3:00 p.m. ET each trading day, with the exception of the last trading day, holiday hours or other special circumstances. TAS trading is supported for the front three listed contract months at all times. TAS spread trading also is supported for two spread pairs at all times: the first listed month vs. the second listed month, and the second listed month vs. the third listed month.

Where can I get real time prices for the ICE U.S. Dollar Index?

The real-time prices for the underlying cash U.S. Dollar Index and for futures contracts based on the U.S. Dollar Index are available from market data vendors

(<http://data.theice.com/Services/DataDistribution/Vendor/VendorCodes.aspx>), from conformed independent software vendors

https://www.theice.com/publicdocs/technology/Independent_Software_Vendors_Conformance.pdf), on direct access user systems, and on WebICESM

Where can I find margin information for the U.S.DX futures contract? Are there margin offsets against other ICE Futures U.S. futures contracts?

Margin levels are subject to change. The contract is cleared by ICE Clear U.S. (prior to June 1, 2007, known as the New York Clearing Corporation). You can check the most current margin requirements by visiting

https://www.theice.com/publicdocs/futures_U.S._reports/all/Futures_U.S._Margin_Requirements.pdf.

Margin credit is available for spread positions between the U.S. Dollar Index and the Euro currency contract traded on ICE Futures U.S. Please see

https://www.theice.com/publicdocs/futures_U.S._reports/all/Futures_U.S._Margin_Requirements.pdf for further information on the credit for this intra-market spread.

What regulatory body has oversight responsibility for trading in the U.S. Dollar Index contract?

ICE Futures U.S. is a designated contract market (DCM), as defined by the U.S. Commodity Exchange Act. ICE Futures U.S. and its contracts are regulated by the U.S. Commodity Futures Trading Commission (CFTC).

What are the exchange fees for trading U.S. Dollar Index futures contracts?

The fee for screen transactions is \$1.35 per contract per side for non-members. Please visit the ICE website (https://www.theice.com/publicdocs/futures_us/Exchange_and_Clearing_Fees.pdf) for transaction fees for other categories of market participants. There is no additional charge for EFPs.

Who can provide further information?

Your usual ICE account manager can provide additional information and assistance in accessing electronic trading in the U.S.DX futures contract on the ICE platform. You may also contact Ray McKenzie, Vice-President, ICE Futures U.S. at ray.mckenzie@theice.com if you have further questions.

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