EVOLUTIONS AND STRATEGIES ON THE FUTURES MARKET AT SIBEX

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ABSTRACT: The emergence and formation of stock exchange commodities is the result of a natural evolutionary process, which began approximately 2000 years ago in Greece and Ancient Rome and continues today, too. Over time, through a management focused on optimizing the institutional activities and on the efficient communication of its offer in the financial and business environment, Sibiu Stock This paper aims at pointing out certain indicators regarding the stock exchange organisations through which the efficiency of results can be analyzed and exemplified, having as object of study Sibiu Stock Exchange and the evolution of futures contracts on the regulated market in Sibiu during 2007-2010. Their presence has materialized into the continuous growth of the number of contracts, the diversification of strategies and the multiplication of winning chances, so that the exposure of the stock exchange in Sibiu has increased substantially.

Key words: stock exchange, evolution, derivates, Sibex, management

Jel codes: M12

Introduction

The study of current stock exchange system is important because of the increased development of this wide economic field, both inside our country, but more especially abroad.

Exchange has consolidated its position on the capital market and managed to attract increasingly more investors.

The stock exchange system has to become an efficient market, dominated by accurate regulations, attractive and compatible with European standards, become an influence factor of economic and institutional tendencies and establish a development environment and entrepreneurial initiative, by providing services, mechanisms and rules to efficiently mobilize, attract and allocate the financial objectives, in a transparent and secure way. Under these circumstances, the achievement of certain objectives is envisaged, among which we can mention: the achievement of an efficient market, with fair rules; the mobilization, attraction and efficient allocation of financial resources; attractive and compatible market with European standards; influence factor on the economic and institutional evolutions.

The regulated market of derivatives at Sibex

At Sibex, three types of instruments are traded on the derivatives' market: futures, options contracts and financial contracts for difference. The evolution of these will be treat below.

Futures contracts

A futures contract is a standardized contract for the purchase or sale at a future date of a standardized quantity of an asset at a price currently negotiated on the market. The futures contracts traded at Sibex do not have a physical delivery. The transaction is achieved within the margin, namely by submitting contracts traded by investors of a security representing a certain percentage of the total value of the traded contracts. Investors on the futures contracts market may initiate

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purchase transactions (long positions), followed by the closure of the position by sale before maturity or automatic liquidation at maturity or they may initiate sale transactions (short positions) followed by the closure of the position by sale before maturity or automatic liquidation at maturity (fig. no. 1).

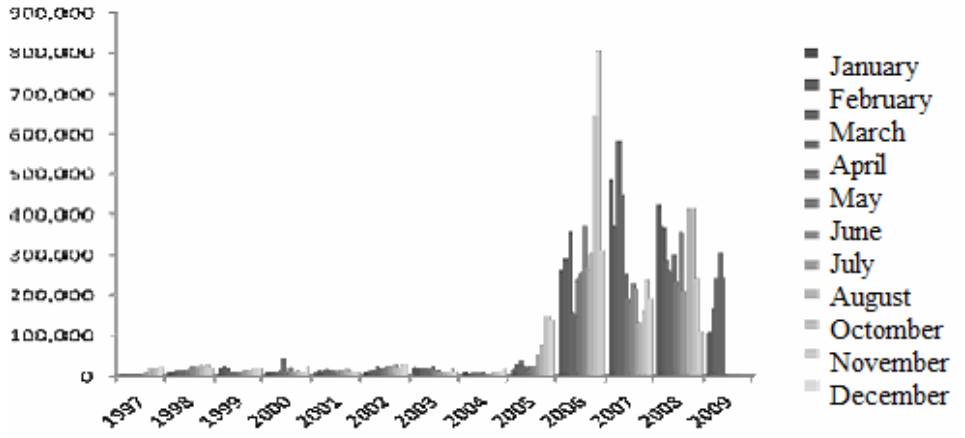


Fig. no. 1: - The evolution of the number of Sibex contracts during July 1997-2009
(Source: Bursa Monetar-Financiară şi de Mărfuri Sibiu, 2009: 11)

The period between 2007 and 2009 has confirmed the maintenance of the investors' interest in the contracts traded on Sibex market and the fact that Sibex market is a mature market which provides various trading opportunities (Bursa Monetar-Financiară şi de Mărfuri Sibiu, 2009: 11).

Futures contract is an agreement between a seller and a buyer to sell/buy a standard quantity of assets to be delivered in the future at a particular date called "maturity" at for a negotiated price at the end of the transaction, based on certain standardized terms. Therefore, trading such a futures contract requires the existence of two parties – a buyer and a seller. Futures contract is not subject to the transaction, but the goods from this contract, also called underlying asset is. The futures contract trading is in fact an agreement between the buyer and the seller in which they agree upon buying, and sell that good (the underlying asset). When perfecting this agreement, no exchange of goods/money (settlement) between the two parties takes place, the buyer and the seller only "shaking the hands over the bargain" on the underlying asset and on its price. Negotiating the price and concluding the agreement between the seller and the buyer take place within Sibex market which provides the transaction platform with which sellers and buyers make their sale / purchase offers known for the available underlying assets and negotiate the prices. The delivery by the seller of that underlying asset and its payment by the buyer would be made at a later date, after perfecting the agreement, a date called the futures contract maturity.

The futures contracts available at Sibex have maturity dates at three, six, nine and 12 months (March, June, September and December), (http://www.sibex.ro/index.php?p=futures&lang =ro&s=2&su=1): for the March maturity, the first day of trading is the first workday after the third day of Friday from March of last year; for the June maturity, the first day of trading is the first workday after the third day of Friday from June of last year; for the September maturity, the first day of trade is the first workday after the third day of Friday from September of the last year; for the December maturity, the first day of trade is the first workday after the third day of Friday from December of last year. An exception is the CO2 futures contract which is due to one day.

The simplified scheme of Sibex market trading is shown in *Figure no. 2 (*http://www.sibex.ro/index.php?p=futures&lang=ro&s=2&su=1).

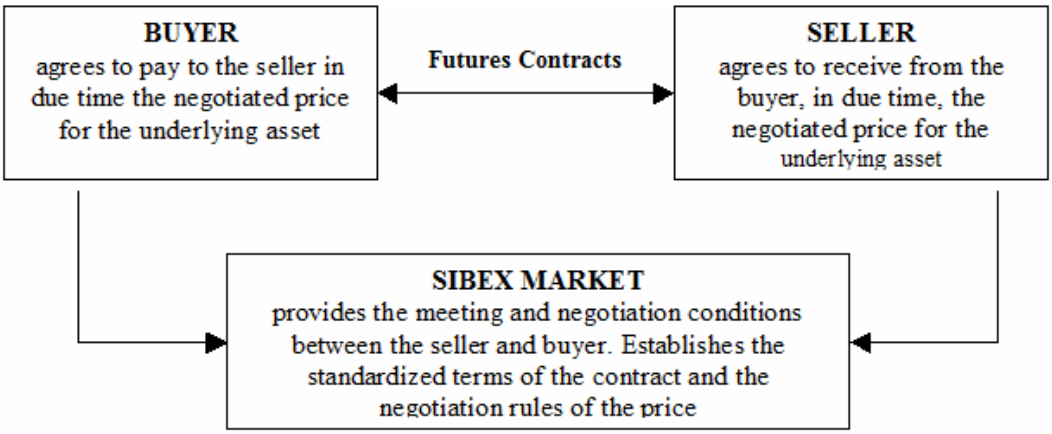


Figure no. 2:- The trading mechanism of futures contracts
(Source: http://www.sibex.ro/index.php?p=futures&lang=ro&s=2&su=1)

In terms of the structure of the traded contracts, the greatest percentage is registered for the futures contracts, as shown in Table no. 1.

Table no. 1:

The percentage of futures contracts between 1997 - August 2010

Period	Percentage of futures contracts	Percentage of options contracts
1997	100,00%	0,00%
1998	99,93%	0,07%
1999	91,31%	8,69%
2000	77,23%	22,77%
2001	71,57%	28,43%
2002	76,98%	23,02%
2003	89,69%	10,31%
2004	96,98%	3,02%
2005	98,36%	1,64%
2006	99,14%	0,86%
2007	99,00%	1,00%
2008	98,89%	1,11%
2009	97,88%	2,12%
Jan-August 2010	94,74%	1,26%

Source: http://www.sibex.ro/

Futures and options contracts traded on the futures market from Sibex are addressed to the entire spectrum of investors, providing them three main areas of action:

a) hedging: for the companies interested in currency or portfolio risk management through the currency futures market or the futures market for stocks and indexes, as well as for qualified investors and owners of equity portfolios. The main reason for the emergence of futures market was the traders' need to reduce the risk of price fluctuations. By buying and selling futures contracts for different maturity dates they settle in advance the price for the goods they are about to buy and sell, without being affected by the possible price fluctuations. Investors who use them are called in the stock exchange language – hedgers (http://www.sibex.ro/index.php?p= futures&lang=ro&s=3&su=1). Their sole purpose in the transaction of derivatives is to secure in advance a firm price for the goods they are about to sell or buy in the future.

b) speculation: for the private investors interested in maximizing the profit by trading futures and options contracts. Therefore, players who are not interested in buying or selling the contract's underlying assets at maturity, but rather want to take advantage of its price changes

within a certain period of time, are looking to buy futures contracts at a price as low as possible and to sell them for the highest profit possible. This type of investors is called speculators, their trading strategies on the futures market materializing in speculative operations (http:// www.sibex.ro/index.php?p=futures&lang=ro&s=3&su=1).

On Sibex market, the most active are the speculators, since their purpose is to take advantage from the price changes. Their goal is basically to buy at the lowest price and to sell at the highest price. The strategy is permitted in reverse, too: selling at a certain price and closing the position by buying at the lowest price possible. The speculator will record a loss if the sale price is lower than the purchase one. The ability to undergo such profitable operations depends solely on the investor's ability to analyse and predict the correct trend of price evolution and to take the appropriate position (short or long) at the right time. The technical analysis and the fundamental analysis are the main weapons of speculators and discipline is an essential feature that could make the difference between profit and loss on the futures market. The fact that during the trading of a futures contract, an amount several times less than on the spot market is immobilised, allows the control of a much larger amount of underlying asset leading to an increased profit potential and also risk of loss. Therefore, speculators on the futures market should follow more carefully the market movements and react promptly to any danger of loss. Thus "take-profit", "Stop-loss" and "trailing-stop" orders are available to speculators on ELTRANS platform, their usage playing an important part in the profits achieved on the futures market (http://www.sibex.ro/index.php?p=futures&lang= ro&s=3&su=1).

Example:

The purchase of 10 DESIF2 – SEP contracts (with multiplier of 1.000 shares) for the price of 3,1500 lei/share and their subsequent sale for the price of 3,2200 lei/share will bring the investor a total profit of:

(3,2200 - 3,1500) x 10 x 1.000 = 700 Ron.

These profitable opening and closing operations of the position are subject to the futures price movement towards the favourable direction (in this case - growth) and may be performed in a very short period of time (there are cases when such changes take place in just a few minutes on Sibex market) or a longer period (a few hours or even days).

Upon the purchase of the ten contracts, the investor must have in his margin account the amount necessary for covering the 10 long positions. If the necessary margin for 1 DESIF2-SEP futures contract would be of 400 Ron/contract, then, in order to be able to introduce the order to buy the 10 contracts, there should be at least 4.000 Ron into the investor's margin account. Thus, the amount of 700 Ron represents the investor's profit added to the initial amount of 4.000 Ron by the Clearing House so that, after the liquidation of the 10 long positions, the investor will have into the account the amount of 4.700 Ron.

If the investor is liquidated by selling the 10 contracts for the price of 3,1000 lei/share, he will have a loss of:

(3,1000 - 3,1500) x 10 x 1.000 = - 500 Ron.

In this case, out of the 4.000 Ron originally existing in the investor's margin account, only 3.500 Ron remain, the 500 Ron loss being withdrawn by the Clearing House.

c) arbitration: for the private or institutional investors interested in making reasonable profits with minimal, or even zero risks. The arbitration operation does not have in view neither the speculation of the futures' price, nor the covering of the existent risk on the spot market, but rather a combination of the two strategies, namely getting a fixed profit and under minimal risk conditions by blocking the difference between the underlying asset's price on the spot market and its futures' price on Sibex market (http://www.sibex.ro/index.php?p=futures&lang=ro&s=3&su=1).

Arbitration involves the simultaneous purchase and sale of certain similar goods (cash or futures) on different markets in order to take advantage of the price differences. At Sibex, an example of arbitration is the forward-futures (Bursa Monetar-Financiară şi de Mărfuri Sibiu, 2006: 5). Therefore, an operator who has access to the interbank and futures markets in Sibiu may carry out an arbitration between these two markets: he keeps of quotation on both markets and buys for example 100 EURO/RON contracts for the PRICE OF 4,2500 lei/euro and sells 100.000 euro to a bank for the price of 4,2700 lei/euro, with the same maturity. The difference in price between the two markets assures the investor with a sure profit. Collecting the difference between the two positions may spread, in the worst case, up to the maturity of the futures contract.

Another type of arbitration practiced only on Sibex market uses spread transactions and consists of entering on opposite positions on two different maturities of the same contract when the basis between the two maturities' prices is large enough.

A much easier arbitration to be accomplished is the spot/futures one. A commodity that is traded both on the spot and on the futures market will benefit from different quotations due to the delivery gap between the two markets (immediately on the spot market and at a certain maturity that could reach up to one year or more on the futures market), (http://www.sibex.ro/index.php?p=futures&lang=ro&s=3&su=5).

The futures price of a share for a particular maturity is theoretically determined by the formula:

F = S x (1 + r) - Div, namely:

Futures price = Spot price x (1 + annualized free-risk interest rate) – expected dividend

A share's price of transaction on the futures market should include in addition to its current value on the spot market as a bonus (premium) which is a gain of the amount which, instead of being 100% invested in buying the share on the spot market, is placed with interest in risk-free instruments over the remaining period until maturity.

Another formula to calculate the theoretical value of the futures price of a share is:

F = [S - PV(Div)] x er x (T-t), where:

F – the theoretical futures price of the share

S – the spot price of a share

PV (Div) - present value of the dividend that is about to be collected by the holder of the share during the period T-t

r – the free-risk interest rate

e – the natural logarithm

(T-t) – the number of days between the current date and the maturity date of the futures contract for that share. Basically, it represents the time remaining until the futures contract maturity (http://www.sibex.ro/index.php?p=futures&lang=ro&s=3&su=5).

The principle of spot/futures arbitration on the Romanian market is the same as spot/spot arbitration: you buy the share on the market with lowest quotation, spot, and, at the same time, you sell that good on the market with the highest quotation, futures. On the Romanian capital market there can be performed arbitration operations between the spot and futures markets if the shares listed both on the BSE and SIBEX are futures contracts.

What an investor should do in case of arbitration is to pursue in parallel the quotations of an share on the spot market (BSE) and also on SIBEX futures market with different maturities, and when the price difference between the two markets is high enough to ensure him the desired profit, the investor will buy from the BSE market a number of shares and at the same time sell very quickly those shares in the equivalent of futures contracts at the desired maturity (http://www.sibex.ro/index.php?p=futures&lang=ro&s=3&su=6).

Currently, 20 futures contracts can be traded on the futures market administrated by Sibex. They are divided in various categories:

1) 12 futures contracts for shares listed on spot market;

2) 3 currency futures contracts: EUR/USD, USD/RON, EUR/RON;

3) 2 index futures contracts: Dow Jones Industrial Average denominated in lei and Dow Jones Industrial Average denominated in dollars;

4) 2 commodity futures contracts: gold, denominated in lei and gold denominated in dollars;

5) one futures contract maturing in one day on the CO2 issues.

During the first semester of 2010, investors included in the investment strategies applied on the market regulated by derivatives, managed by Sibiu Stock Exchange, a number of 15 products, 13 of them being futures contracts and 3 CFDs.

On the futures market, the most popular were the derivatives, where again the predominant interest was for the DESIF5 symbol. It was then noticed the Dow Jones Industrial Average index sector, denominated in lei, but also the currency department with the RON/EURO symbol. DEDJA_RON is a product released for trading on the 22nd of January, its evolution being spectacular, rapidly reaching the second place among Sibex liquidity classification, as it can be noticed in *Table no. 2*.

Table no. 2:

Futures products at Sibex

Symbol	Multiplier	Available maturities - months -	** Commission /contract	Market maker - MM -
DEBRD	100	3,6	0,6 RON	SSIF BROKER SA
DEBRK	1000	3,6	0,6 RON	
DERRC	10000	3,6,9,12	1,6 RON	
DESIF1	1000	3,6	0,6 RON	
DESIF2	1000	3,6,9,12	0,6 RON	
DESIF3	1000	3,6,9,12	0,6 RON	
DESIF4	1000	3,6	0,6 RON	
DESIF5	1000	3,6,9,12	0,6 RON	
DESNP	1000	3,6,9,12	0,6 RON MM: 0,1 RON MM clients: 0,35 RON	
DETLV	1000	3,6,9,12	0,6 RON	
EUR/USD	10000	3,6,9,12	1 USD	
USD/RON	1000	3,6	0,6 RON	
SIBGOLD_USD	10	3,6	1 USD	
SIBGOLD_RON	10	2,4,6	1 RON	
EUR/RON	1000	3,6,9,12	0,6 RON	
DEEBS	10	3,6	0,6 RON	
CO2 2008-2012	100	daily	3 RON	SSIF WBS ROMANIA SA
DEDJIA_RON	1	3,6,9,12	1,1 RON MM: 0,1 RON MM clients: 0,6 RON	
DEDJIA_USD	1	3,6,9,12	1 USD	
DESBX	1.000	3,6	0,6 RON	

Source: http://www.sibex.ro/index.php?p=futures&lang=ro&s=3&su=6

Table no. 3:

The evolution of futures contracts during the first semester of 2010 at Sibex

Symbol	Transactions	Contracts	Total percentage %	Value
DESBX	2	10	0.001	18000
DEBRD	44	102	0.010	170,027
DEBRK	2	22	0.002	11,464
CO2_RON	2	54	0.006	6,666,075
DEDJIA_RON	18,503	122,130	12.508	1,282,607,957
DERRC	4	32	0.003	3,448
DESIF2	1,357	2,321	0.238	4,974,045
DESIF3	75	81	0.008	442,940
DESIF4	0	6	0.001	5,470
DESIF5	192,192	801,488	82.083	1,318,523,585
DESNP	299	930	0.095	313,296
DETLV	249	525	0.054	1,120,011
EUR/RON	9,033	48,725	4.990	202,056,295
SIF1	3	3	0.000	2,600
TLV	3	3	0.000	7,350
TOTAL	**221,768**	**976,432**	**100%**	**2,816,922,563.13**

Source: http://www.sibex.ro/

SIF Oltenia derivatives were a useful instrument both for speculations, buyers and sellers, having the possibility to obtain high profits and also for risk management strategies, many participants efficiently protecting their spot portfolios during times of decrease. The best month for DESIF2 was June with 180.135 contracts (Sibex, 2010: 6), (fig. no. 3).

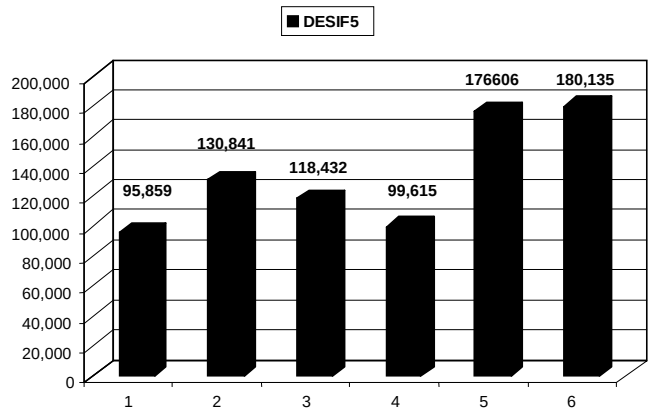


Fig. no. 3:- DESIF5 evolution on months during the first semester of 2010

The second place during that semester was occupied by the American Dow Jones Industrial Average futures contract with 122.130 contracts in 18.503 transactions. The value of DEDJIA_RON was rated for 1,28 billion lei, very close to that of DESIF5 and standing chances that in a short run even to exceed it, which shows the participants' interest in a valuable product which cannot be subjected to certain manipulation suspicions and which dictates the global stock market trend. Moreover, Sibex is the second stock exchange in the world where Dow Jones derivatives can be traded. The high value of Dow Jones contracts has often made it for the total value of transfers at Sibex to exceed that on BSE market (Sibex, 2010: 6). DEDJIA_RON has had a spectacular evolution, the volume constantly increasing each month so that it became the most successful newly-released product on the market in Sibiu during the last five years. The best month for

DEDJIA_RON was June with 38,759 contracts. The Dow Jones percentage in the grand total of this year's first six months reached 12,5%. The record for a single session was recorded on the 11th of June when Sibex market participants concluded 6406 DEDJIA_RON contracts. The high volume of this instrument is also due to the existence of a market-maker (SSIF WBS Romania), but also to the contract's extension of the trading schedule until 19:00 so that the participants can simultaneously trade, over an extended period of time, with the Wall Street stock exchange, the most important influence factor on the capital markets worldwide (fig. no. 4).

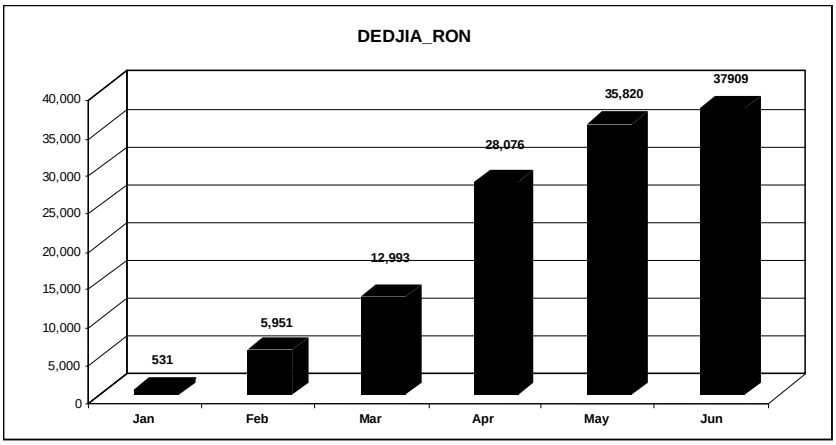


Fig. no. 4 - DEDJIA_RON evolution on months during the first semester of 2010

On the third place there were the currency derivatives for the EURO/RON pair, with 48.725 contracts, a volume through which 48,72 million euro have been transferred. The EURO/RON pair thus managed to exceed again the derivatives on other liquid shares. Transactions were registered at all maturities, noticing both the interest for short term strategies and also for medium or long term strategies. The total number of transactions in EURO/RON in the first six months was 9033, their value reached 202,05 million lei and the percentage in the total volume reached almost 5%. The best month for EURO/RON derivatives was June, with almost 13.000 contracts, the exchange rate's volatility being the argument that made participants move towards Sibex.

The currency derivatives market is very attractive at Sibex, especially for speculations, in terms of volatility and uncertainty regarding the evolution of the rate of exchange, but also for currency risk management strategies. The attractiveness of EURO/RON derivative is given by the extremely low commission charged by Sibex, of only one leu per contract and by the extremely small investment, the deposited security with the CRC (The Romanian Clearing House) being only 95 lei for 1000 euro (fig. no. 5).

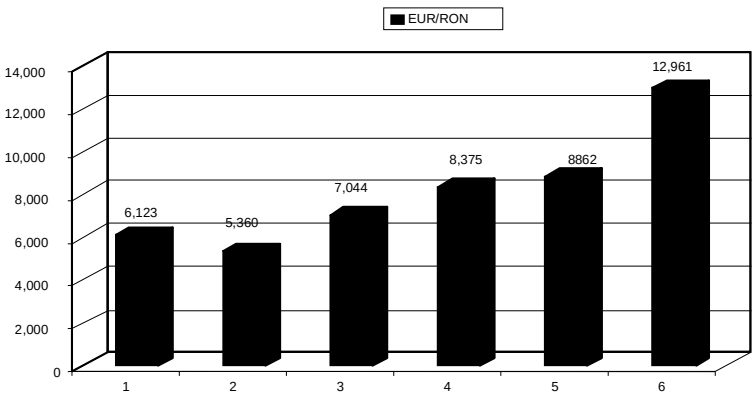


Fig. no. 5 - DEDJIA_RON evolution on months during the first semester of 2010: EURO/RON evolution on months during the first semester of 2010

Options contracts

The option is a standardized contract which gives the buyer the right, but not the obligation to buy or sell the underlying asset standing at the basis of the contract within a pre-established period of time, for a predetermined price, called the exercise price for an amount paid to the seller upon a contract, called premium and negotiated on a market. Options contracts may be:

a) Call-type: Call option gives the buyer the right, but not the obligation, to buy the underlying asset at a predetermined price, at a pre-established period until that date. For example (Bursa Monetar-Financiară şi de Mărfuri Sibiu, 2006: 7), it is assumed that DESIF5 (the futures contract at the basis of the option) is listed at 1.4600 lei for maturity in December 2010. A Call option on DESIF5 is available on the market for a predetermined price (the exercise price) of 1.4750 lei. The buyer of such an option has the right, but not the obligation, to buy 1000 SIF5 shares for the price of 1.4750 lei anytime until the 30th of September 2005. For this right, the buyer pays a price called "premium". On the other hand, the seller of the option is forced to deliver the DESIF5 futures contract (the equivalent of 100 SIF5 shares) for the price of 1.4750 lei/share. To assume such an obligation, the seller collects and keeps the premium of the option whether or not the option will generate profit during maturity. It is also important that the buyer does not have to exercise the purchased option.

b) Put type: it gives the buyer the right, but not the obligation, to sell the futures contract standing at the basis of the option. For example (Bursa Monetar-Financiară şi de Mărfuri Sibiu, 2006: 8), the SIF5 share, whose spot price is of 1.4600 lei, a Put option with the maturity in December 2010 is available for the price of 1.4000 lei/share. This option gives the buyer the right, but not the obligation, to sell, whenever, until the 30th of September a DESFI 5 (the equivalent of 1000 shares) for the price of 1.4000 lei. For this right, he pays a price called "premium". When exercising, the seller of the option has to buy the contract for the price of 1.4000 lei/share (although meanwhile it reached 1.3000 and he might buy it cheaper from the market). As with Call options the seller collects and keeps the premium, whether or not the option is exercised. As in the case of Call options, it is important that the buyer does not have to exercise the option. Options contracts traded at Sibex have as underlying assets the futures contracts traded at Sibex (Intercapital Invest S.A., 2009: 10),(fig. no. 6).

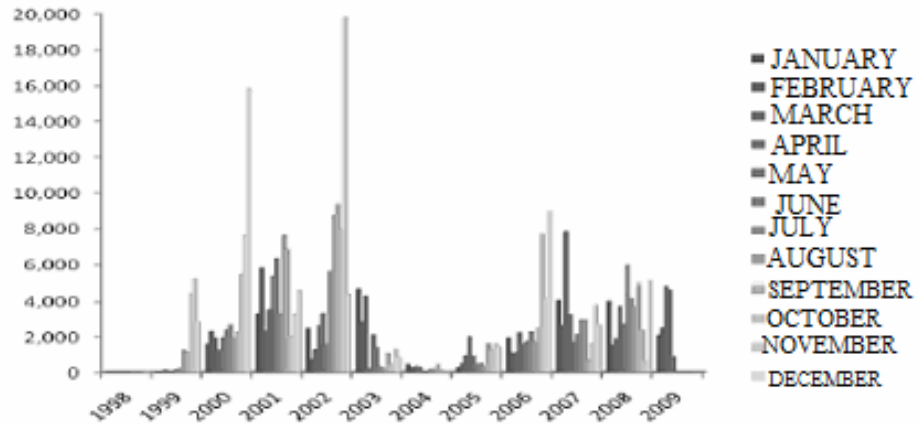
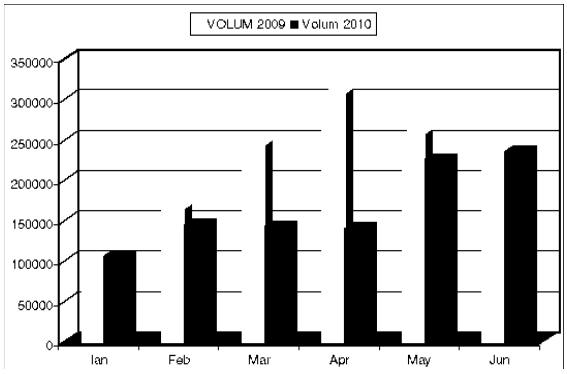


Fig. no. 6:- The evolution of options contracts at Sibex during November 1998 – May 2009

(Source: Bursa Monetar-Financiară şi de Mărfuri Sibiu, 2009: 12)

The volume of options contracts concluded in 2002 has confirmed that local investors perceived the usefulness of these derivatives and that the activity at Sibiu stock exchange has an essential contribution to the development of the local capital market. Options contracts launched over the years have continued to maintain the attention of investors, the stock exchange in Sibiu continuing the target audience educational activity so that the usefulness of these contracts is

perceived by as many customers (Bursa Monetar-Financiară şi de Mărfuri Sibiu, 2009: 12) (fig. no. 7; fig. no. 8).



Month	Volume 2009	Volume 2010	% 2010 vs. 2009
Jan	104655	105343	100.66%
Febr	164440	144746	88.02%
Mar	243482	141861	58.26%
Apr	306250	139335	45.50%
May	257774	225569	87.51%
June	219748	234451	106.69%

Fig. no. 7:- The evolution of futures and options contracts on months during the first semester of 2010 vs. the first semester of 2009

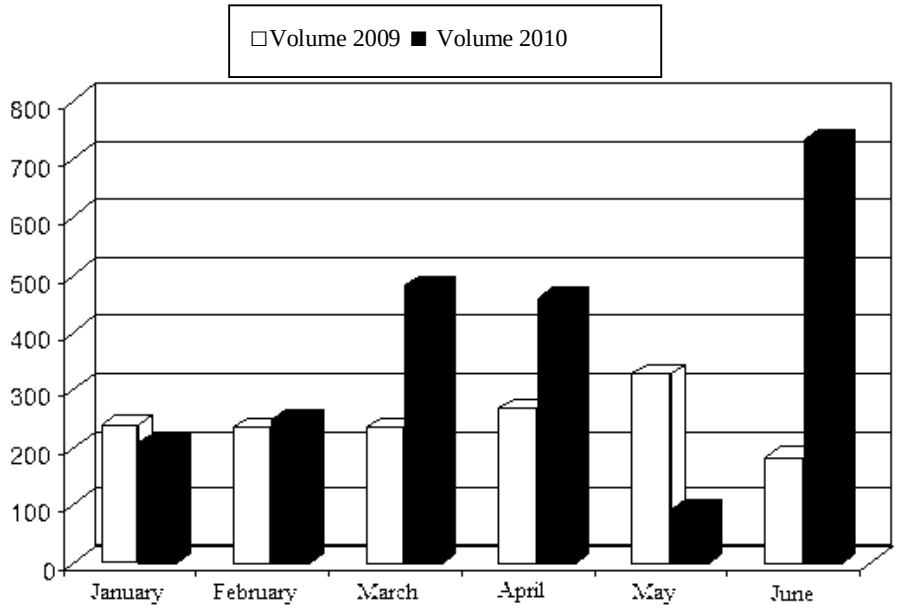


Fig. no. 8:- The evolution of the number of options contracts on months during the first semester of 2010 vs. the first semester of 2009

Therefore, 15 options contracts can be currently traded on the options market managed by Sibex, namely (table no. 4):

1) 11 options on futures contracts that have shares as underlying assets;
2) 3 options on currency futures contracts: EUR/USD, EUR/RON, USD/RON;
3) one option on futures contracts that has gold as underlying assets.

Table no. 4:

Options products at Sibex

Symbol	Listing intervals / exercised prices	Available maturities - months-	** Commission Ron/contract
OPDEBRD	From 2000 to 2000 steps divisible by 2000	3,6	0,6
OPDEBRK	From 1000 to 1000 steps divisible by 1000	3,6	0,6
OPDERRC	From 50 to 50 steps divisible by 50	3,6,9,12	0,6
OPDESIF1	From 500 to 500 steps divisible by 500	3,6	0,6
OPDESIF2	From 500 to 500 steps divisible by 500	3,6,9,12	0,6
OPDESIF3	From 500 to 500 steps divisible by 500	3,6,9,12	0,6
OPDESIF4	From 500 to 500 steps divisible by 500	3,6	0,6
OPDESIF5	From 500 to 500 steps divisible by 500	3,6,9,12	0,6
OPDESNP	From 500 to 500 steps divisible by 500	3,6,9,12	0,6
OPDETLV	From 500 to 500 steps divisible by 500	3,6,9,12	0,6
OPEUR/USD	From 500 to 500 steps divisible by 500	3,6,9,12	0,6
OPEUR/RON	From 1000 to 1000 steps divisible by 1000	3,6,9,12	0,6
OPUSD/RON	From 1000 to 1000 steps divisible by 1000	3,6	0,6
OPSIBGOLD	From 200 to 200 steps divisible by 200	3,6	0,6
OPDEEBS	From 100 to 100 steps divisible by 100	3,6	0,6

Source: http://www.sibex.ro/index.php?p=futures&lang=ro&s=3&su=6

The financial contracts for difference (CFD)

Is a contract between a buyer and a seller in which they agree to settle their difference of an asset between the time of initiation and the liquidation of the contract (Intercapital Invest S.A., 2009: 10). The difference is determined by the reference to the price of an underlying asset. CFDs allow investors to open long or short positions on underlying assets but, unlike futures contracts, they do not have a fixed maturity. In 2009, 6 types of CFDs were being traded at Sibex, with the following features outlined in Table no. 5 (Intercapital Invest S.A., 2009: 33).

Table no. 5

CFD at Sibex in 2009

Sibex Symbol	Underlying asset	Size of contract
	Shares listed on BSE	
BRD CFD	BRD – Groupe Societe Generale shares (BSE:BRD)	100
BRK CFD	SSIF Broker Cluj shares (BSE:BRK)	10.000
SIF1 CFD	SIF Banat-Crişana shares (BSE:SIF1)	1.000
SIF4 CFD	SIF Muntenia shares (BSE:SIF4)	1.000
SNP CFD	OMV Petrom shares (BSE:SNP)	1.000
TLV CFD	Transilvania Bank shares	1.000

Source: http://www.sibex.ro/

CFDs were launched at the beginning of 1990s on the financial market in London. Based on the swap of the financial instruments, they showed the benefit of "margin" trading and of exemption from stamp duty (a tax in force in Great Britain). CFDs' promoters were at that time Brian Keelan and Jon Wood, both from UBS Warburg (Union Bank of Switzerland).

Conclusions: the development of derivatives on the regulated market

The annual value of contracts traded on Sibex market has known a significant growth after 2005, as compared to the period 1997-2004. From a volume of 75.174 futures and options contracts traded in 2004, the total has reached a maximum of 4.268.710 contracts in 2006. The year 2008faced the accomplishment of a total volume of 3.618.766 futures and option contracts, increasing by 127.843 contracts as compared to the turnover achieved in 2007. The evolution of the

number of contracts traded on Sibex market was influenced by the international economic crisis. Therefore, although increasing, the turnover of 2008 is 85% from that of 2006 (the year when the highest volume of contracts traded at Sibex was recorded). The decrease was more pronounced in 2009, the annual number of contracts traded in 2009 represents 70% of 2008 and 60% of 2006 (Intercapital Invest, ianuarie 2008: pp. 3-4), as it can be noticed in Table no. 6.

Table no. 6

Contracts traded at Sibex during1997-2009

STRUCTURE OF CONTRACTS TRADED						
	% Futures	% Options	Period	Number of futures contracts	Number of options contracts	Total contracts
1997	100,00%	0,00%	1997	77.877	0	77.877
1998	99,93%	0,07%	1998	193.203	133	193.336
1999	91,31%	8,69%	1999	159.927	15.215	175.142
2000	77,23%	22,77%	2000	158.536	46.752	205.288
2001	71,57%	28,43%	2001	135.242	53.731	188.973
2002	76,98%	23,02%	2002	225.069	67.300	292.369
2003	89,69%	10,31%	2003	168.545	19.369	187.914
2004	96,98%	3,02%	2004	72.901	2.273	75.174
2005	98,36%	1,64%	2005	696.109	11.629	707.738
2006	99,14%	0,86%	2006	4.232.059	36.651	4.268.710
2007	99,00%	1,00%	2007	3.456.023	34.900	3.490.923
2008	98,89%	1,11%	2008	3.578.582	40.184	3.618.766
2009	97,89%	2,11%	2009	2.430.849	52.438	2.483.287

Source: http://www.sibex.ro/

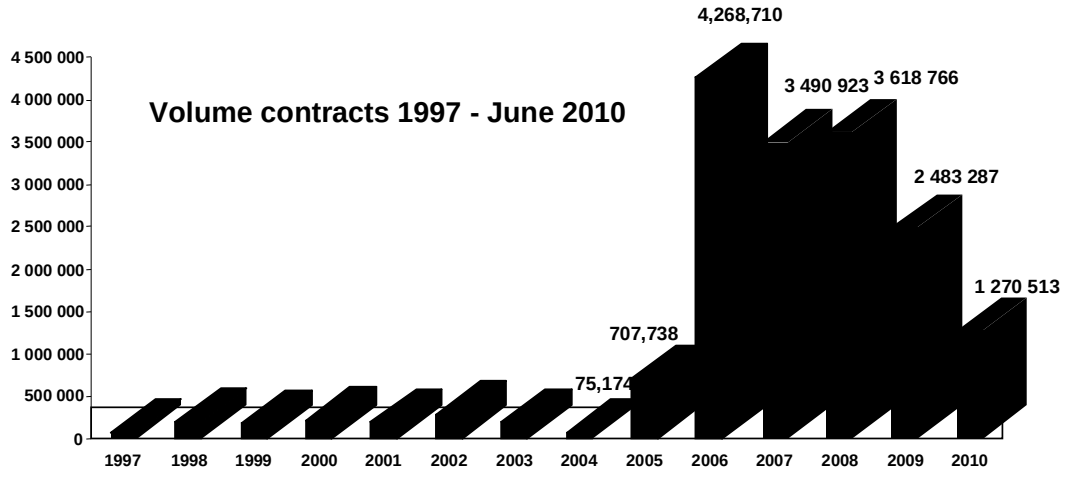


Fig. no. 9. Contracts traded at Sibex during1997-2009

.Source: http://www.sibex.ro/

In the first semester of 2010, the statistics regarding the contracts traded on Sibex market is shown in Table no. 7 (Sibex, 2010: 8).

Table no. 7

Top contracts concluded on Sibex futures market in the first semester 2010

	Symbol	Total contracts
1.	DESIF5	801,488
2.	DEDJIA/RON	122,130
3.	EUR/RON	48,725
4.	DESIF2	2,321
5.	DESNP	930
6.	DETLV	525
7.	DEBRD	102
8.	DESIF3	81
9.	CO2_RO	54
10.	DERRC	32
11.	DEBRK	22
12.	DESBX	10
13.	DESIF4	6
14.	SIF1-CFD	3
15.	TLV-CFD	3
	TOTAL	**976,432**

Source: http://www.sibex.ro/

As it could be noticed from the above shown, the investors' preference for Sibex products is constant for certain products, but there have also been some changes in preference over the years when certain sectors have increased due to the decrease of others.

In the last three years investors have preferred the SIF (Financial Investment Companies) financial segment, particularly pointing out the DESIF5 contract (derivatives on SIF5 Oltenia shares). DESIF2 contract also had a very good level of liquidity which, however, beginning with 2009 has seriously decreased from the players' preferences. Among the liquid contracts during 2006-2008 there were also DESNP (derivatives on Petrom shares) and DETLV (derivatives on Transilvania Bank). In the last 2 years these have also passed in the background in the preferences of Sibex market participants due to the increase of the currency segment attractiveness through EURO/RON contract. A stock exchange boom occurred in 2010 on the transactions of DJIA index derivatives, launched in January. This was the most successful new product launched by Sibex during the last years. Its rise materialized in a volume of contracts that placed it on the second place among the products traded in 2010 to the present. A great advantage of this product is the existence of a market-maker.

Looking at the graphs presented for futures and options products, it can be noticed that, since 2005, there have been signs of an increasing interest for futures and options contracts available for transaction on Sibex market, the year 2006 being the year when the highest volume of traded contracts took place. The following years, too have had a high volume of futures and options contracts so that, twelve years after the implementation of the futures project in Romania, Sibiu Stock Exchange has become a national and also European reputable institution. Based on an already well-developed and strong market, Sibex aims to strengthen the derivatives' sector by maintaining and improving growth in traded volumes by the introduction of new instruments (Bursa Monetar-Financiară şi de Mărfuri Sibiu, 2009: 13).

Intermediaries

In order to trade on Sibex market, investors must use the services of an intermediary. Intermediaries with access to Sibex market are the companies of financial investment services authorized by The Romanian National Securities Commission and the credit institutions authorized by The national Bank of Romania. Investors' interest in the financial products traded al Sibiu Stock Exchange led to the increased number of intermediaries (Bursa Monetar-Financiară şi de Mărfuri Sibiu, 2009: 13).

In the first semester of 2010 a number of 35 intermediaries have traded on Sibex market, a classification of the most active of them being shown in Table no. 8 (Sibex, 2010: 11).

Table no. 8

10 most active intermediaries of Sibex futures and options in the first semester of 2010

	Intermediaries name	Number of contracts
1.	SSIF TRADEVILLE SA	314,112
2.	SSIFBROKER SA	228,700
3.	SSIFESTINVEST SA	228,548
4.	SSIFWBS ROMANIA SA	191,550
5.	SSIF INTERCAPITAL INVEST SA	115,751
6.	SSIF IFB FINWEST SA	109,009
7.	SSIF KBC SECURITIES SA	98,537
8.	SSIF FAIRWIND SECURITIES SA	87,763
9.	SSIF CARPATICA INVEST SA	64,995
10.	SSIF NOVA INVEST SA	60,414

Source: http://www.sibex.ro/

As a conclusion, the stock exchange market is a component of the financial securities market. Its purpose is to conduct a comprehensive activity in terms of fairness and transparency.

The personal contribution regarding the evolutions and strategies on the futures market at Sibex is limited to collecting and reporting data on the evolution of stock for a certain period of time, analyzing them and finding new solutions in terms of efficient organizational management level. The originality of the paper is that such an analysis was not performed yet.

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