



**FOR IMMEDIATE RELEASE**

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## **Fimat Group Launches “Fimat Volatility Arbitrage Strategies Index”**

**Paris, France — January 27, 2003,** The Fimat Group, one of the world's leading global brokerage organisation and part of Société Générale Group prepares for the Launch of the “Fimat Volatility Arbitrage Strategies Index”.

Fimat Global Fund Services, the prime brokerage team of Fimat International Banque SA (UK branch) has been preparing to launch the “Fimat Volatility Arbitrage Strategies Index” and it is now due to be released in the coming weeks.

"Fimat recognises the growing interest in volatility arbitrage with the related desirability of providing the larger investor community with a dedicated benchmark. Responding to our customers' needs by offering technical solutions is part of the Group's long term commitment to the Hedge Fund industry." commented Patrice BLANC, CEO of Fimat Group.

Fimat will be the first prime broker to introduce a Volatility Arbitrage Strategies Index. It is envisaged that ten volatility arbitrage funds will be participating in the index from inception with this figure growing as the popularity and the number of funds increase. The index will be equally weighted and reporting will be conducted on a monthly basis. Performances will be collected in the funds base currency and supplied as a percentage return (Net Return) or a Net Asset Value per share or per unit (NAV). Fimat seeks to ensure that the data is comprehensive and reliable by collecting it directly from the hedge fund managers and requiring, inter-alia, audited financial statements.

Volatility arbitrage strategies treat volatility as an asset class of its own. Funds specialising in these strategies trade the implied volatility versus the actual volatility of an identical or related tradable asset. They also enter in relative value (for example trading long/short as a "pair" the implied volatility of two different underlying assets) or transformation trades that seek to benefit from market impacts momentarily created by trading flows and liquidity situations (volatility surface arbitrage).

Funds will spot instances when the implied volatility of an option is inconsistent with historical or future observations provided by proxy instruments or correlated assets. Implied volatility is the volatility implied by the price of an option in the market, as calculated by models such as Black-Scholes. The implied volatility can be used to monitor the market's opinion about the future price behaviour of a particular asset.

According to Philippe TEILHARD, Managing Director of Fimat Global Fund Services group: "We are seeing keen interest from investors for this type of strategy whose correlation characteristics are nil to negative to most other alternative investment strategies as well as being nil or minimal to general market prices except in period of financial stress. The index

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we have created will give investors a better way to monitor and compare the return of their investments."

"As Volatility Arbitrage managers trade in short term, liquid and mostly Exchange listed financial securities and derivatives, it is interesting to note that the alpha creation is done without the credit risk element inherent to conventional volatility trading seen in other type of strategies such as convertible arbitrage. This is proving to be another much appreciated diversification benefit - particularly with the level of prices currently seen in the convertible arbitrage market."

Another advantage of volatility arbitrage strategies is that it is non-directional, so there is no direct exposure to the market or general price trends of equities, fixed income, foreign exchange or tangible commodity prices.

More generally, awareness and quantification of market volatility has been increasing over the last years. 2002 saw relative highs in the main volatility indices quoted by several Exchanges. In July 2002, the VIX\* rose to 56.74, the third highest value since its launch, as the S&P slumped. In September the VDAX rose to highs of over 70 as the DAX fell.

Fimat prime brokerage teams offer a global and complete range of brokerage activities encompassing transaction, clearing, settlement, custody and financing of various asset classes. These asset classes include equities, bonds, currencies, commodities and their related derivative products, such as listed futures and options, forwards, CFDs and swaps traded on a world-wide basis.

In addition, Fimat prime brokerage can help leverage the various capabilities of the broader Société Générale Group, including high-end structured products such as equity-linked derivatives, structured notes and other customised institutional derivative products.

#### Notes to Editors.

\*[As a result of the increased interest in volatility, February 1993 the CBOE was prompted to introduce a market volatility index, the VIX, to assist investors in tracking the volatility risk in the stock market. The VIX is constructed by tracking the weighted average of the implied volatility of the Standard and Poors 100 Index at-the-money call and put options. The VIX is an inverse indicator and traders use it as a general indicator of market volatility and sentiment with high numbers indicating excess bearishness and low numbers excess bullishness. Since the introduction of the VIX exchanges in other countries have launched volatility indices, e.g. in December 1995 the German Futures and Options exchange launched the VDAX which is the DAX based volatility index.]

#### **About Fimat:**

The Fimat Group has a global network of 22 offices and is a member of nearly 40 of the world's largest derivative exchanges and 10 stock exchanges. The Group provides global clearing and execution services to institutional users of derivatives and securities markets worldwide. Companies of the Fimat Group cover markets that account for 80 percent of the volume of all major exchanges. They offer clients access to over 500 individual interest rate, bond, currency and equity products as well as 220 individual commodity contracts, covering the full spectrum of metals, energy, grains and soft commodity products.

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*For questions regarding the "Fimat Volatility Arbitrage Strategies Index" or the activities of Fimat Global Fund Services please contact:*

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