



## CME Group to Launch First-Ever Water Futures Based on Nasdaq Veles California Water Index

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**New futures will help California water market users hedge price risk and provide a regulated, market-based solution for managing risk to the most active and dynamic water market in the U.S.**

CHICAGO and NEW YORK, Sept. 17, 2020 /PRNewswire/ -- CME Group, the world's leading and most diverse derivatives marketplace, and Nasdaq, a global technology company serving the capital markets and other industries, today announced plans for a new futures contract on the Nasdaq Veles California Water Index (NQH2O). CME Group will launch its new Nasdaq Veles California Water Index futures contract in late Q4, pending regulatory review.



Nasdaq Veles California Water Index futures will be an innovative, first-of-its-kind tool to provide agricultural, commercial, and municipal water users with greater transparency, price discovery, and risk transfer – all of which can help to more efficiently align supply and demand of this vital resource.

"With nearly two-thirds of the world's population expected to face water shortages by 2025, water scarcity presents a growing risk for businesses and communities around the world, and particularly for the \$1.1 billion California water market," said Tim McCourt, CME Group Global Head of Equity Index and Alternative Investment Products. "Developing risk management tools that address growing environmental concerns is increasingly important to CME Group. This innovative, new water contract builds on our strong partnership with Nasdaq, as well as our proven 175-year track record of helping end users and other market participants manage risk in essential commodity markets including agriculture, energy, and metals."

"The Nasdaq Veles California Water Index helps drive better outcomes for water market participants through verifiable price discovery," said Lauren Dillard, Executive Vice President and Head of Nasdaq Global Information Services. "Our collaboration with CME Group has the power to deliver greater transparency around the management of an important natural resource."

A liquid, transparent futures market will help to create a forward curve so water users can hedge future price risk. For example, 40% of water currently consumed in California is used to irrigate its nine million acres of crops. Nasdaq Veles California Water Index futures would allow an agricultural producer to plan ahead for changing costs of the water they need for large-scale irrigation. It would also allow a commercial end user, like a manufacturer, to better navigate business and financial risks when water prices fluctuate.

The new California water futures contract will be financially settled based on the Nasdaq Veles California Water Index launched in 2018, with each contract representing 10 acre-feet of water. The index sets a weekly benchmark spot price of water rights in California, based on the volume-weighted average of the transaction prices in California's five largest and most actively traded water markets. Nasdaq developed the NQH2O Index in partnership with Veles Water Limited, a firm specializing in the development of financial products for water markets. The data utilized in the calculation of the index is provided by WestWater Research, an economic consulting firm focused on pricing, valuation, and transaction advisory services for water rights and water resource development.

Nasdaq Veles California Water Index futures will be listed by and subject to the rules of CME. For more information and contract specifications, please visit [www.cmegroup.com/waterfutures](http://www.cmegroup.com/waterfutures). For more information on the NQH2O Index, visit [www.Nasdaq.com/waterindexes](http://www.Nasdaq.com/waterindexes).

### About CME Group

As the world's leading and most diverse derivatives marketplace, CME Group ([www.cmegroup.com](http://www.cmegroup.com)) enables clients to trade futures, options, cash and OTC markets, optimize portfolios, and analyze data – empowering market participants worldwide to efficiently manage risk and capture opportunities. CME Group exchanges offer the widest range of global benchmark products across all major asset classes based on [interest rates](#), [equity indexes](#), [foreign exchange](#), [energy](#), [agricultural products](#) and [metals](#). The company offers futures and options on futures trading through the [CME Globex®](#) platform, fixed income trading via BrokerTec and foreign exchange trading on the EBS platform. In addition, it operates one of the world's leading central counterparty clearing providers, CME Clearing. With a range of pre- and post-trade products and services underpinning the entire lifecycle of a trade, CME Group also offers optimization and reconciliation services through TriOptima, and trade processing services through Traiana.

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