Eurex Circular 015/19

Equity ETF derivatives: Introduction of eight ETF options

Summary

Effective **25 February 2018**, the Management Board of Eurex Deutschland and the Executive Board of Eurex Frankfurt AG decided to introduce options on eight additional ETFs.

This circular provides information on the introduction of the new products and updated sections of the relevant Rules and Regulations of Eurex Deutschland.

The new ETF options will be included in the Liquidity Provider Scheme for Options on equity ETFs, as outlined in the attached Product Specific Supplement, with effect from 1 April 2019.

Attachments:

1. Updated sections of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland
2. Product Specific Supplement for Options on Equity ETFs

Date: 13 February 2019

Recipients:
All Trading Participants of Eurex Deutschland and Vendors

Authorized by:
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Target group:
- All departments

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Equity ETF derivatives: Introduction of eight ETF options

1. Product overview, contract specifications and product parameters

Underlying information					Product parameters			
Name of ETF	Currency	ISIN	Ticker	Market	Eurex ID	Contract size	Tick size	Min. Block Trade Size
iShares FTSE 250	GBX	IE00B00FV128	MIDD LN	XLON	MIDD	100	0.25	1,000
iShares European Property Yield	GBX	IE00B0M63284	IPRP LN	XLON	IPRP	100	0.25	500
iShares MSCI Brazil (DE)	USD	DE000A0Q4R85	4BRZ GY	XETR	4BRZ	100	0.01	500
iShares S&P 500 Financials	USD	IE00B4JNQZ49	IUFS LN	XLON	IUFS	1,000	0.01	500
iShares S&P 500 Health Care	USD	IE00B43HR379	IUHC LN	XLON	IUHC	1,000	0.01	500
iShares S&P 500 IT	USD	IE00B3WJKG14	IUIT LN	XLON	IUIT	1,000	0.01	500
iShares S&P 500 Energy	USD	IE00B42NKQ00	IUES LN	XLON	IUES	1,000	0.01	500
iShares S&P 500 Utilities	USD	IE00B4KBBD01	IUUS LN	XLON	IUUS	1,000	0.01	500

Additional specifications	
Contract months	Up to 24 months
Settlement	Physical delivery of the respective ETF shares two exchange days after the Last Trading Day
Daily settlement price	The Daily Settlement Price is established by Eurex through the binomial model according to Cox/Ross/Rubinstein
Last trading day	The last trading day shall be the third Friday of each expiration month, if this is an exchange day, otherwise the exchange day immediately preceding that day.
Reference price	Closing price determined within the respective electronic trading system on the last trading day
Exercise	American-style; an option can be exercised up to the end of the Post-Trading Full Period (20:00 CET) on any exchange day during the lifetime of the option
Matching principle	Pro Rata

The trading hours match existing ETF options, details of which are recorded in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland (Contract Specifications).

On the introduction date of the new products, the updated Contract Specifications will be published on the Eurex website www.eurexchange.com as of start of trading under:

Resources > Rules and Regulations > Contract specifications

2. Risk parameters

As of start of trading, risk parameters of the new product will be published on the Eurex website under the link:

Market data > Clearing data > Risk parameters and initial margins

3. Mistrade ranges, position limits

Mistrade ranges and position limits for the new ETF options will be published as of start of trading on the Eurex website under the following link:

Products > Product information > Product specifications

4. Vendor codes

As of start of trading, data vendor codes for the new products will be published on the Eurex website under the following link:

Products > Vendor product codes

5. Trading calendar

The existing trading calendars for equity options will apply. They can be found on the Eurex website under the link:

Trading > Trading calendar

6. Transaction fees

The same transaction fees apply as for the corresponding existing ETF options.

7. Eurex T7 Entry Services

The Flexible Options facility will be available upon acceptance of the General Conditions for Participation.

An overview of the Eurex T7 Entry Services available for the products as well as detailed information on all Single Stock Futures and equity options on single product basis with regard to availability, possibility of utilisation and minimum number of tradable contracts for the various Eurex T7 Entry Services is available on the Eurex website.

CSV file “Trading Parameters” contains product parameter “Block Volume Publication Limit“ (see column “NonDisclosureLimit“) which defines the limit for volumes up to which Eurex Block Trades in the various products are published. Aforementioned information as well as the CSV file can be found on the Eurex website under the link:

Trading > Eurex T7 Entry Services > T7 Entry Service parameters

8. Liquidity Provisioning

With effect from 1 April 2019, new ETF options will be included in the Liquidity Provider Scheme for equity ETF options (Equity-04 Options). Please see the attached “Product Specific Supplement” to the Liquidity Provider Agreement (LPA) for further details.

If you have any questions or need further information, please contact Derivatives Trading Operations via tel. +49-69-211-1 12 10 or send an e-mail to: eurextrading@eurexchange.com.

15 February 2019

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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1.4 Contract Specifications for Futures Contracts on Shares of Exchange-Traded Funds (EXTF Futures)

The following subpart contains contract specifications for Futures Contracts on shares of exchange-traded funds ("EXTF Futures").

1.4.1 Subject Matter of Contract

Futures Contracts on the following shares of exchange-traded funds ("EXTF Futures") are available at Eurex Deutschland:

- Xtrackers Harvest CSI300 ETF (Frankfurter Wertpapierbörse FWB)
- iShares Core DAX® (DE) (Frankfurt Stock Exchange FWB)
- iShares Core EURO STOXX 50® (Frankfurt Stock Exchange FWB)
- iShares SMI® (SIX Swiss Exchange AG)

EXTF Futures shall refer to 100 shares of the underlying Exchange-traded fund. EXTF Futures on ~~db x-~~Xtrackers Harvest CSI300 UCITS ETF shall refer to 1,000 shares of the underlying Exchange-traded fund.

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2. Part: Contract Specifications for Options Contracts

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2.5 Contract Specifications for Options Contracts and Low Exercise Price Options on Shares of Exchange-Traded Funds (EXTF-Options)

The following subpart contains contract specifications for Options Contracts shares of exchange-traded funds ("EXTF-Options") and low exercise price options (LEPOs) on shares of exchange-traded funds.

2.5.1 Subject Matter of Contract

Options Contracts on the following shares of Exchange-traded funds are available for trading at Eurex Deutschland. In each case, for all options contracts is the reference market the Electronic Trading System of the Frankfurter Wertpapierbörse, unless otherwise is noted:

- Xtrackers MSCI World ~~Swap~~ UCITS ETF
- iShares Core FTSE 100 UCITS ETF (Dist) (London Stock Exchange LSE)
- iShares Core DAX® UCITS ETF (DE)
- iShares Core EURO STOXX® 50 UCITS ETF
- iShares MSCI Core Europe UCITS ETF (Dist)
- iShares FTSE 250 UCITS ETF (London Stock Exchange LSE)
- iShares S&P 500 Financials Sector UCITS ETF (London Stock Exchange LSE)
- iShares S&P 500 Health Care Sector UCITS ETF (London Stock Exchange LSE)
- iShares S&P 500 Information Technology Sector UCITS ETF (London Stock Exchange LSE)
- iShares S&P 500 Energy Sector UCITS ETF (London Stock Exchange LSE)
- iShares S&P 500 Utilities Sector UCITS ETF (London Stock Exchange LSE)
- iShares MSCI Brazil UCITS ETF (DE)
- iShares European Property Yield UCITS ETF (London Stock Exchange LSE)

EXTF-Options shall generally cover 100 shares of an underlying Exchange-traded fund. Options Contracts on the iShares Core FTSE 100 UCITS ETF (Dist), iShares S&P 500 Financials Sector UCITS ETF (London Stock Exchange LSE), iShares S&P 500 Health Care Sector UCITS ETF (London Stock Exchange LSE), iShares S&P 500 Information Technology Sector UCITS ETF (London Stock Exchange LSE), iShares S&P 500 Energy Sector UCITS ETF (London Stock Exchange LSE), iShares S&P 500 Utilities Sector UCITS ETF (London Stock Exchange LSE) cover 1,000 shares.

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2.5.5 Exercise Prices

(1) Option series of Option Contracts on the following shares of exchange-traded funds may have the following exercise prices:

Exchange-Traded Funds	Exercise Price Intervals for Terms		
	up to three months	four to 12 months	more than 12 months
iShares Core DAX® (DE)	1.00	2.50	5.00
iShares Core EURO STOXX 50®	0.50	1.00	2.00
iShares Core MSCI Europe (Dist)	0.50	1.00	2.00
iShares FTSE 250	5.00	10.00	20.00
iShares S&P 500 Financials Sector	0.25	0.50	1.00
iShares S&P 500 Health Care Sector	0.25	0.50	1.00

Exchange-Traded Funds	Exercise Price Intervals for Terms		
	up to three months	four to 12 months	more than 12 months
iShares S&P 500 Information Technology Sector	0.25	0.50	1.00
iShares S&P 500 Energy Sector	0.25	0.50	1.00
iShares S&P 500 Utilities Sector	0.25	0.50	1.00
iShares MSCI Brazil (DE)	0.50	0.50	1.00
iShares European Property Yield	5.00	10.00	20.00

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3.2 Contracts Admitted for Off-Book Trading

The following Futures and Options Contracts admitted for trading at Eurex Deutschland may be entered using the Eurex T7 Entry Service for the trade types specified below.

3.2.1 Block trades

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Product		Minimum number of contracts traded
Standard	**Additional contract versions Y/N**	
Exchange-Traded Funds Futures (ETF Futures)		
[…]		
Futures Contracts on Exchange-Traded Funds: ~~db x-~~ Xtrackers ETFs	Y	100
Futures Contracts on Shares of Exchange-Traded Funds: iShares Core DAX® (DE) (EXSF), iShares Core EURO STOXX 50® (EUNF), iShares SMI® (XMTF)	Y	1,000
[…]		
Exchange-Traded Funds Options (ETF Options)		
[…]		
Options Contracts on Shares of Exchange-Traded Funds: iShares Core DAX® (DE) (EXS1)	Y	2,500
Options Contracts on Shares of Exchange-Traded Funds: iShares Core EURO STOXX 50® (EUN2) iShares EURO STOXX Banks 30-15 (DE) (EXX1)	Y	5,000
Options Contracts on Shares of Exchange-Traded Funds: iShares Core MSCI Europe (Dist) (IQQY)	Y	1,500

Product		**Minimum number of contracts traded**
Standard	**Additional contract versions Y/N**	
Options Contracts on Shares of Exchange-Traded Funds: ~~db x~~ Xtrackers ETFs~~s~~	Y	100
Options Contracts on Shares of Exchange-Traded Funds: iShares Core MSCI World (IWDA) iShares MSCI Emerging Markets (Dist) (IDEM) iShares FTSE 250 (MIDD)	Y	1,000
Options Contracts on Shares of Exchange-Traded Funds: iShares S&P 500 Financials Sector (IUFS) iShares S&P 500 Health Care Sector (IUHC) iShares S&P 500 Information Technology Sector (IUIT) iShares S&P 500 Energy Sector (IUES) iShares S&P 500 Utilities Sector (IUUS) iShares MSCI Brazil (DE) (4BRZ) iShares European Property Yield (IPRP)	Y	500
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Product Specific Supplement for Options on Equity ETFs

Validity: 1st January – 31st December 2019
Contact: Nicolae Raulet, Product R&D Equity and Index, T +44-207-862-72 74, nicolae.raulet@eurexchange.com

Preamble

This Product Specific Supplement for Options on Equity ETFs (hereinafter referred to as "Product Specific Supplement") forms an integral part of the Liquidity Provider Agreement (LPA).

A Liquidity Provider scheme for Options on Equity ETFs is offered. The schemes differ in requirements for the minimum quote size, maximum spread as well as in the quotation period. Additionally, a revenue sharing scheme is offered.

1. Applicable Building Blocks

Pursuant to Sec. 2.3 of the General Supplement to the LPA, the granting of rebates and the concrete rebate levels to be applied on the respective transaction fees are dependent on the fulfilment of Building Blocks. For this Product Specific Supplement, the following Building Blocks are applicable:

Scheme	Product Scope	Basis BBB	Package PBB	Strategy CBB	Larger Size LBB	Tighter Spread TBB	Stress Presence SBB	Revenue Sharing
~~Equity ETFs~~ Package	All Options on Equity ETFs in Packages	✓	✓				✓*	✓
Non-Package	All other Options on Equity ETFs	✓					✓*	

* The Stress Presence Block applies to all ETF options with MMO-flag (see section 2.3.6 of the General Supplement to the LPA)

The requirements for Strategy Block, Larger Size Block, Tighter Spread Block and Stress Presence Block are product group specific and can be found in section 2.3 of the General Supplement to the LPA.

2. Liquidity Provider Rebates

Upon fulfilment of the Building Block requirements of one product, Liquidity Providers shall receive a fee rebate as specified in section 3 of the General Supplement to the LPA in accordance with the table below. The evaluation takes place on a monthly basis.

Execution type	Building Block	Upon fulfilment of requirements
Order book	**Basis**	**50%**
	Package	**30%**
	Strategy	**-**
	Larger Size	**-**
	Tighter Spread	**-**
	Stress Presence	**10%**
	Total	**90%**
Off-book*	**Basis**	**50%**
	Package	**30%**
	Strategy	**-**
	Larger Size	
	Tighter Spread	
	Stress Presence	
	Total	**80%**

***** Only off-book block and multilateral transactions are eligible for off-book rebates for Liquidity Provisioning

3. Basis Building Block Requirements

3.1. Basis Block Requirements

In order to receive the Liquidity Provider Rebates pursuant to Sec. 2 above, the following quotation requirements shall apply to each product individually:

	Equity ETFs
Product ID	EXS1, EUN2, XMT, EXX1, EXSA, IQQY, IDEM, IWDA, CSPX, ISF, DBX1, DBXW, DBXA, MIDD, IUFS, IUHC, IUIT, IUES, IUUS, 4BRZ, IPRP
Validity	01.01. – 31.12.2019
Quotation Time:	09:00 – 17:30 CET
Required Coverage:	85%
Maturity Range:	The first six expirations need to be quoted
Strike Price Window:	5 out of 7
Response to Quote Requests:	Quote requests have to be answered in accordance with section 2.3.1 of the General Supplement to the LPA
Minimum Quote Size:	See quotation parameters table below (cp. Sec. 5.2)
Maximum Spread:	See quotation parameters table below (cp. Sec. 5.2)
Revenue Sharing	Yes (see below)

3.2. Package Block Requirements

In order to receive the Liquidity Provider rebates pursuant to Sec. 2 above, the following quotation requirements shall apply to packages of products:

	Options on Equity ETFs
Package components:	EXS1, EUN2, XMT, EXX1, EXSA, IQQY, IDEM, IWDA, CSPX, ISF, DBX1, DBXW, DBXA
Fulfilment Criterion:	Fulfilment of Basis Block requirements in five products

4. Other monetary incentive schemes: Revenue Sharing

A revenue sharing scheme for Options on Equity ETFs is offered as of 1 January 2019 until 31 December 2019 in accordance with section 3.1.2 of the General Supplement to the LPA. The scheme applies to each product individually. The evaluation takes place on a monthly basis on a single product base.

	Options on Equity ETFs
Revenue Sharing Pool:	Up to 30% of the net revenues of the individual product
Participation Condition:	Fulfilment of Basis Block requirements of the product
Number of Participants:	Up to 3
Qualification criterion:	The top 3 fulfilling Liquidity Providers participate; ranked according to their share trading volume on M-accounts (order book and off-book) of all fulfilling Liquidity Providers in the product
Distribution Method:	Ranked according to their share of trading volume in M-accounts (order book and off-book) of all qualifying Liquidity Providers the top Liquidity Provider will receive 15% of the net revenues, while 10% and 5% will be shared with the Liquidity Providers ranked 2 and 3

VAT on the Revenue Sharing amounts shall be borne by the Liquidity Provider, if applicable, and will be offset against any due and unpaid Revenue Sharing amount.

5. Quotation Requirements

5.1. Spread Classes

Spread Class	Bid up to	Maximum Spread	Unit
ETF 1	1.0	0.15	Tick
	5.0	15%	Percent
		0.75	Tick
ETF 2	1.5	0.25	Tick
	15.0	15%	Percent
		2.25	Tick

Spread Class	Bid up to	Maximum Spread	Unit
ETF 3	2.0	0.3	Tick
	20.0	15%	Percent
		3	Tick
ETF 4	40.0	8	Tick
	200.0	20%	Percent
		40	Tick

5.2. Quotation Parameters

The following quotation parameters apply for the quotation requirements pursuant to Sec. 3 above and the revenue sharing scheme pursuant to Sec. 4 above.

Options on	Product ID	Spread Class	Basis Minimum Quote Size (contracts)
iShares DAX® UCITS ETF (DE)	EXS1	ETF 2	250
iShares EURO STOXX 50® UCITS ETF	EUN2	ETF 1	500
iShares SMI® (CH)	XMT	ETF 2	50
iShares EURO STOXX® Banks 30-15 UCITS ETF (DE)	EXX1	ETF 1	1000
iShares STOXX® Europe 600 UCITS ETF (DE)	EXSA	ETF 1	500
iShares MSCI Europe UCITS ETF (Dist)	IQQY	ETF 1	750
iShares MSCI Emerging Markets UCITS ETF (Dist)	IDEM	ETF 1	500
iShares Core MSCI World UCITS ETF	IWDA	ETF 1	300
iShares Core S&P 500 UCITS ETF	CSPX	ETF 3	100
iShares Core FTSE 100 UCITS (Dist)	ISF	ETF 4	100
Xtrackers MSCI Emerging Markets UCITS ETF	DBX1	ETF 1	250
Xtrackers MSCI World Swap UCITS ETF	DBXW	ETF 1	250
Xtrackers MSCI Europe UCITS ETF	DBXA	ETF 1	250
iShares FTSE 250 UCITS ETF	**MIDD**	ETF 4	250
iShares S&P 500 Financials Sector UCITS ETF	**IUFS**	ETF 1	250
iShares S&P 500 Health Care Sector UCITS ETF	**IUHC**	ETF 1	250
iShares S&P 500 Information Technology Sector UCITS ETF	**IUIT**	ETF 1	250
iShares S&P 500 Energy Sector UCITS ETF	**IUES**	ETF 1	250
iShares S&P 500 Utilities Sector UCITS ETF	**IUUS**	ETF 1	250
iShares MSCI Brazil UCITS ETF (DE)	**4BRZ**	ETF 1	250
iShares European Property Yield UCITS ETF	**IPRP**	ETF 4	250