X-pand into the Future

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High priority

Market-Making in Equity Index Options: Change of Spread Classes for EURO STOXX 50®, DAX® and SMI®

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Content may be most important for:

➲ All departments

Attachment:
Market Maker Obligations at Eurex, effective June 29, 2011 (excerpt)

Effective Wednesday, **June 29, 2011**, spread classes for some equity index options will be adjusted. Above all, this refers to options on the three indexes EURO STOXX 50®, DAX® and SMI®.

The new spread classes correspond to a greater degree to current quoting behaviour and are intended to simplify quoting of options in-the-money.

As of the effective date of the change, the updated Market Maker Obligations will be available on the Eurex website under the path:

www.eurexchange.com > Trading > Market Model > Market-Making > Market Maker Obligations

For direct access to the document click on the following link:
http://www.eurexchange.com/trading/market_model/market_making/obligations_en.html

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Market Maker Obligations at Eurex

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Spread Classification, Minimum Quote Size and Quoting Maturity Range for Equity Index Options

Three sets of obligation levels are being made available for equity index options only (abbreviated as "PMM", "PMM short" and "PMM long") in the following. The monthly PMM obligations in equity index options are fulfilled, if the market maker complies with the obligation levels of any one of these three choices. The three Permanent Market-Making schemes distinguish themselves in terms of minimum quotation size and the expiration range. The next table (Table I) contains the obligations for "PMM" obligation levels, "PMM short" and "PMM long" obligation levels follow in Table II and Table III, respectively.

Table I (PMM)

Equity Index Option on	Product Code	Spread class	Minimum quote size (contracts)			Number of expirations to be quoted for PMM/AMM (**); The first:	AMM package ID
			RMM		PMM/ AMM		
			Expirations				
			≤ 8	> 8			
Dow Jones Global Titans 50[SM]	OGTI	5	20		10	6	
STOXX® Europe 50	OSTX	4	50		20	7	
	OES* (Weekly options)	10 ~~1~~ (+50%)	NA		200 100	Front Week Subseqt. week	
EURO STOXX® Select Dividend 30	OEDV	3	50		20	6	
EURO STOXX® 50	OESX	10 ~~1~~	NA		100	8	ESX
DAX®	ODAX	1	NA		50	8	DE
	ODX* (Weekly options)	1 (+50%)	NA		200 100	Front Week Subseqt. week	
MDAX®	O2MX	4	50		20	7	
TecDAX®	OTDX	3	50		20	7	
DivDAX®	ODIV	3 ~~1~~	100		50	8	
SLI	OSLI	3	NA		100	8	CH
SMI®	OSMI	2	NA		50	8	CH
SMIM®	OSMM	3	50		20	7	

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Table II (PMM short)

Equity Index Option on	Product Code	Spread class	Minimum quote size (contracts) for PMM short	Number of expirations to be quoted for PMM/AMM (**) PMM short; The first:
Dow Jones Global Titans 50SM	OGTI	5	50	3
STOXX Europe 50®	OSTX	4	100	4
EURO STOXX® Select Dividend 30	OEDV	3	100	4
EURO STOXX 50®	OESX	10~~4~~	400	5
DAX®	ODAX	1	200	5
MDAX®	O2MX	4	100	4
TecDAX®	OTDX	3	100	4
DivDAX®	ODIV	3~~1~~	200	5
SLI	OSLI	3	200	4
SMI®	OSMI	2	200	5

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(**) Maturity Range: The maturity range is defined in expirations. With the standard Eurex expiration cycle 24, 18, 12, 9, 6 and 3 months to maturity represent 8, 7, 6, 5, 4 and 3 expirations, respectively, which must be covered in AMM and/or PMM to fulfill obligations.

(***) For sector index options 5 of the first 6 contract months must be covered to fulfill obligations.

Table III (PMM long)

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Equity Index Option on	Product ID	Spread Class		Minimum quote size (contracts) for PMM long	Number of expirations to be quoted for PMM (**)/ long
		Expiration Months			
		≤ 8	> 8		
EURO STOXX 50®	OESX	10~~4~~	11~~6~~	200	5 (from 8th to 12th)

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Maximum Spreads

Bid up to (index points)	Maximum spreads (index points)	Bid up to (index points)	Maximum spreads (index points)
Spread class 1		**Spread class 2**	
0 – ~~13.3~~15.0	~~1.4~~1.2	0 – 35.0	3.5
~~13.4~~15.01 – ~~133.3~~300	~~10~~8 %	35.01 – ~~350~~500.0	10 %
> ~~133.3~~300	~~13.4~~24	> ~~350.0~~500.0	~~35~~50.0
Spread class 3		**Spread class 4**	
0 - 5.3	0.8	0 – 13.3	2.0
5.4 – 53.3	15 %	13.4 – 133.3	15 %
> 53.3	8.0	> 133.3	20.0
Spread class 5		**Spread class 6**	
0 – 5.3	1	0 – ~~13.3~~15.0	~~1.4~~1.2
5.4 – 53.3	20%	~~13.4~~15.01 – 9999.9	~~10~~8%
> 53.3	10.7	> 9999.9	~~1000~~800
Spread class 7		**Spread class 8**	
0 – 35.0	3.5	0 – 500	75
35.01 – 9999.9	10%	500.1 – 3000	15%
> 9999.9	1000.0	> 3000	450
Spread class 9		**Spread class 10**	
0 – 5.00	2.00	0 – 15.00	1.20
5.01 – 50.00	40%	15.01 – 225.00	8%
> 50.00	20.00	> 225.00	18.00
Spread class 11			
0 – 15.00	1.20		
15.01 – 9999.9	8%		
> 9999.9	800.0		

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