X-pand into the Future

eurex circular 017/09

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Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Peter Reitz

High priority

Russian Equity Derivatives: Modification of Rule for Determination of extraordinary Dividends

Related Eurex Circulars: 083/07

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Content may be most important for:

➲ All departments

Attachment:
Updated sections of Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

In their session on January 21, 2009, effective **February 2, 2009,** the Management Boards of the Eurex Exchanges decided to change the regulations for determination of extraordinary dividends for equity options and futures on Depository Receipts of Russian companies and to apply the determination method which is currently in place for all other equity options and futures.

Up to now, the rule for equity options and futures on Depository Receipts of Russian companies defined the part of the dividend that - relating to the volume-weighted average price of the trading day preceding the ex date - exceeds five percent of the dividend yield, is regarded as extraordinary dividend.

By means of this change of the Rules and Regulations, the regulations of the Contract Specifications, section 1.6.7. paragraph 2 for equity futures and section 2.6.10.1 paragraph 2 for equity options will apply. With this step, handling of the determination of extraordinary dividends will be harmonized for all equity derivatives.

The modification will become effective for all existing series of equity options and futures on Depository Receipts of Russian companies on February 2, 2009.

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1.6.7 Alterations to the Contract Sizes and Expiration Days of Futures contracts on Shares

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(2) Additional distributions, in particular extraordinarily high dividends, bonuses or other cash distributions as well as dividends which are not distributed within the scope of the regular dividend policy or which the company declares as non-regular dividends (e.g. special dividends, anniversary bonus) are not regarded as dividends within the meaning of paragraph 1. In case such distributions incur, the futures contract shall be adjusted by multiplying the original contract size by the R-factor. The R-factor is described in the Eurex User Manual System Overview and Information Manual. At the same time, the settlement prices shall be adjusted accordingly, so that the original contract value remains unchanged.

For share futures contracts with group ID RU01 assigned in Annex A the following rules shall apply:~~, the part of a dividend pursuant to Paragraph 1 which exceeds 5 % of the volume-weighted average price of all transactions of the trading day preceding the ex-day shall be handled as a distribution within the meaning of Paragraph 2. The adjustment of the futures contract shall be carried out by multiplication of the original contract size by the R-factor.~~

- In case the announcement of a distribution is executed after the due date of the dividend (record date) only, the relevant futures contract shall immediately be suspended from trading. The adjustment of the futures contract shall be carried out with effectiveness as of the next trading day.

- If a distribution is announced without indicating its amount and if such announcement cannot be expected before the record date, the relevant futures contract shall be suspended from trading on the record date. The adjustment of the futures contract shall be carried out on basis of the difference of the value of the volume-weighted average price of the underlying on the Exchange day before the record date and of the value on the record date. The adjustment shall become effective on the Exchange day after the record date.

- If a distribution is announced without indicating its amount and if such announcement takes place after the record date only, the relevant futures contract shall immediately be suspended from trading. The adjustment of the futures contract shall be carried out on basis of the difference of the volume-weighted average price of the underlying on the Exchange day before the announcement and the day of announcement. The adjustment shall become effective on the Exchange day after the day of announcement of the distribution.

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2.6.10 Alterations of Exercise Prices und Expiration Days

The following subsection 2.6.10.1 shall generally determine the alterations of exercise prices und expiration days for all stock options. Any alteration of exercise prices as well as expiration days of options contracts on stocks with group ID CH11 and CH12 assigned in Annex B is determined in subsection 2.6.10.2. Any alteration of the exercise prices and the expiration days for LEPOs is determined in subsection 2.6.10.2.

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2.6.10.1 Alterations of Contract Sizes, Exercise Prices und Expiration Days of Stock Options

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(2) Additional distributions, in particular extraordinarily high dividends, bonuses or other cash distributions, or dividends which are not distributed within the scope of the regular dividend policy or which are declared as non-regular dividend by the company (e.g. special dividends, anniversary bonus) shall not be deemed to be dividends within the meaning of paragraph (1). In the event of such distributions, the respective stock options contracts shall be adjusted. The adjustments of such options contracts shall be carried out via the R-factor procedure. The R-factor shall be calculated pursuant to a formula established by the Eurex Exchanges, such formula considering the amount of the distribution. The adjustment of stock options contracts shall be carried out by multiplying the respective exercise price of the options contracts with the R-factor. In addition, the number of shares underlying the respective options contract shall be divided by the R-factor. Via application of the R-factor procedure, the original value of the adjusted stock options contracts shall be maintained.

For stock options with group ID RU11 assigned in Annex B the following rules shall apply:~~, the part of a dividend pursuant to Paragraph 1 which supersedes 5 % of the volume-weighted average price of all transactions of the trading day preceding the ex-day shall be handled as a distribution within the meaning of Paragraph 2. The adjustment of such options contracts shall be carried out under application of the R-factor procedure described in Paragraph 2.~~

- In case the announcement of a distribution is executed after the due date of the dividend (record date) only, the relevant options series shall immediately be suspended from trading. The adjustment of the options series shall be carried out with effectiveness as of the next trading day.

- If a distribution is announced without indicating its amount and if such announcement cannot be expected before the record date, the relevant options series shall be suspended from trading on the record date. The adjustment of the options series shall be carried out on basis of the difference of the value of the volume-weighted average price of the underlying on the Exchange day before the record date and of the value on the record date. The adjustment shall become effective on the Exchange day after the record date.

- If a distribution is announced without indicating its amount and if such announcement takes place after the record date only, the relevant options series shall immediately be suspended from trading. The adjustment of the options series shall be carried out on basis of the difference of the volume-weighted average price of the underlying on the Exchange day before the announcement and the day of announcement. The adjustment shall become effective on the Exchange day after the day of announcement of the distribution.

When an option is exercised, the Eurex Exchanges will provide cash settlement for the fractional part of the new contract size.

The amount of such cash settlement shall be determined on the basis of the difference between the reduced exercise price of the option and the reference price (Chapter II, number 3.6.4 of the Clearing Conditions of Eurex Clearing AG).

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