



eurex circular 108/11

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Sender: 1. Eurex Deutschland and Eurex Zürich
2. Eurex Clearing AG
Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich, all Clearing-Members of
Eurex Clearing AG and Vendors
Authorized by: Peter Reitz

 **Action required**

Options on Three-Month EURIBOR Futures: Introduction of One-Year Mid-Curve Options on Three-Month EURIBOR Futures

Contact: Joachim Heinz, Product Development, tel. +49-69-211-1 59 55, e-mail: joachim.heinz@eurexexchange.com

Content may be most important for:

 All departments

Attachments:

Updated sections of the following Rules and Regulations:

Eurex Deutschland and Eurex Zürich

1. Contract Specifications for Futures Contracts and Options
Contracts at Eurex Deutschland and Eurex Zürich

Eurex Clearing AG

2. Conditions for Utilization of the OTC Trade Entry Facilities
(General Conditions for Participation)
3. Price List for Eurex Clearing AG

Summary:

The Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided to introduce One-Year Mid-Curve Options on Three-Month EURIBOR Futures. The contracts will be introduced effective **May 25, 2011**. The products will be available in the simulation environment as of May 13, 2011.

This circular contains information on the following topics:

1. Contract specifications
2. Trading hours
3. Risk parameters
4. OTC Trade Entry Facilities
5. Trading fees



Options on Three-Month EURIBOR Futures: Introduction of One-Year Mid-Curve Options on Three-Month EURIBOR Futures

Introduction Date

The Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG decided to introduce One-Year Mid-Curve Options on Three-Month EURIBOR Futures with effect from May 25, 2011.

Eurex Deutschland and Eurex Zürich

To implement this decision, Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be amended as specified in attachment 1 with effect from May 25, 2011.

Eurex Clearing AG

To implement the decision of the Management Boards of the Eurex Exchanges, Eurex Clearing AG will adjust the Conditions for Utilization of the OTC Trade Entry Facilities (General Conditions for Participation - attachment 2) and the Price List for Eurex Clearing AG (attachment 3) with regard to the clearing services it offers. These changes will also become effective on May 25, 2011.

1. Contract Specifications

A One-Year EURIBOR-Mid-Curve Options contract references to a Three-Month EURIBOR Futures contract (FEU3). Upon exercise of One-Year EURIBOR-Mid-Curve Options, an EURIBOR Futures contract (FEU3) will be delivered with expiration of twelve months after maturity of the One-Year EURIBOR-Mid-Curve Options contract:

Underlying product	Three-Month EURIBOR Futures
Eurex product codes	March Mid-Curve options: OEUH June Mid-Curve options: OEUM September Mid-Curve options: OEUU December Mid-Curve options: OEUZ
ISINs	OEUH: DE000A1KQJX4 OEUM: DE000A1KQJY2 OEUU: DE000A1KQJZ9 OEUZ: DE000A1KQJ02
Contract size	One Three-Month EURIBOR Futures contract
Fulfilment	Exercise of a One-Year Mid-Curve Option on a Three-Month EURIBOR Futures contract results for the buyer as well as for the allocated seller in a corresponding Three-Month EURIBOR Futures position, whereby an EURIBOR Future with expiration of 12 months after maturity of the one-year EURIBOR-Mid-Curve Options contract will be delivered. Delivery of the underlying Three-Month EURIBOR Future will take place by means of a technical Futures-ID. The position will be opened on the basis of the agreed exercise price directly after the post-trading full period of the exercise day.
Price determination	Price determination will be effected in points with three decimal places.
Minimum price change	0.005 points; this corresponds to a value of EUR 12.50.
Maturities	The next four quarterly months of the March (OEUH), June (OEUM), September (OEUU) and December (OEUZ) cycle.
Last trading day	Two exchange trading days prior to the third Wednesday of each expiration month, if the reference interest rate EURIBOR, applicable for Three-Month euro deposits, is calculated by FBE/ACI on this date. Otherwise the last trading day will be the preceding exchange trading day. End of trading for the maturing options series on the last trading day will be 11:00

	CET.
Daily settlement price	Determination of the daily settlement price will be made by Eurex. Calculation of the daily settlement price for options on Three-Month EURIBOR Futures will be done using the Binomial Model of Cox/Ross/Rubinstein.
Exercise time	Exercises will be possible on each exchange trading day (American style) during the maturity until the start of the post-trading restricted period (20:00 CET).
Exercise prices	The quarterly expiration months will have exercise prices with graduations of 0.125 points.
Option premium	Calculation of the premium will be effected by means of the futures style procedure.

The following table contains an overview (exemplary for the delivery months June 2011 until March 2012) of the Three-Month EURIBOR Futures contracts for One-Year Mid-Curve Options as well as the corresponding technical Futures-IDs which the One-Year Mid-Curve Options refer to:

Maturity of option	Expiration of the Three-Month EURIBOR Futures contract to be delivered	Technical Futures-ID
June 2011	June 2012	FEUM
September 2011	September 2012	FEUU
December 2011	December 2012	FEUZ
March 2012	March 2013	FEUH

The technical Futures-IDs will be used for mapping of positions directly in the corresponding Three-Month EURIBOR Futures contracts (FEU3) in case of delivery. In the technical underlying futures no trading and position generating will take place.

The Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich (attachment 1) have been amended accordingly.

2. Trading Hours*

Product	Pre-trading	Trading	Post-trading	OTC-trading
One-Year Mid-Curve Options on Three-Month EURIBOR Futures	07:30-08:00	08:00-19:00	19:00-20:00	8:00-19:00

*all times in CET; on the last trading day the corresponding contract will be traded until 11:00 CET.

3. Risk Parameters

Margin parameters will be published in due time on the Eurex website under the path:

www.eurexchange.com > Clearing > Risk & Margining > Risk Parameters & Initial Margins

For easier access please click on the following link:

http://www.eurexchange.com/clearing/risk/parameters_en.html

4. OTC Trade Entry Facilities

The One-Year Mid-Curve Options have been admitted to the OTC Block Trade facility. The minimum size for OTC Block Trades is 50 contracts. The "Conditions for Utilization of the OTC Trade Entry Facilities" have been amended accordingly (attachment 2).

5. Trading Fees

Trading fees for trading in EURIBOR Mid-Curve Options are EUR 0.20 per contract for matching of order book transactions and EUR 0.30 per contract OTC trade entry. For further details please refer to the Price List for Eurex Clearing AG (attachment 3).

Please note:

As of May 13, 2011, the One-Year Mid-Curve Options will be available in simulation.

You will receive further information (product codes of quote vendors etc.) in due time prior to the introduction of the new products on the Eurex website under the path:

**www.eurexchange.com > Trading > Products > Fixed Income Derivatives > Money Market
Derivatives**

For easier access please click on the following link:

http://www.eurexchange.com/trading/products/INT/MON/products_en.html

Should you have any questions, please contact Joachim Heinz at tel. +49-69-211-1 59 55 or e-mail: joachim.heinz@eurexchange.com.

May 10, 2011

**Contract Specifications for Futures Contracts and
Options Contracts at Eurex Deutschland and Eurex Zürich**

MODIFICATIONS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

[...]

**1. Part:
Contract Specifications for Futures Contracts**

[...]

**1.1 Subpart
Contract Specifications for Money Market Futures Contracts**

[...]

1.1.1 Subject Matter of Contract

[...]

1.1.2 Obligation for Performance

[...]

1.1.3 Term

- (1) For Three-Month EURIBOR Futures, terms expiring on the final settlement day (subsection 1.1.4 paragraph (1)) of the twenty~~twelve~~ succeeding quarter-end months (March, June, September, December) are available for trading at the Eurex Exchanges.
- (2) For One Month EONIA Futures, terms expiring on the final settlement day (subsection 1.1.4 paragraph (2)) of the current calendar month and the eleven succeeding calendar months are available for trading at the Eurex Exchanges.

1.1.4 Last Trading Day, Final Settlement Day, Close of Trading

[...]

**2. Part:
Contract Specifications for Options Contracts**

[...]

2.2 **Subpart: Contract Specifications for Option Contracts on Money Market Futures Contracts**

The following subpart contains contract specifications for Options Contracts on Money Market Future Contracts.

2.2.1 **Subject Matter of Contract**

Options Contracts on Three-Month EURIBOR Futures involving the following subject matters of contract are available:

- (1) An option Three-Month EURIBOR Options Contract relates to a Three-Month EURIBOR Futures Ccontract pursuant to subsection 1.1.3 paragraph (1) of the available Three-Month EURIBOR Futures months with specified terms.
- (2) A One-Year EURIBOR Mid-Curve Options Contract relates to a Three-Month EURIBOR Futures Contract (FEU3) according to Number 1.1.3 Paragraph 1 with a yearly expiration cycle and an expiration twelve months after the end of the term of the Options Contract. Therefore, upon exercise of One-Year EURIBOR-Mid-Curve Options, a EURIBOR Future with an expiration twelve months after the end of the term of the One-Year EURIBOR Mid-Curve Options Contract shall be delivered:

<u>End of Term of Option</u>	<u>Expiration of the Futures Contract to be delivered</u>	<u>Technical ID</u>
<u>June 201X</u>	<u>June 201X+1</u>	<u>FEUM</u>
<u>September 201X</u>	<u>September 201X+1</u>	<u>FEEU</u>
<u>December 201X</u>	<u>December 201X+1</u>	<u>FEUZ</u>
<u>March 201X</u>	<u>March 201X+1</u>	<u>FEUH</u>

The technical Futures' IDs have been allocated to enable, in the case of delivery, direct delivery to the respective Three-Month EURIBOR Futures Contract (FEU3). There is no trading and no position generation in the technical Underlying Futures.

2.2.2 **Call Option (Call)**

- (1) The purchaser of a call option (Call) on a Three-Month EURIBOR Futures contract has the right to demand the opening of a long position in the Three-Month EURIBOR Futures contract with the stipulated exercise price.
- (2) The writer of a call on a Three-Month EURIBOR Futures contract is required, on the Exchange day after exercise, to establish a short position in the Three-Month EURIBOR Futures contract with the stipulated exercise price.

**Contract Specifications for Futures Contracts and
Options Contracts at Eurex Deutschland and Eurex Zürich**

2.2.3 Put Option (Put)

- (1) The purchaser of a put option (Put) on a Three-Month EURIBOR Futures contract has the right to demand the opening of a short position in the Three-Month EURIBOR Futures contract with the stipulated exercise price.
- (2) The writer of a put on a Three-Month EURIBOR Futures contract is required, on the Exchange day after exercise, to establish a long position in the Three-Month EURIBOR Futures contract with the stipulated exercise price.

2.2.4 Option Premiums

The premium payment is not made through a one-time payment after the purchase of the option; instead it is part of the daily settlement process during the duration of the option position based on a mark-to-market valuation of the position on each Exchange day. The valuation is made on the day on which the transaction is entered into on the basis of the difference between the option price and the daily settlement price (Chapter II, number 3.2.3 of the Clearing Conditions of Eurex Clearing AG), and thereafter on the basis of the difference between the daily settlement prices of the current Exchange day and the preceding Exchange day. The daily settlement may also result in an interim debit of the writer.

Upon exercise and assignment of the option, as well as upon its expiration, a final premium payment shall be made in an amount equivalent to the daily settlement price of the options contract on the exercise day or the expiration day, as the case may be.

2.2.5 Term

Three-Month Options Contracts are generally available at the Eurex Exchanges with terms of the six next months as well as six succeeding months of the cycle March, June, September and December. The due months of the underlying future and of the expiration month of the option are identical in the expiration months March, June, September and December (quarterly month); in the other expiration months, the due month of the underlying future is the cyclic quarterly month following the expiration month of the option.

For One-Year EURIBOR Mid-Curve Options Contracts, terms consisting of the next four quarterly expiration months of the cycle March, June, September and December are available.

2.2.6 Last Trading Day, Close of Trading

The last trading day of an option series shall be the last day on which such option series is available to Exchange Participants for trading and clearing through the EDP system of the Eurex Exchanges. This shall be the second Exchange day prior to the third Wednesday of the relevant performance month (quarter-end month pursuant to paragraph subsection 1.1.3 paragraph (1)) - provided that on this day the European Banking Federation (FBE) and Financial Market Association (ACI) have determined the

reference interest rate EURIBOR for three-month cash deposits, otherwise the preceding Exchange day.

The close of trading for the expiring contract is 11:00 a.m. CET.

2.2.7 Exercise Prices

For the ~~first three due months and the succeeding three quarterly expiration months~~, option series ~~can have~~ exercise prices with price gradations of 0.125 percentage points ~~are available~~. The ~~other expiration months have exercise price intervals of 0.25 percentage points~~. A percentage point has a value of EUR 2,500 and represents 200 ticks in the EDP system of the Eurex Exchanges.

2.2.8 Number of Exercise Prices upon Admission of Contracts

Upon the admission of a contract, at least ~~nine~~ twenty-five exercise prices shall be made available for trading for each expiration day for each call and put, such that ~~four~~ twelve exercise prices are "in the money", one is "at the money" and ~~four~~ twelve are "out of the money".

2.2.9 Introduction of new Option Series

Option series with new exercise prices shall be introduced for an existing expiration month no later than at the beginning of the Pre-Trading Period of a given Exchange day in the event that the minimum number of exercise prices specified in number 2.2.8 which are in-the-money, at-the-money or out-of-the-money on the basis of the daily settlement price of the underlying three-months EURIBOR Futures contract (Chapter II, number 1.2.2 of the Clearing Conditions of Eurex Clearing AG) is not available any more.

A new option series shall generally not be introduced if it would expire in fewer than ten Exchange days, unless market conditions make such introduction necessary.

2.2.10 Price Gradations

The price of an options contract will be quoted in points with 3 decimal places. The smallest price change shall be 0,005 percentage points; this represents a value of EUR 12.50.

2.2.11 Performance, Opening of Positions

- (1) Exercised and assigned options contracts shall be performed through the opening of a long position (for the purchaser of a call) or a short position (for the purchaser of a put), or of a short position (for the writer of a call) or a long position (for the writer of a put), as the case may be, subsequent to the Post Trading Period of the exercise day; the opening of the applicable position shall occur automatically.

**Contract Specifications for Futures Contracts and
Options Contracts at Eurex Deutschland and Eurex Zürich**

- (2) Pursuant to the provisions of paragraph (1), Eurex Clearing AG shall open a position in the relevant futures contract for the Exchange Participant concerned; if the Exchange Participant is not a Clearing Member, subsection 2.2 paragraph (2) of the Conditions for Trading at Eurex Deutschland and Eurex Zürich shall apply mutatis mutandis. The Exchange Participant shall have the corresponding obligation to its customers.
- (3) The applicable provisions of subsection 1.1. shall govern the futures position opened.

**2.3 Subpart:
Contract Specifications for Options Contracts on Fixed Income
Futures Contracts**

[...]

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[...]

9.3 Block Trade Functionality

Eurex Clearing AG has admitted the products listed in the following to the Block Trade Facility. Such admission is independent from the respective transactions being entered into the Eurex Clearing System within the scope of an options strategy, an options volatility strategy or as a Combination Transaction Option-Share, consisting of OTC options transactions and OTC security transactions.

9.3.1 Admitted Products:

Product	Minimum number of tradable contracts
[...]	
Options Contracts on a Three-Months Euribor Future (OEU3)	50
<u>One-Year Mid-Curve Options Contracts on Three-Month EURIBOR Futures (OEUH, OEUM, OEUU, OEUZ)</u>	50
[...]	

Annex A to the General Conditions for Participation:

OTC Periods of Use (all times in CET)

[...]

Options Contracts

Options Contracts on Money Market Futures Contracts

Product	Product-ID	Start-End
Options Contracts on		
Three-Month EURIBOR Futures	OEU3	08:00-19:00
<u>One-Year Mid-Curve Options Contracts on Three-Month EURIBOR Futures</u>	<u>OEUH, OEUM, OEUU, OEUZ</u>	<u>08:00-19:00</u>

[...]

Annex B to the General Conditions for Participation:

OTC transactions eligible for Clearing to Participants legally organized or resident in the US ("U.S. Participants") and to Participants which clear OTC transactions on behalf of U.S. Customers

The Eurex products shown in the following table, which are marked with "x", are eligible for clearing to U.S. Participants and to Participants which clear OTC transactions on behalf of U.S. Customers:							
	Block Trade*	Vola Trade*	EFP/EFPI*	EFS*	MTR*	Flexible Futures*	Flexible Options*
[...]							
One-Month EONIA Futures (FEO1)	X						
Three-Month EURIBOR Futures (FEU3)	X	X					
Options on Three-Month EURIBOR Futures (OEU3)	X	X					X
<u>One-Year Mid-Curve Options Contracts on Three-Month EURIBOR Futures</u>	<u>X</u>						
[...]							

* Block Trade, Vola Trade, EFP/EFPI, EFS, MTR, Flexible Futures and Flexible Options have the meaning as defined in this General Conditions for Participation, particularly within Section 2 of General Conditions for Participation

[...]

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[...]

1. Fees for Clearing Licenses

[...]

2. Connection Fees

[...]

3. Transaction Fees for Derivatives Transactions (Transactions on the Eurex Exchanges and OTC-Transactions)

[...]

3.1 Matching of Exchange Transactions / Recording of Derivatives Transactions (Trade)

3.1.1 Exchange Transactions (excluding Block Auction)

[...]

Contract *	Currency	Standard Fee per Contract (contract volume ≤ threshold)	Reduced Fee per Contract (contract volume > threshold)	Threshold A-Accounts (number of contracts)	Threshold P-Accounts (number of contracts)
[...]					
Interest Rate Derivatives					
[...]					
Options					
Options on Three-Month EURIBOR Future _t	EUR	0.20	n.a.		

Price List for Eurex Clearing AG

As of 25.05.2011

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Contract *	Currency	Standard Fee per Contract (contract volume ≤ threshold)	Reduced Fee per Contract (contract volume > threshold)	Threshold A-Accounts (number of contracts)	Threshold P-Accounts (number of contracts)
<u>One-Year EURIBOR Mid-Curve Options on Three-Month EURIBOR Future</u>					
[...]					

3.1.2 Exchange Transactions in the Block Auction

[...]

3.1.3 OTC Transactions

[...]

Contract	Currency	Standard Fee per Contract (contract volume ≤ threshold)	Reduced Fee per Contract (contract volume > threshold)	Threshold A-Accounts (number of contracts)	Threshold P-Accounts (number of contracts)
[...]					
Interest Rate Derivatives					
[...]					
Options					
Options on Three-Month EURIBOR Futures, <u>One-Year EURIBOR Mid-Curve Options on Three-Month EURIBOR Future</u>	EUR	0.20	n. a.		
[...]					

3.2 Rebates**3.2.1 Market Making Rebates**

[...]

Product / Product Group	RMM and PMM schemes		AMM schemes	
	Order Book and Exercises	OTC entries	Order Book and Exercises	OTC entries

Price List for Eurex Clearing AG

As of 25.05.2011

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[...]				
Options on Three-Month EURIBOR Future, <u>One-Year EURIBOR Mid-Curve Options on Three-Month EURIBOR Future</u>	80 %	80 %	n. a.	n. a.
[...]				

[...]

3.2.2 Volume Rebates

[...]

Options:

By calculating the accountable minimum number of contracts entered into, exchange transactions pursuant to number 3.1.1 and OTC transactions pursuant to number 3.1.3 are taken into account.

Product / Product Group	Level 1	Level 2	Level 3	Level 4	Level 5
	Minimum number of contracts				
[...]					
Fixed Income					
Options on Three-Month EURIBOR Future, <u>One-Year EURIBOR Mid-Curve Options on Three-Month EURIBOR Future</u>	15,001	30,001	60,001	120,001	240,001
[...]					

[...]

3.3 Position Closing Adjustments

Position Closing Adjustments, if these do not take place between 13:30 CET on the day of trade and before 13:30 CET of the following trading day:

Contract	Fee per Contract
[...]	
Interest Rate Derivatives	
One-month EONIA Futures	EUR 0.40

Price List for Eurex Clearing AG

Contract	Fee per Contract	
Three month-EURIBOR Futures	EUR	0.40
Euro-Bobl-Futures, Euro-BTP-Futures Euro-Bund-Futures, Euro-Buxl [®] -Futures, Euro Schatz-Futures, Short term Euro-BTP-Futures, Options on Three-Months EURIBOR Future, <u>One-Year EURIBOR Mid-Curve Options on Three-Month EURIBOR Future</u> , Options on Euro-Bobl-Futures, Options on Euro-Bund-Futures, Options on Euro-Schatz-Futures	EUR	0.40
CONF Futures	CHF	0.60
[...]		

3.4 Cash Settlement

[...]

3.5 Determination of the Bonds to be delivered (Notification)

[...]

3.6 Allocation of the Bonds to be delivered (Allocation)

[...]

3.7 Exercise of Options

Contract	Fee per Contract	
[...]		
Interest Rate Derivatives**		
Options on Three-Months EURIBOR Future, <u>One-Year EURIBOR Mid-Curve Options on Three-Month EURIBOR Future</u>	EUR	0.20
[...]		
[...]		

** For transactions carried out after the option in the resulting Futures contract was exercised, the fees for the Futures on which such options are based shall be applicable respectively.

[...]