X-pand into the Future

e u r e x *circular 116/10*

Date: Frankfurt, June 11, 2010
Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Michael Peters

⚠ **Action required** ⚠ **High priority**

Volatility Futures:
1. Introduction of Additional Maturities
2. Extension of Designated Market Maker Scheme

Related Eurex Circulars: 090/09, 043/10

Contact: Rex Jones, Eurex Product Development, tel. +44 20 7 86 2 72 76
e-mail: rex.jones@eurexchange.com

Content may be most important for:

Ü All departments

Attachments:

1. Updated sections of Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich
2. Application Form - Designated Market-Making Scheme for Mini-Future on VSTOXX®

Summary:

As of **June 17, 2010**, Eurex will enhance the existing VSTOXX® Mini-Futures contracts (FVS) by increasing the available number of maturities from four to seven as well extending the Designated Market Maker Scheme.

Volatility Futures:
1. Introduction of Additional Maturities
2. Extension of Designated Market Maker Scheme

1. Introduction of Additional Maturities

Eurex will increase the number of maturities for VSTOXX® Mini-Futures contracts from currently four to seven. The current scheme with four maturities, which consists of three consecutive monthly maturities and one quarterly maturity from the February cycle (February, May, August, November) will be replaced by a new scheme with seven consecutive monthly maturities. Thus, the new maturity pattern includes the maturities of the old one.

2. Extension of Designated Market Maker Scheme

Eurex will replace the existing Designated Market Maker Scheme by a new scheme.

As Designated Market Makers, Eurex Members agree to supply continuous bid and ask prices (quotes) for a determined minimum number of contracts in compliance with maximum spreads. Also, amongst other things, Designated Market Makers agree to take over further obligations with regard to efficient operation of the market by providing additional price information. If required by Eurex, they agree to supply additional price and value analysis.

In return, Designated Market Makers will be reimbursed all transaction fees for the time period from June 17, 2010 until December 31, 2011 for trades concluded on the M-accounts if they fulfil all quote obligations.

Market participants who wish to register as Designated Market Makers are requested to use the form in attachment 2.

Frankfurt, June 11, 2010

1 Part: Contract Specifications for Futures Contracts

[...]

1.5 Subpart: Contract Specifications for Volatility Futures Contracts

The following sub-part contains contract specifications for Futures Contracts on Volatility Indices ("Volatility Index Futures Contracts").

1.5.1 Subject Matter of Contract

(1) A volatility index futures contract shall refer to a futures contract on a specific volatility index.

(2) The following Futures Contracts on volatility indices are available for trading at the Eurex Exchanges; the institutions mentioned in brackets, being owners of the respective index, are responsible for the calculation:

- VSTOXX® Mini-Futures Contracts (product ID: FVS) referring to the VSTOXX® Index (STOXX Limited)

(3) The value of a Futures contract shall be:

- EUR 100 per index point for VSTOXX® Mini -Futures contracts (product ID: FVS)

(4) If any changes are made in the calculation of an index such that the concept of the index appears to be no longer comparable with the concept that applied when the volatility index futures contract was admitted to trading, the Boards of Management of the Eurex Exchanges may order the termination of trading in such contracts as of the last trading day prior to the change in the respective index. Open positions shall be settled in cash upon the termination of trading. The respective final settlement price shall be used (Chapter II, number 2.6.3 of the Clearing Conditions of Eurex Clearing AG).

1.5.2 Obligation of fulfilment

After the close of trading, the seller of a Volatility Index Futures Contract shall pay in cash any difference between the agreed price and the higher final settlement price (Chapter II subsection 2.6.3. of the Clearing Conditions of Eurex Clearing AG). The purchaser shall pay in cash any difference between the agreed price and the lower final settlement price.

1.5.3 Maturity

Volatility Index Futures Contracts are available at the Eurex Exchanges until the final settlement day (number 1.5.4 paragraph 2) of the ~~next, the second and the third succeeding month and of the next succeeding quarter-end month of the cycle February, May, August and November~~ next seven calendar months.

1.5.4 Last trading day, Final Settlement day, Close of Trading

(1) Last trading day of the Volatility Index Futures Contract is the final settlement day.

(2) The Final settlement day of the Volatility Futures Contracts is 30 calendar days before the expiring date of the options underlying the volatility index (i.e. 30 days before the third Friday of the expiration month of the underlying options, provided that this is an Exchange day). Usually, this is the Wednesday before the second last Friday of a respective expiring month of the Volatility Index Future, provided that such day is an Exchange day, otherwise, it is the preceeding trading day.

(3) Close of trading on the last trading day

- of the VSTOXX® Mini -Futures Contracts (product ID: FVS) is 12:00 CET

1.5.5 Price Gradations

The price of a Volatility Index Futures Contracts shall be calculated with two decimal places. The minimum price change (tick) is

- 0.05 points for VSTOXX® Mini -Futures Contracts (product ID: FVS); this corresponds to a value of EUR 5

1.5.6 Fulfilment, Cash Settlement

(1) Fulfilment day for Volatility Index Futures Contracts shall be the Exchange day after the final settlement day.

(2) The Volatility Index Futures Contracts shall be fulfilled through cash settlement between the Clearing Members and Eurex Clearing AG. The responsible Clearing Member is in charge of the cash settlement to Non-Clearing-Members and own clients; whereas the Non-Clearing Members are in charge of the cash settlement of Non-Clearing Members to their clients.

[...]

Application Form - Designated Market-Making Scheme

To
Eurex
Product Development
Rex Jones
One Canada Square
E14 5DR London
Great Britain

Fax no.: +44 20 7862 9276

Application for the Status of Designated Market Maker in Volatility Futures

1. We _____
(name of member)

herewith apply for the status of Designated Market Maker in the following contract

Product	**Eurex Code**	**Please tick (ü) if applicable**
Mini-Future on VSTOXX®	FVS	¨ yes

for the period from June 17, 2010 until December 31, 2011 in accordance with the terms and conditions stated in the Quote Obligations.

2. Quote Obligations

Minimum Contract Size: 500 contracts

Maximum Spread: 5 percent of bid price,

Required Coverage: 80 percent of the total trading period on a monthly average

Expiry Range: all seven expirations

3. As Designated Market Maker

   a) we will provide bid and ask quotes on both sides of the market

      - for the minimum number of contracts specified in the Quote Obligations
      - in compliance with the Maximum Spreads (see Quote Obligations); and
      - for the period of time specified in the Quote Obligations (also, and in particular, on a daily basis at the beginning of trading and at the end of trading in the contract and in response to quote requests)

   b) we will designate a manager who has the authorization and expertise necessary to make decisions and act as the coordinator in our firm, who will be available for Eurex with respect to this agreement;

   c) we will ensure that a Eurex trading screen and a qualified trader are available for Designated Market Making; and

   d) we will inform Eurex within one business day in the event that we find ourselves no longer in a position to fulfill these obligations.

4. Eurex will in return

   a) publish the name of the Eurex Member with Designated Market Maker status in advertising and information material in connection with the contracts;

   b) make Eurex speakers and printed material available for index futures-related seminars organized by Designated Market Makers

   c) refund all trading and clearing fees for contracts traded by Designated Market Makers on M-accounts up to December 31, 2011. Refunds for the respective month will be calculated at the beginning of the subsequent month. No refund will be made if the respective futures are traded on A- or P-accounts or if Quote Obligations are not fulfilled.

   Compliance with the obligations stated under No. 2 shall be monitored by Eurex.
   In the event that the obligations stated under No. 2 are not be met by us, Eurex shall have the right to terminate the agreement and to publicly disclose the termination of the Designated Market Maker status at Eurex' discretion. In this case, Eurex shall be released from its obligations pursuant to No. 3 with immediate effect.

5. In the event of a significant change in the Contract Specifications for the contract or due to a revision of the law or rules with respect to the contract, we as well as Eurex have the right to terminate this agreement with immediate effect or to renegotiate the requirements indicated in paragraph 2 and/or in the associated Quote Obligations.

6. Eurex shall have the right to amend one or more of the conditions laid down in this agreement for limited periods of time at its sole discretion with validity for all Designated Market Makers, if it deems this appropriate (for example, in circumstances which lead to high market volatility or if such amendments are not expected to have an adverse effect on market quality). In the event that Eurex amends one or more conditions, the Designated Market Makers must, for their part, ensure that the Designated Market Makers can also be promptly advised that this situation has ceased to exist.

7. Other than the aforementioned measures, no special status at Eurex shall be accorded to the participant in conjunction with the Designated Market Maker status, which expires on December 31, 2011. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Eurex.

SHOULD BE FILLED OUT BY THE PERSON DESIGNATED IN ACCORDANCE WITH PARAGRAPH 2. b)

_____
Place, date

_____ _____
Name Position

_____ _____
Phone Fax

_____ _____
(Signature / Stamp of the firm) E-mail address

Please fax the completed application for the status of Designated Market Maker to above-mentioned fax number.