X-pand into the Future

e u r e x *circular 051/14*

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Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Mehtap Dinc

⚠ **High priority**

Single Stock Dividend Futures: Introduction of U.S. Single Stock Dividend Futures

Contact: Lorena Dishnica, Product Development, T +44-207-86-2 72 42, lorena.dishnica@eurexchange.com
Christine Heyde, Product Development, T +49-69-211-1 56 98, christine.heyde@eurexchange.com

Content may be most important for:	**Attachments:**
Ü All departments	1. Updated sections of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich 2. Eurex Clearing circular 033/14

Summary:

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided with effect from **10 April 2014:**

1. Introduction of 21 U.S. Single Stock Dividend Futures on dividends of U.S. stocks.

2. Introduction of a Designated Market-Making scheme for U.S. Single Stock Dividend Futures.

This circular provides information on the introduction of the new products and the updated sections of the relevant rules and regulations of Eurex Deutschland and Eurex Zürich AG.

Information on clearing of the new products as well as the updated sections of the relevant rules and regulations of Eurex Clearing AG are contained in Eurex Clearing circular 033/14, which we are providing to our Trading Participants as attachment 2.

Single Stock Dividend Futures: Introduction of 21 U.S. Single Stock Dividend Futures

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to introduce the derivatives contracts specified below with effect from 10 April 2014.

To implement these decisions, 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 10 April 2014.

1. Product overview

Single Stock Dividend Future on	Single Stock Dividend Future			Technical underlying of Single Stock Dividend Future	
	Eurex product code	Eurex product ISIN	Eurex product currency	Underlying product code	Underlying ISIN
3M Co	M2MM	DE000A11Q9U7	USD	M2MD	XC000A11Q867
Altria Group Inc	M2OF	DE000A11Q9V5	USD	M2OD	XC000A11Q875
Amazon.com Inc	A2MZ	DE000A11Q9W3	USD	A2MD	XC000A11Q883
Apple Inc	A2AP	DE000A11Q9X1	USD	A1AD	XC000A11Q891
Bank of America Corp	B2AC	DE000A11Q9Y9	USD	B3AD	XC000A11Q9A1
Bristol-Myers Squibb Co	B2MY	DE000A11Q9Z6	USD	B2MD	XC000A11Q9B9
Chevron Corp	C2VX	DE000A11Q901	USD	C2VD	XC000A11Q9C7
Cisco Systems Inc	C2SC	DE000A11Q919	USD	C1SD	XC000A11Q9D5
Citigroup Inc	C2IT	DE000A11Q927	USD	C2ID	XC000A11Q9E3
Coca-Cola Co., The	K2OF	DE000A11Q935	USD	K2OD	XC000A11Q9F0
General Electric Co	G2EC	DE000A11Q943	USD	G2ED	XC000A11Q9G8
Intel Corp	I2NT	DE000A11Q968	USD	I2ND	XC000A11Q9J2
Intl Business Machines Corp	I2BM	DE000A11Q976	USD	I2BD	XC000A11Q9K0
Johnson & Johnson	J2NJ	DE000A11Q984	USD	J2ND	XC000A11Q9L8
JPMorgan Chase & Co	J2PM	DE000A11Q992	USD	J2PD	XC000A11Q9M6
McDonald's Corp	M2CD	DE000A11RAA6	USD	M1CD	XC000A11Q9N4
Microsoft Corp	M2ST	DE000A11RAB4	USD	M2SD	XC000A11Q9P9
PepsiCo Inc	P2EP	DE000A11RAC2	USD	P1ED	XC000A11Q9Q7
Pfizer Inc	P2FE	DE000A11RAD0	USD	P2FD	XC000A11Q9R5
Philip Morris International In	P2M	DE000A11RAE8	USD	P2MD	XC000A11Q9S3
Wal-Mart Stores Inc	W2MT	DE000A11RAF5	USD	W2MD	XC000A11Q9T1

Eurex product code	Contract size	Minimum price change	Minimum size for Block Trades	Eurex product group	Eurex group ID	Product type
M2MM	1000	0.001	1	XNYS	US21	FSTK
M2OF	1000	0.001	1	XNYS	US21	FSTK
A2MZ	1000	0.001	1	XNAS	US22	FSTK
A2AP	1000	0.001	1	XNAS	US22	FSTK

Eurex product code	Contract size	Minimum price change	Minimum size for Block Trades	Eurex product group	Eurex group ID	Product type
B2AC	1000	0.001	1	XNYS	US21	FSTK
B2MY	1000	0.001	1	XNYS	US21	FSTK
C2VX	1000	0.001	1	XNYS	US21	FSTK
C2SC	1000	0.001	1	XNAS	US22	FSTK
C2IT	1000	0.001	1	XNYS	US21	FSTK
K2OF	1000	0.001	1	XNYS	US21	FSTK
G2EC	1000	0.001	1	XNYS	US21	FSTK
I2NT	1000	0.001	1	XNAS	US22	FSTK
I2BM	1000	0.001	1	XNYS	US21	FSTK
J2NJ	1000	0.001	1	XNYS	US21	FSTK
J2PM	1000	0.001	1	XNYS	US21	FSTK
M2CD	1000	0.001	1	XNYS	US21	FSTK
M2ST	1000	0.001	1	XNAS	US22	FSTK
P2EP	1000	0.001	1	XNYS	US21	FSTK
P2FE	1000	0.001	1	XNYS	US21	FSTK
P2M	1000	0.001	1	XNYS	US21	FSTK
W2MT	1000	0.001	1	XNYS	US21	FSTK

2. Contract specifications

For the detailed contract specifications please see attachment 1.

Contract value	Contract value are the dividends of 1,000 underlying shares (i.e. 1,000 x gross dividend per share), in U.S. dollar (USD).
Settlement	Contracts are cash-settled, payable on the first exchange trading day following the final settlement day.
Price determination and minimum price change	Price determination is in USD with three decimal places with a minimum price change of USD 0.001, equalling USD 1 per contract.
Contract period and reference period	The five nearest successive annual contracts of the December cycle. Each contract period covers the annual dividend period up to and including the final settlement date. Consequently, the annual dividend period starts on the day following the final settlement date of the preceding year. Each dividend is regarded as paid on the day declared ex-date by the underlying's cash market exchange. All dividends regarded as paid by the underlying's cash market exchange within the contract period are added to determine the final settlement price. If the determined value differs from the one actually paid, the actual value paid will be used for determination of the final settlement price.
Last trading day and final settlement day	Last trading day is the final settlement day. The final settlement day is the third Friday of the respective December contract month, provided it is an exchange trading day, otherwise the exchange trading day immediately preceding that day. Close of trading on the last trading day for the maturing futures is 12:00 noon CET.

Daily settlement price	For determination of the daily settlement price the volume-weighted average of the prices of all transactions concluded within the minute preceding 17:30 CET (reference time) in the corresponding contract of the current contract month is used, provided more than five transactions are concluded within this period. For all further contract periods, the daily settlement price is determined in accordance with the average bid/ask spread of the combined order book. Please refer to the Clearing Conditions for Eurex Clearing AG for further details.
Final settlement price	On the final settlement day, Eurex Exchange determines the final settlement price at 12:00 noon CET. The final settlement price is equal to the dividend for the financial year of the distributing company. It is rounded to four decimals.

The updated Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be published on the Eurex Exchange website www.eurexchange.com as of start of trading under:

Resources > Rules and Regulations > Contract specifications

3. Trading Hours (all times CET)

Trading hours of U.S. Single Stock Dividend Futures are as follows:

Pre-Trading Period	Continuous Trading	Post-Trading Full Period	OTC Block-Trading	Last Trading Day
07:30-08:30	08:30-17:30	17:30-20:30	08:30-18:30	12:00

4. Mistrade parameters

Mistrade ranges for the new U.S. Single Stock Dividend Futures are determined according to Eurex circular 184/13 and following the quote spreads valid for Designated Market Makers. Unlike the Maximum Spreads which are part of the Market Maker Obligations, the mistrade ranges refer to the current reference price of the Single Stock Dividend Future. Depending on the contract month and assignment of the single SSDF to the corresponding spread class under a particular Market-Making scheme, the mistrade ranges may vary between 15 and 55 percent of the reference price:

Classification of mistrade ranges for Single Stock Dividend Futures

Class	Mistrade range in percent of the reference price contract periods (contract month)		
	1	2	>=3
1	15	15	25
2	20	20	30
3	25	25	35
4	30	30	40
5	40	40	50
6	20	25	35
7	40	45	55

The mistrade ranges for the new U.S. Single Stock Dividend Futures are as follows:

Product code	Product name	Mistrade ranges in percent of the reference price			Class
		1st maturity	2nd maturity	>=3rd maturity	
M2MM	3M Co	20%	25%	35%	6
M2OF	Altria Group Inc	20%	25%	35%	6
A2MZ	Amazon.com Inc	40%	45%	55%	7
A2AP	Apple Inc	20%	25%	35%	6
B2AC	Bank of America Corp	40%	45%	55%	7
B2MY	Bristol-Myers Squibb Co	20%	25%	35%	6
C2VX	Chevron Corp	20%	25%	35%	6
C2SC	Cisco Systems Inc	40%	45%	55%	7
C2IT	Citigroup Inc	40%	45%	55%	7
K2OF	Coca-Cola Co., The	40%	45%	55%	7
G2EC	General Electric Co	40%	45%	55%	7
I2NT	Intel Corp	40%	45%	55%	7
I2BM	Intl Business Machines Corp	20%	25%	35%	6
J2NJ	Johnson & Johnson	20%	25%	35%	6
J2PM	JPMorgan Chase & Co	40%	45%	55%	7
M2CD	McDonald's Corp	20%	25%	35%	6
M2ST	Microsoft Corp	20%	25%	35%	6
P2EP	PepsiCo Inc	20%	25%	35%	6
P2FE	Pfizer Inc	20%	25%	35%	6
P2M	Philip Morris International In	20%	25%	35%	6
W2MT	Wal-Mart Stores Inc	40%	45%	55%	7

The mistrade ranges on product level for all Single Stock Dividend Futures are also available on the Eurex Exchange website under the following link:

Products > Dividend Derivatives > Single Stock Dividend Futures > Product name > Parameters > Mistrade Ranges

5. Market-Making

Eurex Exchange offers interested Trading Participants to become active as Designated Market Makers for the new U.S. Single Stock Dividend Futures contracts. Designated Market Makers ensure continual liquidity in a specified minimum number of contracts by providing quotes on the bid and ask side within maximum spreads in a defined number of the products to be introduced.

In addition, Designated Market Makers undertake further obligations as to the efficient operation of the market by providing price information, such as daily price information, and to be available for additional price verification at times as requested by Eurex Exchange.

In return, Eurex Exchange will grant its Designated Market Makers reimbursement of up to 50 percent of transaction fees for all transactions executed in the M-account. Full scheme obligations and information about how to apply them will be communicated in a separate circular.

6. Data vendor codes

At start of trading, vendor codes for the new instruments will be published on the Eurex website under the link:

Products > Vendor Product Codes

7. Transaction limits, minimum size for cross- and pre-arranged trades

The same values apply as for the already existing Single Stock Dividend Futures.

8. Further information

In the following, please find information on the new products, which is likewise contained in Eurex Clearing circular 033/14. The Eurex Clearing circular is enclosed in the present circular as attachment 2.

8.1 Transaction Fees

Transaction fees are determined according to the relevant Eurex group ID (see section 2.)

Single Stock Dividend Futures with group ID according to Annex D of the Eurex Contract Specifications	Dividend	Currency	Regular Transactions	OTC-Block Trades
US21, US22	>=1.00	USD	1.20	1.80
	0.75 – 0.99	USD	1.00	1.50
	0.50 – 0.74	USD	0.80	1.20
	0.25 – 0.49	USD	0.60	0.90
	< 0.25	USD	0.20	0.30

Please refer to attachment 3 of the enclosed Eurex Clearing circular 033/14 for the exact transaction fees per Single Stock Dividend Future.

Further information can be retrieved from the Price List for Eurex Clearing AG available for download on the Eurex website under the link:

Resources > Rules and Regulations > Price list

8.2 Admission to EurexOTC Block Trading

The U.S. Single Stock Dividend Futures will be admitted to the EurexOTC Block Trade functionality with a Block Trade size of one contract.

Participants who are already registered for Block-Trading and/or Vola Trading may use the respective functions for the new index futures and options without any further action.

Participants wishing to use the EurexOTC Trade Entry Facilities for the first time should confirm their acceptance of the General Conditions for Participation by signing the appropriate form and returning it to Eurex Exchange. In addition, where the member firm is a Non-Clearing Member, its General Clearer must sign and return the General Clearer's Declaration Agreement at the same time. The necessary forms can be found on the Eurex Exchange website under the following link:

Resources > Forms > OTC Trade Entry

8.3 Risk parameters

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

Market data > Clearing data > Risk parameters and initial margins

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