X-pand into the Future

eurex circular 293/11

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Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Jürg Spillmann

⚠ **High priority**

SSDFs: Adjustment of Contracts with Group ID IT21

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Content may be most important for:	**Attachment:**
➲ All departments	Updated sections of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

The Management Boards of the Eurex Exchanges took the decision to change the procedure for adjustments to futures contracts on dividends of shares (SSDFs) with Group ID IT21 (as assigned in Annex D of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich) with effect from **December 19, 2011**.

The changes mainly refer to the calculation of the adjustment factor for SSDFs with Group ID IT 21, which, in the future and in line with the domestic market, will be based on the closing auction price of the share (or on the price of the last trade concluded during Continuous Trading, respectively, in case a closing auction price is not available) instead of being based on the quantity-weighted average price.

For further information, please refer to the attachment of this circular.

The exact adjustment procedure that is applied in individual cases will continue to be communicated by Eurex circular.

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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1. Part: Contract Specifications for Futures Contracts

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1.15 Subpart: Contract Specifications for Futures Contracts on the Dividends of Shares

The following subpart contains contract specifications for Futures Contracts on the Dividends of Shares ("Single Stock Dividend Futures").

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1.15.8 Alterations to the Contract Sizes and Expiration Days of Futures Contracts on the Dividends of Shares

(1) Contract terms are not adjusted in the case of regular dividend payments.

(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 etc.), are not regarded as dividends within the meaning of paragraph (1). In case such distributions occur, the futures contract shall be adjusted by dividing 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.

With regard to futures contracts with group ID IT21 assigned in Annex D, the following rules based on the market conventions of the Italian Derivatives Exchange

Market ("IDEM", the equity derivatives market managed by Borsa Italiana) shall apply.

- For the purpose of adjusting the number of underlying shares of a futures contract, the classification provided by Borsa Italiana with regard to a distribution (in cash or in kind) as an ordinary or extraordinary dividend shall be decisive. In the event of a distribution of an extraordinary dividend, either the entire extraordinary dividend or such part of the dividend which is considered to be extraordinary shall be used as a reference for the adjustment in the number of underlying shares.

- When classifying the distribution as an ordinary or extraordinary dividend, Borsa Italiana shall take account of the classification provided by the distributing company. If the company does not classify dividends, Borsa Italiana may classify dividends to be extraordinary taking into account the company's past dividend policy.

(3) If subscription rights are granted, the futures contract shall be adjusted by dividing the original contract size by the R-factor; at the same time, the settlement prices shall be adjusted accordingly, so that the original contract value remains unchanged.

(4) With capital increases out of company reserves, the number of shares the dividend of which underlying the Single Stock Dividend Futures contract is referencing to increases according to the ratio of their portion of the former registered share capital of the company issuing such shares. At the same time, the settlement prices shall be adjusted accordingly, so that the original contract value remains unchanged.

With capital reductions, the contract sizes as well as the settlement prices of the futures contract remain unchanged if the capital reduction is carried out by means of reduction of the nominal value of the shares. With capital reductions by way of redeeming shares or by consolidation, the number of shares the dividend of which the Single Stock Dividend Futures contract is referencing to will be reduced according to the reduction ratio. At the same time, the settlement prices shall be adjusted accordingly, so that the original contract value remains unchanged.

(5) Inthe event of a share split of the shares the dividend of which the Single Stock Dividend Futures contract is referencing to, the contract size increases correspondent to the ratio of the share split. At the same time, the settlement prices shall be adjusted accordingly, so that the original contract value remains unchanged.

(6) In case of changes in capital (paragraph 3 and 4) and adjustments pursuant to paragraph 2, all orders and quotes in the order book in the respective futures contracts will be deleted by the Eurex exchanges. The Eurex exchanges inform all exchange participants of an imminent cancellation.

(7) If a public offer is made for the purchase of the shares the dividend of which the dividend futures contract is referencing to, the futures contract shall be adjusted or settled according to the provisions of this paragraph if more than 50 % of such shares or more than 50 % of the voting rights in the issuer (target company) of such shares are held by or are attributable to the bidder. The point in time relevant for the fulfilment of the prerequisites pursuant to Sentence 1 shall be the expiry of the first offer period. In the event of an extension of the first offer period, the Management Board may adjust the relevant point in time to the end of such extension. With regard to partial offers pursuant to § 19 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG), Sentence 1 shall not be applicable. In the event of offers being subject to foreign legal provisions, the Management Board may decide on provisions diverging from the provisions in Sentences 1-4.

When determining whether the prerequisites pursuant to Sentence 1 have been fulfilled, the Eurex Exchanges shall take into account publications of the bidder, of the target company or of authorities or similar institutions.

The Eurex Exchanges shall publish the effective date of the adjustment or settlement. If, with regard to a public offer, the consideration is not available to the shareholders immediately after publication of the results through the bidder, the Eurex Exchanges may determine that the futures contracts shall, until the time of payment of the consideration or of the conversion of the shares, relate exclusively to the dividends on the shares submitted either for sale or for conversion.

In the event of adjustment, the share the dividend of which the Single Stock Dividend Futures contract is referencing to shall be replaced by the share offered as consideration through the R-factor method. Such adjustment requires tradability of the derivatives on the share offered as consideration as well as the possibility of trading of such share offered as consideration on one of the exchanges determined by the Eurex Exchanges. If the consideration consists of shares and cash compensation, the adjustment shall be excluded if the cash compensation amounts to a value of more than 67 % of the total consideration.

In the event of settlement, the term of the futures contract shall end, and the futures contract shall be settled by its fair value. The fair value shall be calculated taking into account the expected dividends. Further information regarding calculation of the fair value is available in the Eurex User Manual System Overview and Information Manual.

(8) Nationalization, Insolvency or Delisting.

If shareholders are subject to an event that is determined by the Eurex Exchanges as a nationalization, insolvency or are actions leading to a de-listing of the offered shares or other rights on one of the Exchanges determined by the Eurex Exchanges, the futures contracts will, where practicable, be adjusted under the terms of 1.15.8 paragraph (7) as if it were a merger.

(9) If a corporate action, which is carried out within the meaning of the aforementioned conditions, is not regulated or covered by such conditions, the Eurex Exchanges shall adjust the respective Futures contracts in order to maintain the original contract value, to guarantee regular market conditions and to ensure the clearing and settlement of the contracts. Also in case a capital transaction not regulated by the conditions of number 1.15.8 is carried out, the Eurex Exchanges shall issue a regulation similar to such conditions. The Eurex Exchanges shall notify the Exchange participants of the intended actions.

(10) If a corporate action, which is carried out within the meaning of the aforementioned conditions, is an event that is determined by the Eurex Exchanges as a nationalization, insolvency or are actions leading to a de-listing of the offered shares or other rights on one of the Exchanges determined by the Eurex Exchanges, and it is determined that this cannot otherwise be regulated by the conditions of number 1.15.8, the expiration date of the futures contracts can be amended to the date determined by Eurex Exchanges to be the date that futures and options contracts on the reference shares are revoked or suspended and will then determine a final settlement price (Chapter II, number 2.16.2 of the Clearing Conditions of the Eurex Clearing AG). The Eurex Exchanges shall notify the Exchange participants of the intended actions.

(11) In the event of an adjustment of futures contracts with group ID IT21 assigned in Annex D, the calculated R-Factor shall be rounded to six decimal places.

~~**1.15.9 Alterations to the Contract Sizes and Expiration Days of Futures Contracts on the Dividends of Shares with Group ID IT21**~~

~~For dividend of share futures contracts with group ID IT21 assigned in Annex D, the following rules based on the market conventions of the Italian Derivatives Exchange Market ("IDEM") the equity derivatives market managed by Borsa Italiana, shall apply~~

~~In the event of distributions of extraordinary dividends the number of underlying shares may be adjusted, where the amount of the extraordinary dividend is taken to be the entire amount of the dividend or a part thereof.~~

~~For the purpose of the adjustments referred to in paragraph 1, Borsa Italiana shall take account of distributions of dividends, in cash, or in kind, that the company classifies as additional with respect to dividends deriving from the distribution of the normal profits for the year or with respect to the normal dividend policy. If the company does not classify dividends, Borsa Italiana may consider dividends to be extraordinary that are characterized by elements establishing their additional nature with respect to the company's normal dividend policy.~~

~~Eurex reserves the right, in exceptional cases and where such dividend treatment is adopted by IDEM, that when the announcement of a dividend payment is made at least 3 months in advance with respect to the payment date, to consider interim dividends that are not provided for in the dividend payment policy as ordinary. In such an instance Eurex will promptly notify the market;~~

~~In respect of the underlying dividend of the futures contract, the adjustment coefficient of the daily settlement price and/or of the number of shares underlying the futures contract shall be expressed in terms of the official "cum right" price and rounded to six decimal places. Adjusted daily settlement **prices shall be rounded to four** decimal places. In the event of the distribution of extraordinary dividends, daily settlement prices and the number of shares underlying the contract shall be adjusted by applying the R-factor, calculated as follows: R = [(the share's official price on the day preceding the detachment of the extraordinary dividend − the amount of the extraordinary dividend) / the share's official price on the day preceding the detachment of the extraordinary dividend]:~~

~~The official price means, in regards to the electronic share market (MTA), the quantity-weighted average price of the entire quantity traded in the session, excluding contracts executed with the cross-order function, as defined in the "Rules of the Markets Organised and Managed by Borsa Italiana SpA."~~

~~1.15.10~~1.15.9 Relevant Dividends in Regards to Futures Contracts on the Dividends of Shares

In respect of the reference shares relating to the Futures contracts listed in Annex D and each working day in the relevant Futures annual dividend period:

(1) the cash dividend declared or the cash equivalent dividend declared.

(2) ~~excluding~~ any dividends in relation to which adjustments ~~are made, to options or futures contract on the reference shares~~ pursuant to paragraph 1.15.8~~2.6.10.1 or 1.6.7 Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich~~ were made, or those specifically determined as being extraordinary dividends under paragraph 1.15.~~9~~8 (2) above, shall be excluded.

(3) the cash dividend declared or the cash equivalent dividend declared means an amount per share relating to the Futures contracts listed in Annex D as declared by the issuer, before the withholding or deduction of taxes at source by or on behalf of any applicable authority having power to tax in respect of such a dividend, and shall exclude:

a) tax or other credits, deductions or repayments given by such an authority, and

b) any charges or benefits associated to these.

(4) the declared cash ~~–~~equivalent dividend in respect of the reference shares relating to the Futures contracts listed in Annex D corresponds to~~is~~ the countervalue amount declared by the issuer, ~~, or i~~If no ~~cash values~~ countervalue amount is declared by the issuer, the cash values as determined by Eurex Clearing AG and determined by reference to such shares prices on the day preceding the Ex-Dividend date, allowing for any change in the theoretical value of such shares due to dilution.

(5) If shareholders may elect between receiving a cash dividend declared or the cash equivalent dividend, the value of the cash dividend will be used in precedence.

(6) Where any such dividend is declared in a currency other than the settlement currency, then such dividend shall be converted at the rate declared by the issuer or, if no such rate is available, at a rate determined by Eurex Clearing AG in accordance with standard market practices.

(7) in the case that no payment is made, or that the amount actually paid or delivered in respect of any dividend is not equal to the dividend declared; then Eurex Clearing AG will determine any appropriate adjustment or repayment to be made.

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