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e u r e x c l e a r i n g *circular 075/10*

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Recipients: All Clearing Members of Eurex Clearing AG, all Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
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Eurex / EEX Cooperation: Activation of the Eurex Automatic Exercise Facility for Options on EEX Phelix Futures

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Content may be most important for:	**Attachments:**
Ü All departments	none

Summary:

In November 2010 EEX will activate the Automatic Exercise function within the Eurex® system for options on Phelix Futures on the EEX Derivatives Market. As a result, this facility will be available for the first time for the expiration of the Phelix Base-Month-Option O1BM DEC10 on **November 25, 2010**.

In this circular we would like to provide you with information regarding the changed processes for automatic exercise of options, the planned simulation and the set-up of the parameters within the Eurex® system.

By means of the Eurex / EEX cooperation, the facility will also be available for Eurex Members.

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Procedure on the exercise day / expiration day

On the exercise day, EEX establishes an intraday fixing price for the underlying of the respective option at 14:00 CET and publishes this price in due time before the expiration of the option at 15:00 CET. In automatic exercise of options, this intraday fixing price forms the basis for the determination of the in-the-money amount per contract and account.

The in-the-money amount established will be automatically checked against the ITMMin parameter specified by the respective participant. If the established in-the-money amount is higher than the specified parameter, the option will be exercised automatically. If it is lower, automatic exercise will not take place.

However, options can still be exercised manually. For example, options can be excluded from automatic exercise and out-of-the-money options can be exercised manually. The individual decision on automatic or manual exercise is the trading participant's exclusive responsibility.

A so-called four-eye principle is supported by the system and can be set up for the corresponding user IDs by the internal "Security Administrator" of the respective trading participant. This helps to minimise the risk of unintended manual exercise of out-of-the-money options and unintentional manual non-exercise of in-the-money options.

The exercise time at 15:00 CET on the expiration day will remain unchanged. Furthermore, exchange trading and the registration of OTC trades will end for all maturities in the respective product (e.g. for all monthly options upon expiration of O1BM DEC10) at 15:00 CET on the expiration day.

The exercised long positions and assigned short positions will be displayed in the **Exercise Assignment Overview** window immediately after 15:00 CET when the system switches to the POSTR phase.

We would like to ask you take these changes into account accordingly in your internal processes.

Simulation

The automatic exercise function is already available in the Eurex® simulation environment. The following products can be used for testing purposes in October:

Contract	**Eurex simulation expiration day**	**Calendar day**
O1BM NOV10	October 26, 2010	October 22 to 26, 2010
O1BT NOV10	October 26, 2010	October 22 to 26, 2010

Eurex parameter set-up

Upon introduction of automatic exercise, the **Automatic Exercise Parameter Maintenance** window will be activated in the Eurex Clearing GUI for all trading participants.

In order to grant access to it for all users, the following authorisations (RAL) have to be activated or, if required, adjusted:

RAL 246 – Automatic Exercise (Clearing)

RAL 170 – In-the-Money Inquiry / Exercise (Clearing)

RAL 171 – Exercise Entry / Abandon Exercise Entry (Clearing)

RAL 172 – OptnI 4EP Appr (Security) = Approval right under four-eyes principle

RAL 173 – Assignment Inquiry (Clearing)

RAL 199 – Exercise Inquiry (Clearing)

RAL 200 – Exercise Assignment Inquiry (Clearing)

Please be advised that this authorisation lies exclusively within the responsibility of participants and that these rights will not be allocated automatically but have to be assigned by the trading participant's Security Administrator.

In addition, the user has to maintain the in-the-money-minimum amount in the **ITMMin** field. This specifies at which amount per contract the position has to be in-the-money on the expiration day in order to trigger automatic exercise. The in-the-money-minimum amount can be specified as an absolute value or as a percentage of the strike price. This is defined in the mandatory field **Cod** with the values A for absolute and P for percentage. The value refers to one contract (e.g. 1 MW of the Phelix Monthly Option O1BM DEC10 corresponds to 744 MWh).

The default value of EUR 99.99 will be assigned to the **ITMMin** field by EEX as an absolute value.

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