X-pand into the Future

eurex circular 137/17

Date: 6 December 2017
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Mehtap Dinc

⚠ **Action required**

Equity options: Adjustment of contract specifications for Dutch stock options (Group IDs: NL11, NL12 and NL13)

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

Summary:

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided effective **22 January 2018** to adjust the contract specifications for Dutch stock options (Group IDs: NL11, NL12 and NL13), with the following measures:

- Change the matching algorithm to a pro-rata allocation (from the current price-time allocation)
- Introduce a premium based tick size with predefined thresholds

This circular contains all information on the proposed changes and the updated sections of the relevant Rules and Regulations of Eurex Deutschland and Eurex Zürich AG.

Equity options: Adjustment of contract specifications for Dutch stock options (Group IDs: NL11, NL12 and NL13)

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided effective 22 January 2018 to adjust the contract specifications for Dutch stock options (Group IDs: NL11, NL12 and NL13), with the following measures:

- Change the matching algorithm to a pro-rata allocation (from the current price-time allocation)
- Introduce a premium based tick size with predefined thresholds

To implement this decision, the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich (Contract Specifications) will be amended as specified in attachment 1 with effect from 22 January 2018.

1. Adjustment of contract specifications

The matching principle for Dutch stock options with group IDs NL11, NL12 and NL13 (excluding options with European style exercise with group ID NL14) will change to pro-rata allocation (from the current price-time allocation). Pro-rata allocation refers to the matching principle taking into account all book orders at the best price. The allocated quantity of the incoming order is shared amongst all book orders at the best price proportional to the size of each book order.

Pro-rata allocation has been used for iShares Equity ETF options since November 2014. You can find a detailed description with example of the pro-rata allocation model in the **T7 Release 6.0 Functional Reference Guide** (7.5.2 Pro-Rata Allocation) on the Eurex website www.eurexchange.com under the following link:

Technology > T7 Trading architecture > System documentation > Release 6.0 > Overview and Functionality > Functional Reference

At the same time, premium based tick size thresholds will be introduced to allow a higher tick size for large premium options. For stock options with group IDs NL11, NL12 and NL13, the tick size will increase to EUR 0.05 for contracts with a premium above a predefined threshold (see table below). Proposed thresholds will apply for all order book trades (incl. strategy trades). It will, however, not apply to TES trades, who will continue to be entered with EUR 0.01 increments.

Options on shares of	Product-ID	Group ID	Minimum price change below threshold (EUR)	Premium Threshold (EUR)	Minimum price change above threshold (EUR)
Aalberts Industries N.V.	AAI	NL12	0.01	0.5	0.05
ABN AMRO Group	AAR	NL11	0.01	5	0.05
AEGON N.V.	AEN	NL11	0.01	5	0.05
Koninklijke Ahold Delhaize N.V.	AHO	NL11	0.01	5	0.05
Akzo Nobel N.V.	AKU	NL11	0.01	5	0.05
ALTICE N.V. – A	ATC	NL11	0.01	5	0.05
Aperam S.A.	7AA	NL11	0.01	5	0.05
ArcelorMittal S. A.	ISPA	NL11	0.01	5	0.05
ASML Holding N.V.	ASM	NL11	0.01	5	0.05
ASML Holding N.V.	ASM1/2/4/5	NL13	0.01	5	0.05
Kon. BAM groep N.V.	BGPA	NL11	0.01	0.5	0.05

Options on shares of	Product-ID	Group ID	Minimum price change below threshold (EUR)	Premium Threshold (EUR)	Minimum price change above threshold (EUR)
Koninklijke Boskalis Westminster N.V.	KBWA	NL11	0.01	5	0.05
Corbion N.V.	CSUA	NL11	0.01	0.5	0.05
FUGRO N.V.	F3D	NL11	0.01	5	0.05
Gemalto N.V.	LDV	NL12	0.01	5	0.05
Heineken N.V.	HNK	NL11	0.01	5	0.05
ING Groep N.V.	INN	NL11	0.01	5	0.05
ING Groep N.V.	ING1/2/4/5	NL13	0.01	5	0.05
Klepierre N.V.	CL6	NL11	0.01	0.5	0.05
Koninklijke DSM N.V.	DSM	NL11	0.01	5	0.05
NN GROUP N.V.	NNG	NL11	0.01	5	0.05
Koninklijke Philips N.V.	PHI1	NL11	0.01	5	0.05
Koninklijke Philips N.V.	PLP1/2/4/5	NL13	0.01	5	0.05
PostNL NV	PNL	NL11	0.01	5	0.05
Randstad Holding N.V.	RSH	NL11	0.01	5	0.05
RELX N.V.	ELV	NL11	0.01	5	0.05
Royal Dutch Shell PLC - A share	ROY	NL11	0.01	5	0.05
Royal Dutch Shell PLC - A share	ROY1/2/4/5	NL13	0.01	5	0.05
Koninklijke KPN N.V.	KPN	NL11	0.01	5	0.05
SBM Offshore N.V.	SBMO	NL11	0.01	5	0.05
TomTom N.V.	OEM	NL11	0.01	0.5	0.05
Unibail-Rodamco SIIC	UBL	NL11	0.01	5	0.05
Unibail-Rodamco SIIC	UBL1/2/4/5	NL13	0.01	5	0.05
Unilever N.V.	UNI	NL11	0.01	5	0.05
Unilever N.V.	UNI1/2/4/5	NL13	0.01	5	0.05
Koninklijke Vopak N.V.	VPK	NL12	0.01	0.5	0.05
Wereldhave N.V.	WER	NL12	0.01	0.5	0.05
Wolters Kluwer N.V.	WOS	NL11	0.01	5	0.05

2. Reference data

The information about the price threshold structure and matching algorithm is published via RDI in product snapshot.

The price thresholds definition is available under section BaseTradingRules -> TickRules (tags 1206-1208) and the matching algorithm under MatchRules -> MatchAlgorithm (tag 1142).

More information about reference data provided via the RDI interface is available in the **T7 Market and Reference Data Interface Manual** which can be downloaded from the Eurex website under the following path:

Technology > T7 Trading architecture > System documentation > Release 6.0 > Market and Reference Data Interfaces

An RDF example for Option on Royal Dutch Shell A (ROY)

```
<MktDef MktID="XEUR" MktSegID="1432" EfctvBizDt="2017-12-01" NxtEfctvBizDt="2017-12-04" MktSeg="ROY"
MarketSegmentDesc="OPT ON ROYAL DUTCH SHELL A" Sym="GB00B03MLX29" ParentMktSegmID="OSTK"
Ccy="EUR" MktSegStat="1" USFirmFlag="N" PartID="9"> <Undly Exch="XFRA" Sym="ROY" ID="GB00B03MLX29"
Src="4" PrevClsPx="26.7"/>
    <MtchRules MtchRuleProdCmplx="3" MtchAlgo="PR"/>
    <MtchRules MtchRuleProdCmplx="2" MtchAlgo="PR"/>
    <MtchRules MtchRuleProdCmplx="1" MtchAlgo="PR"/>
<BaseTrdgRules QtSideInd="1" FastMktPctg="100">
     <TickRules TickRuleProdCmplx="1" StartTickPxRng="0" EndTickPxRng="5" TickIncr="0.01"/>
     <TickRules TickRuleProdCmplx="1" StartTickPxRng="5" EndTickPxRng="9999999999.9999" TickIncr="0.05"/>
  </BaseTrdgRules>
```

Participants can test these adjustments – (a) the change of the matching algorithm to pro-rata allocation and (b) the introduction of premium based tick size thresholds – for the relevant Dutch stock options in the Eurex simulation environment starting 7 December 2017.

Please note that all pending orders in these products will be deleted prior to the start of trading on 22 January 2018.

6 December 2017

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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

[…]

2. Subpart: Contract Specifications for Index Options

[…]

2.6.11 Price Gradations

The price of a stock option or LEPO will generally be quoted with three or four decimal place. The smallest price change (Tick) shall be EUR 0.0005, EUR 0.001, EUR 0.01 or CHF 0.01 or GBX* 0.5, GBX 0.25 or USD 0.01. For stock options with group ID NL11, NL12 and NL13, the tick size will increase to EUR 0.05 for contracts with a premium above a predefined threshold stipulated in Annex B (Premium Threshold). The Management Boards of the Eurex Exchanges shall determine the relevant decimal place and the smallest price change (Tick) and shall notify all Exchange participation of any such decision.

3. Part: Contracts Off-Book

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3.3.4.2

Annex B: in relation to Subsection 2.6 of the Contract Specifications:

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Options on shares of	Product-ID	Group ID	Minimum price change below threshold	Premium Threshold	Minimum price change above threshold
Aalberts Industries N.V.	AAI	NL12	0.01	0.5	0.05
ABN AMRO Group	AAR	NL11	0.01	5	0.05
AEGON N.V.	AEN	NL11	0.01	5	0.05
Koninklijke Ahold Delhaize N.V.	AHO	NL11	0.01	5	0.05
Akzo Nobel N.V.	AKU	NL11	0.01	5	0.05
ALTICE N.V. – A	ATC	NL11	0.01	5	0.05
Aperam S.A.	7AA	NL11	0.01	5	0.05
ArcelorMittal S. A.	ISPA	NL11	0.01	5	0.05
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ASML Holding N.V.	ASM1/2/4/5	NL13	0.01	5	0.05
Kon. BAM groep N.V.	BGPA	NL11	0.01	0.5	0.05
Koninklijke Boskalis Westminster N.V.	KBWA	NL11	0.01	5	0.05
Corbion N.V.	CSUA	NL11	0.01	0.5	0.05
FUGRO N.V.	F3D	NL11	0.01	5	0.05
Gemalto N.V.	LDV	NL12	0.01	5	0.05
Heineken N.V.	HNK	NL11	0.01	5	0.05
ING Groep N.V.	INN	NL11	0.01	5	0.05
ING Groep N.V.	ING1/2/4/5	NL13	0.01	5	0.05
Klepierre N.V.	CL6	NL11	0.01	0.5	0.05
Koninklijke DSM N.V.	DSM	NL11	0.01	5	0.05
NN GROUP N.V.	NNG	NL11	0.01	5	0.05
Koninklijke Philips N.V.	PHI1	NL11	0.01	5	0.05
Koninklijke Philips N.V.	PLP1/2/4/5	NL13	0.01	5	0.05
PostNL NV	PNL	NL11	0.01	5	0.05
Randstad Holding N.V.	RSH	NL11	0.01	5	0.05
RELX N.V.	ELV	NL11	0.01	5	0.05
Royal Dutch Shell PLC - A share	ROY	NL11	0.01	5	0.05
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Koninklijke KPN N.V.	KPN	NL11	0.01	5	0.05
SBM Offshore N.V.	SBMO	NL11	0.01	5	0.05
TomTom N.V.	OEM	NL11	0.01	0.5	0.05
Unibail-Rodamco SIIC	UBL	NL11	0.01	5	0.05

Options on shares of	Product-ID	Group ID	Minimum price change below threshold	Premium Threshold	Minimum price change above threshold
Unibail-Rodamco SIIC	UBL1/2/4/5	NL13	0.01	5	0.05
Unilever N.V.	UNI	NL11	0.01	5	0.05
Unilever N.V.	UNI1/2/4/5	NL13	0.01	5	0.05
Koninklijke Vopak N.V.	VPK	NL12	0.01	0.5	0.05
Wereldhave N.V.	WER	NL12	0.01	0.5	0.05
Wolters Kluwer N.V.	WOS	NL11	0.01	5	0.05

Annex E: Allocation Scheme (Part A Section 2.5 Paragraph 3 of the Conditions for Trading) and Path Priority (Part A Section 2.5 Paragraph 2 of the Conditions for Trading) *

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Product Class	Allocation Scheme	Path Priority
Options on Money Market Futures	Time	n/a
Options on Fixed Income Futures	Time	n/a
Index Options	Time	n/a
Options on Shares of Exchange-Traded Funds	Time	n/a
Options on iShares Shares of Exchange-Traded Funds	Pro Rata	n/a
Options and LEPOs on Stocks (except Group ID NL11, NL12, NL13)	Time	n/a
Options on Stocks (NL11, NL12 and NL13)	Pro Rata	n/a
Volatility Index Options	Time	n/a
Index Dividend Options	Time	n/a
Options on Xetra-Gold	Time	n/a
Commodity Index Options	Time	n/a
Options on Exchange-Traded Commodities Securities	Time	n/a

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