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e u r e x *circular 036/06*

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Eurex Rules and Regulations:

Changes to the Implementation Regulations for the Handling of Erroneous Entries at Eurex Deutschland and Eurex Zürich Concerning Options Strategies

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Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office	Updated sections of Implementation Regulations for the Handling of Erroneous Entries at Eurex Deutschland and Eurex Zürich

Summary:

In their session on February 8, 2006 the Management Boards of the Eurex Exchanges decided changes to the Implementation Regulations for the Handling of Erroneous Entries at Eurex Deutschland and Eurex Zürich concerning options strategies (section 2.3.3).

The changes will become effective on **March 1, 2006**.

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Eurex Rules and Regulations:

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The valid mistrade regulations for options volatility strategies to determine a considerable deviation of the mistrade transaction price from the market price of the concerned transaction pursuant to section 2.6 par. 3a of the Conditions for Trading at Eurex Deutschland and Eurex Zürich (Eurex Trading Conditions) at present only refers to the options component of the strategy. The revision of the mistrade regulations will permit in future to include in the calculation also the other strategy components of the mistrade. The following factors will serve as a basis to calculate a considerable deviation of a mistrade transaction:

- Price of the futures contract at the time of the erroneous entry
- Price of the option at the time of the erroneous entry
- Position of the traded strategy as a whole

The description of the mistrade rules, which contains a detailed presentation of above-mentioned calculation method to determine the mistrade range can be found on the Eurex website under

www.eurexchange.com > Member Section > Documentation/Manuals Eurex > Release 8.0 > Mistrades.

Irrespective of the above, we would like to point out in this context that according to section 2.6, par. 3 b of the Eurex Trading Conditions basic requirement for a mistrade is that an **incorrect** entry was made **by mistake** into the electronic trading system of the Eurex Exchanges.

Frankfurt, February 23, 2006

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Implementation Regulations for the Handling of Erroneous Entries (Fehleingaben) at Eurex Deutschland and Eurex Zürich pursuant to Subsection 2.6 Paragraph 3 of the Conditions for Trading at Eurex Deutschland and Eurex Zürich

[....]

2. Procedure for the Determination of a significant Deviation of the Mistrade Transaction Price from the Reference Price

[....]

2.3 Significant Deviation of a Mistrade Transaction Price from the Reference Price in the Trading of ~~Combination Quotes or Combination Orders on Option Contracts~~Strategies

2.3.1 The following Implementation Regulations of the Trading Conditions relate ~~to erroneous entries in the trading of combination quotes or combination orders for option contracts insofar as such combination quotes or combination orders have been executed through a Combinations Quote Book. The provisions below shall apply accordingly with regard~~ to erroneous entries in the trading of options strategies ~~for~~ on option contracts or options volatility strategies ~~for~~ on option and futures contracts; the provisions below shall apply accordingly if orders are executed in the Strategy Trading Orderbook.

~~2.3.2 In the case of transactions, concluded in the Book via execution of combinated or respectively~~2.3.2~~In the case of transactions that have been concluded in the Combination Quote Book by the execution of combination quotes or respectively combination orders (hereinafter "Options Combinations") the deviation in the price of the Mistrade Transaction relative to the Reference Price shall be deemed significant if the price of the Mistrade Transaction exceeds the Mistrade Range of the Reference Price established by the Management Boards of the Eurex Exchanges for option contracts underlying the relevant Options Combinations. The Boards of Management of the Eurex Exchanges shall, according to this Implementation Regulations, notify the respective valid Mistrade Ranges for option contracts underlying the relevant Options Combination.~~

2.3.~~3~~2 The specific provisions below shall apply accordingly with regard to erroneous entries in the trading of options strategies for option contracts ~~or options volatility strategies for option and futures contracts~~, if the orders have been executed in the Strategy Trading Order Book that Mistrade Ranges determined by the Eurex Boards of Management for the underlying option contracts and which have been notified according to this Implementation Regulations which shall be applied to option strategies with two contracts at 100 percent, to option strategies with three contracts at 125 percent and to option strategies with four contracts ~~as well as to option volatility strategies~~ at 150 percent executed in the Strategy Trading Book.

With regard to transactions which have been accomplished via the execution of options volatility strategies on options and futures contracts – as far as the orders have been executed in the Strategy Trading Order Book – a considerable deviation of the price of the mistrade transaction from the reference price can be assumed if the reference price of the options contracts deviates by more than the mistrade range for the options contracts underlying the respective options volatility strategy, such mistrade range being determined by the Management Boards of the Eurex Exchanges and applied to 150%. The reference price of options contracts shall be determined in consideration of the value of the options and futures contracts underlying the options volatility strategy at the time of the mistrade transaction.

2.3.43 If, pursuant to subsection 2.3.2 ~~or 2.3.3~~, a significant deviation in the Mistrade Transaction Price from the Reference Price and if the remaining requirements according to number 1 are given, the Boards of Management shall cancel the transactions underlying an Options Combination.

[....]