Eurex Circular 015/18

ETF/ETC options: Reduction of strike price intervals, clarifications on last trading day and LEPOs

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to reduce strike price intervals for selected ETF/ETC options and add further clarifications concerning the last trading day and Low Exercise Price Options (LEPOs) according to the attachment.

The changes will become effective on **26 February 2018**.

Attachment:

- Updated sections of Annexes A and B of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

Date: 23 February 2018

Recipients:
All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors

Authorized by:
Mehtap Dinc

Target group:
All departments

Contact:
Nicolae Raulet
Product R&D Equity and Index
T +44-207-86-2 72 74
nicolae.raulet@eurexchange.com

Eurex Deutschland
Börsenplatz 4
60313 Frankfurt/Main
Mailing address:
60485 Frankfurt/Main
Germany

Internet:
www.eurexchange.com

Management Board:
Thomas Book,
Mehtap Dinc, Erik Tim Müller,
Michael Peters, Randolf Roth

ARBN: 101 013 361

****

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

****

[…]

2. Part: Contract Specifications for Options Contracts

[…]

2.5 Contract Specifications for Options Contracts and Low Exercise Price Options on Shares of Exchange-Traded Funds (EXTF-Options)

The following subpart contains contract specifications for Options Contracts shares of exchange-traded funds ("EXTF-Options") and low exercise price options (LEPOs) on shares of exchange-traded funds.

2.5.1 Subject Matter of Contract

Options Contracts on the following shares of Exchange-traded funds are available for trading at the Eurex Exchanges. In each case, for all options contracts is the reference market the Electronic Trading System of the Frankfurter Wertpapierbörse, unless otherwise is noted:

- db x-trackers MSCI Emerging Markets TRN ETF
- db x-trackers MSCI Europe TRN ETF
- db x-trackers MSCI World TRN ETF
- iShares Core FTSE 100 UCITS (Dist) (London Stock Exchange LSE)
- iShares Core MSCI World UCITS ETF (London Stock Exchange LSE)
- iShares Core S&P 500 UCITS ETF (London Stock Exchange LSE)
- iShares DAX® (DE)
- iShares EURO STOXX® 50
- iShares EURO STOXX Banks 30-15 UCITS ETF (DE)
- iShares J.P. Morgan USD Emerging Market Bond ETF (London Stock Exchange LSE)
- iShares MSCI Emerging Markets UCITS ETF (Dist) (London Stock Exchange LSE)
- iShares MSCI Europe UCITS ETF (Dist)
- iShares SMI® (SIX Swiss Exchange AG)

- iShares STOXX Europe 600 UCITS ETF (DE)
- iShares USD Corporate Bond ETF (London Stock Exchange LSE)
- iShares USD High Yield Corporate Bond ETF (London Stock Exchange LSE)

EXTF-Options shall generally cover 100 shares of an underlying Exchange-traded fund. Options Contracts on the iShares Core FTSE 100 UCITS (Dist) cover 1,000 shares.

2.5.2 Call Option (Call)

(1) The purchaser of a call option (call) has the right to demand delivery of the shares underlying the contract at the stipulated exercise price.

(2) The writer of a call, the underlying security of which is traded in the electronic trading system of the Frankfurt Stock Exchange shall be required to deliver the underlying shares at the stipulated exercise price on the second exchange day following the day on which the option was exercised.

This shall also apply if the exercise is first assigned to the writer on the exchange day following the day of exercise.

(3) The writer of a call, the underlying security of which is traded in the electronic trading system of the SIX Swiss Exchange AG, shall be required to deliver the underlying shares at the stipulated exercise price on the second exchange day following the day on which the option was exercised; this shall also apply if the exercise is first assigned to the writer on the exchange day following the day of exercise.

(4) The writer of a call, the underlying security of which is traded in the electronic trading system of the London Stock Exchange, shall be required to deliver the underlying shares at the stipulated exercise price on the second exchange day following the day on which the option was exercised; this shall also apply if the exercise is first assigned to the writer on the exchange day following the day of exercise.

2.5.3 Put Option (Put)

(1) The purchaser of put option (put) has the right to deliver the shares underlying the contract at the stipulated exercise price.

(2) The writer of a put, the underlying security of which is traded in the electronic trading system of the Frankfurt Stock Exchange shall be required to pay the stipulated exercise price on the second exchange day following exercise of the contract vis-à-vis Eurex Clearing AG against delivery of the shares underlying the contract.

This shall also apply if the exercise is first assigned to the writer on the exchange day following the day of exercise.

(3) The writer of a put, the underlying security of which is traded in the electronic trading system of the SIX Swiss Exchange AG, shall be required to pay the stipulated exercise price on the second exchange day following exercise of the contract vis-à-vis Eurex Clearing AG against delivery of the shares underlying the contract; this shall also apply if the exercise is first assigned to the writer on the exchange day following the day of exercise.

(4) The writer of a put, the underlying security of which is traded in the electronic trading system of the London Stock Exchange, shall be required to pay the stipulated exercise price on the second exchange day following exercise of the contract vis-à-vis Eurex Clearing AG against delivery of the shares underlying the contract; this shall also apply if the exercise is first assigned to the writer on the exchange day following the day of exercise.

(5) Subsection 2.5.3 shall not apply to LEPOs.

2.5.4 Term

Options contracts are generally available at the Eurex Exchanges with terms up to the next, the second and the third succeeding expiration days as well as up to and including the next three succeeding quarterly expiration days (March, June, September, December) thereafter and up to the next two succeeding half-year expiration days (June, December).

LEPOs with terms of up to and including the next expiration days and and including the next two succeeding quarterly expiration days (March, June, September, December) are available at the Eurex Exchanges.

2.5.5 Last Trading Day, Close of Trading

The last trading day of an options series of an options contract shall generally be the day on which such options series is available to Exchange Participants for trading and clearing through the EDP system of the Eurex Exchanges. The last trading day of an EXTF-Option shall generally be the third Friday of the relevant month; provided, however, that if such Friday is not an exchange day, the last trading day shall be the exchange day prior to such Friday.

The close of trading on the last trading day shall be the regular close of trading in the relevant EXTF-Options in the EDP system of the Eurex Exchanges.

2.5.6 Expiration Day

The expiration day of an options series shall generally be the exchange day following the last trading day.

2.5.7 Exercise Prices

(1) Options series of Options Contracts on the following shares of exchange-traded funds may have the following exercise prices:

Exchange-Traded Funds	Exercise Price Intervals for Terms		
	up to three months	four to 12 months	more than 12 months
iShares Core FTSE 100 (Dist)	5.00 ~~10.00~~	10.00 ~~20.00~~	20.00 ~~40.00~~
iShares Core MSCI World	0.50	1.00	2.00
iShares Core S&P 500	2.50 ~~5.00~~	5.00 ~~10.00~~	10.00 ~~20.00~~
iShares DAX® (DE)	1.00	2.50	5.00
iShares J.P. Morgan USD Emerging Market Bond ETF	0.50	1.00	n/a
iShares EURO STOXX 50®	0.50	1.00	2.00
iShares EURO STOXX Banks (DE)	0.25 ~~0.50~~	0.50 ~~1.00~~	1.00 ~~2.00~~
iShares MSCI Emerging Markets (Dist)	0.50	1.00	2.00
iShares MSCI Europe (Dist)	0.50	1.00	2.00
iShares SMI®	1.00	2.50	5.00
iShares STOXX Europe 600 (DE)	0.50	0.50 ~~1.00~~	1.00 ~~2.00~~
iShares USD Corporate Bond ETF	0.50	1.00	n/a
iShares USD High Yield Corporate Bond ETF	0.50	1.00	n/a

(2) Options series of Options Contracts on all other shares of exchange-traded funds may have the following exercise prices:

Exercise Prices in EUR/CHF	Exercise Price Intervals for Terms		
	up to three months	four to 12 months	more than 12 months
Up to 2	0.05	0.10	0.20
Between 2 and 4	0.10	0.20	0.40
Between 4 and 8	0.20	0.40	0.80
Between 8 and 20	0.50	1.00	2.00
Between 20 and 52	1.00	2.00	4.00
Between 52 and 100	2.00	4.00	8.00
Between 100 and 200	5.00	10.00	20.00
Between 200 and 400	10.00	20.00	40.00
More than 400	20.00	40.00	80.00

(3) The exercise price of a LEPO represents the smallest exercise price of an options series available in the EDP system of the Eurex Exchanges.

2.5.8 Number of Exercise Prices upon Admission of Contracts

Upon the admission of Options contracts, at least seven exercise prices shall be made available for each term for each call and put, such that at least three exercise prices are “in the money”, one is “at the money” and three are “out of the money”.

Subsection 2.5.8 shall not apply to LEPOs.

2.5.9 Introduction of New Options Series

Options series with new exercise prices shall be introduced for an existing expiration month with respect to underlying securities which no later than at the beginning of the Pre-Trading Period of a given exchange day in the event that the minimum number of exercise prices specified in Number 2.5.8 in-the-money, at-the-money or out-of-the-money, based on the reference price (Chapter II Number 2.5.4 of the Clearing Conditions for Eurex Clearing AG) is not available any more. A new options series shall generally not be introduced if it would expire in fewer than 5 exchange days, unless market conditions make such introduction necessary. The Management Boards of the Eurex Exchanges may determine in more detail on such introduction.

Subsection 2.5.9 shall not apply to LEPOs.

2.5.10 Price Gradations

The price of an EXTF-Option will be quoted with two decimal place. The smallest price change (Tick) shall be:

- EUR 0.01 for EXTF-Options, the underlying security of which is traded in the electronic trading system of the Frankfurt Stock Exchange
- CHF 0.01 for EXTF-Options, the underlying security of which is traded in the electronic trading system of the SIX Swiss Exchange AG.
- GBX 0.25 and USD 0.01 for EXTF-Options, the underlying security of which is traded in the electronic trading system of the London Stock Exchange.

2.5.11 Exercise

(1) EXTF options on iShares or ETFs may be exercised by the purchaser on any exchange day until the end of the Post Trading Full Period (American-style).

The last exercise day shall generally be the last trading day (Subsection 2.5.5).

(2) EXTF options on db x-trackers ETFs may be exercised by the purchaser only on the final settlement day (European style).

The final settlement day is the exchange day following the last trading day (Number 2.5.5).

2.5.12 Fulfilment, Delivery

Any physical delivery shall be effected delivery versus payment directly between the Clearing Members and Eurex Clearing AG. Each Clearing Member shall be responsible for deliveries to the Non-Clearing Members served by it and its own customers; the performance of deliveries by Non-Clearing Members to their customers is the responsibility of the Non-Clearing Members.

2.5.13 Delisting of an Underlying

If a cash market which – according to these Contract Specifications – has been determined as the relevant cash market for a EXTF Options Contract, announces that, pursuant to the regulations of the cash market, the underlying is no longer listed or traded on such cash market ("**Delisting**") or if the issuer of the underlying announces a delisting, the Management Board of Eurex Deutschland or Eurex Zürich respectively may, in accordance with the Exchange Rules,

1. order the exclusion of delivery on the last trading day of the concerned EXTF Options Contracts and

2. order the delisting and the early termination in relation to the concerned EXTF Options Contracts on the last trading day of the underlying.

In such case, the Management Board shall determine the price of the underlying relevant for cash settlement. The settlement of the contracts shall take place according to the fair value method. The fair value of an option is calculated by means of the Cox-Ross-Rubinstein binomial model. The calculation for each options series takes place on the settlement day, taking into account the value of the underlying on the last trading day, the risk-free interest rate relating to the option's remaining term as well as any distributions. Furthermore, the volatility will be determined for the underlying. For determination of each such volatility, the following shall apply: From the settlement prices of the individual series on the ten days preceding the first public announcement of the delisting, the implicit volatility is calculated, and in a second step, the average volatility is determined. Every highest and lowest value shall be excluded from the calculation of the average. If liquidation proceedings, insolvency proceedings or any similar procedure has been opened in respect of the underlying, cash settlement shall only take place on the basis of the closing price of the underlying and the execution price of the option on the last trading day (intrinsic value of the option).

[…]

2.9 Contract Specifications for Options Contracts and Low Exercise Price Options on Xetra-Gold®

The following subpart contains contract specifications for Options Contracts on the Xetra-Gold®-Bond („Xetra-Gold®-Option") and low exercise price options (LEPOs) on Xetra-Gold®-Bond.

2.9.1 Subject Matter of the Contract

A Xetra-Gold®-Future is an Options Contract on the Xetra-Gold®-Bond, which is issued by Deutsche Börse Commodities GmbH and which entitles the bearer of the bond to claim delivery of 1 gram of Gold.

2.9.2 Call Option (Call)

(1) The purchaser of a call option (call) has the right to demand delivery of one thousand securities of the underlying bond at the exercise price agreed.

(2) The writer of a call is obliged, generally on the second exchange day after exercise of the option, to deliver one thousand of the underlying bonds at the exercise price agreed; this shall also apply if the exercise is assigned to the writer on the exchange day following the day of exercise.

2.9.3 Put Option (Put)

(1) The purchaser of a put option (put) has the right to deliver one thousand securities of the underlying bond for the exercise price agreed.

(2) The writer of a put is obliged, generally on the second exchange day after exercise of the option, to pay in cash the agreed exercise price against the delivery of one thousand securities of the underlying bond; of this shall also apply if the exercise is assigned to the writer on the exchange day following the day of exercise.

(3) Subsection 2.9.3 shall not apply to LEPOs.

2.9.4 Term

These Options Contracts are available on the Eurex Exchanges up to 60 month, including the next, the second and third succeeding expiration days, as well as up to the eleven succeeding quarterly expiration days (March, June, September, December) and up to the next four succeeding half-year expiration days (June, December).

LEPOs with terms of up to and including the next expiration days and and including the next two succeeding quarterly expiration days (March, June, September, December) are available at the Eurex Exchanges.

2.9.5 Last Trading Day

(1) Last trading day of a Xetra-Gold®-Options Contract is the respective final settlement day. Last trading day of an options series of an Options Contract shall

generally be the day on which this Options Contract is available to the Exchange participants for trading and clearing in the systems of the Eurex Exchanges for the last time.

(2) Final settlement day of a Xetra-Gold®-Options Contract is the third Friday of the respective expiry month, provided that this an exchange day on which trading of the respective contracts is not excluded due to certain provisions issued by the Management Boards of the Eurex Exchanges (e.g. holiday regulations); otherwise it is the exchange day preceding such day on which the trading of the respective contract is not excluded due to aforementioned provisions.

(3) Close of trading on the final trading day shall be at 17:30 pm CET

2.9.6 Expiration Day

The expiry day of an options series of an options contract shall generally bet he exchange day after the last trading day.

2.9.7 Exercise Prices

Options series of Options Contracts with a term up to 36 months have exercise prices with price intervals of Euro 0.20, options series of Options Contracts with a term over 36 months have exercise prices with price intervals of Euro 0.40.

The exercise price of a LEPO represents the smallest exercise price of an options series available in the EDP system of the Eurex Exchanges.

2.9.8 Number of Exercise Prices upon Admission of Contracts

Upon admission of the Xetra-Gold®-Options, there are at least 15 exercise prices available for trading for each call and put and for each expiration. Seven such exercise prices are in-the-money, one is at-the-money and seven are out-of-the-money.

Subsection 2.9.8 shall not apply to LEPOs.

2.9.9 Introduction of New Options Series

(1) Options series of stock options with new exercise prices shall be introduced for an existing expiration month no later than at the beginning of the Pre-Trading Period of an exchange day in the event that the minimum number of exercise prices in-the-money, at-the-money or out-of-the-money as specified according to Number 2.10.8, based on the underlying Xetra-Gold®-Bond at close of trading of the Xetra-Gold®-Options Contracts on the preceding exchange day, is no longer available on the Eurex Exchanges.

(2) A new options series of stock options shall generally not be introduced if it expired in five or less exchange days, unless market conditions make such introduction necessary.

(3) Subsection 2.9.9 shall not apply to LEPOs.

2.9.10 Price Gradations

The respective minimum price change (tick) of a Xetra-Gold®-Option is EUR 0.01.

2.9.11 Exercise

In deviation of Number 2.10.3, the owner of a Xetra-Gold®-Option may only exercise such Option on the final settlement day (Number 2.10.5) of this options series until the end of the post trading full period (European style).

2.9.12 Performance, Delivery

Any physical delivery shall be effected delivery versus payment directly between the Clearing Members and Eurex Clearing AG. Each Clearing Member shall be responsible for deliveries to Non-Clearing Members and to its own customers; the performance of deliveries by Non-Clearing Members to their customers shall be the responsibility of such Non-Clearing Members.

2.9.13 Delisting of an Underlying

If the Frankfurter Wertpapierbörse announces that, pursuant to its regulations, Xetra-Gold® is no longer listed or traded ("**Delisting**") or if the issuer of the underlying announces a delisting, the Management Board of Eurex Deutschland or Eurex Zürich respectively may, in accordance with the Exchange Rules,

1. order the exclusion of delivery on the last trading day of the concerned Xetra-Gold®-Options Contracts and

2. order the delisting and the early termination in relation to the concerned Xetra-Gold®-Options Contracts on the last trading day of the underlying.

In such case, the Management Board shall determine the price of the underlying relevant for cash settlement. The settlement of the contracts shall take place according to the fair value method. The fair value of an option is calculated by means of the Cox-Ross-Rubinstein binomial model. The calculation for each options series takes place on the settlement day, taking into account the value of the underlying on the last trading day, the risk-free interest rate relating to the option's remaining term as well as any distributions. Furthermore, the volatility will be determined for the underlying. For determination of each such volatility, the following shall apply: From the settlement prices of the individual series on the ten days preceding the first public announcement of the delisting, the implicit volatility is calculated, and in a second step, the average volatility is determined. Every highest and lowest value shall be excluded from the calculation of the average. If liquidation proceedings, insolvency proceedings or any similar procedure has been opened in respect of the issuer of the underlying, cash settlement shall only take place on the basis of the closing price of the underlying and the execution price of the option on the last trading day (intrinsic value of the option).

[…]

2.11 Contract Specifications for Options Contracts and Low Exercise Price Options on Exchange-Traded Commodities Securities

The following subpart contains contract specifications for Options Contracts on exchange-traded commodities securities ("ETC Options") and low exercise price options (LEPOs) on shares of exchange- commodities securities.

2.11.1 Subject Matter of Contract

Options Contracts on the following exchange-traded commodities securities are available at the Eurex Exchanges. Reference market is, in each case, the electronic trading system of London Stock Exchange ("LSE"):

- ETFS Physical Gold (Product ID: OPHA)
- ETFS WTI Crude Oil (Product ID: OCRU)

ETC Options shall, in each case, refer to 100 shares of the underlying exchange-traded commodities securities.

2.11.2 Call Option (Call)

(1) The purchaser of a call option (call) has the right to demand delivery of the underlying security at the exercise price agreed.

(2) The writer of a call is obliged, on the second exchange day after exercise of the option, to deliver the underlying securities at the exercise price agreed. This shall also apply if the exercise is assigned to the writer on the exchange day following the day of exercise.

2.11.3 Put Option (Put)

(1) The purchaser of a put option (put) has the right to deliver the underlying securities for the exercise price agreed.

(2) The writer of a put is obliged, on the second exchange day after exercise of the contract vis-à-vis Eurex Clearing AG, to pay the agreed exercise price against the delivery of the underlying securities. This shall also apply if the exercise is assigned to the writer on the exchange day following the day of exercise.

(3) Subsection 2.11.3 shall not apply to LEPOs.

2.11.4 Term

For ETC Options Contracts, terms are available at the Eurex Exchanges until the last trading day (Number 2.12.5 Paragraph 1) of the next three consecutive months and the eleven succeeding quarterly months (March, June, September, December), as well as up to the four succeeding half-year expiration days (June, December) up to a maximum term of 60 months.

LEPOs with terms of up to and including the next expiration days and and including the next two succeeding quarterly expiration days (March, June, September, December) are available at the Eurex Exchanges.

2.11.5 Last Trading Day, Close of Trading

Last trading day of an options series of an Options Contract shall generally be the day on which such options series is available to the Exchange Participants for trading and clearing in the systems of the Eurex Exchanges for the last time. The last trading day of an ETC Option shall generally be the third Friday of the respective month, provided that such Friday is an exchange day, otherwise it shall be the exchange day preceding such day. The last trading day shall generally also be the final settlement day.

If the last trading day is a day on which exercise in an options series according to Number 2.12.11 is not possible, the exchange day preceding such day shall be the last trading day.

The close of trading on the last trading day shall be the regular close of trading in the relevant ETC Options in the system of the Eurex Exchanges.

2.11.6 Exercise Prices

Options series of ETC Contracts shall have the following exercise prices:

- ETFS Physical Gold with price gradations in the amount of USD 2.00
- ETFS WTI Crude Oil with price gradations in the amount of USD 0.50.

The exercise price of a LEPO represents the smallest exercise price of an options series available in the EDP system of the Eurex Exchanges.

2.11.7 Number of Exercise Prices upon Admission of Contracts

Upon the admission of the Options Contracts, at least seven exercise prices shall be made available for trading with regard to each call and put and for each maturity. At least three of such exercise prices are “in the money”, one is “at the money” and three are “out of the money”.

Subsection 2.11.7 shall not apply to LEPOs.

2.11.8 Introduction of New Options Series

(1) For an existing expiration month, options series of stock options with new exercise prices shall be introduced no later than at the beginning of the Pre-Trading Period of an exchange day in the event that the minimum number of exercise prices in-the-money, at-the-money or out-of-the-money as specified in Number 2.12.7, based on the reference price (Chapter II Number 3.12.3 of the Clearing Conditions for Eurex Clearing AG), is no longer available.

(2) A new options series of stock options shall generally not be introduced if it were to expire in five or less exchange days unless market conditions make such introduction necessary.

(3) The Management Boards of the Eurex Exchanges may determine in more detail on such introduction.

(4) Subsection 2.11.8 shall not apply to LEPOs.

2.11.9 Price Gradations

The price of an ETC Option will be quoted with two decimal places. The smallest price change (Tick) shall be USD 0.01.

2.11.10 Exercise

The owner of an ETC Options Contract may exercise such Contract only on the final settlement day (Number 2.12.5) of the options series until the end of the post-trading full period (European-style).

2.11.11 Performance, Delivery

Any physical delivery shall be effected delivery versus payment directly between the Clearing Members and Eurex Clearing AG. Each Clearing Member shall be responsible for deliveries to the Non-Clearing Members served by it and its own customers; the performance of deliveries by Non-Clearing Members to their customers is the responsibility of the Non-Clearing Members.

2.11.12 Delisting of an Underlying

If a cash market which – according to these Contract Specifications – has been determined as the relevant cash market for ETC Options Contracts, announces that, pursuant to the regulations of the cash market, the underlying is no longer listed or traded on such cash market ("**Delisting**") or if the issuer of the underlying announces a delisting, the Management Board of Eurex Deutschland or Eurex Zürich respectively may, in accordance with the Exchange Rules,

1. order the exclusion of delivery on the last trading day of the concerned ETC Options Contracts and

2. order the delisting and the early termination in relation to the concerned ETC Options Contracts on the last trading day of the underlying.

In such case, the Management Board shall determine the price of the underlying relevant for cash settlement. The settlement of the contracts shall take place according to the fair value method. The fair value of an option is calculated by means of the Cox-Ross-Rubinstein binomial model. The calculation for each options series takes place on the settlement day, taking into account the value of the underlying on the last trading day, the risk-free interest rate relating to the option's remaining term as well as any distributions. Furthermore, the volatility will be determined for the underlying. For

determination of each such volatility, the following shall apply: From the settlement prices of the individual series on the ten days preceding the first public announcement of the delisting, the implicit volatility is calculated, and in a second step, the average volatility is determined. Every highest and lowest value shall be excluded from the calculation of the average. If liquidation proceedings, insolvency proceedings or any similar procedure has been opened in respect of the issuer of the underlying, cash settlement shall only take place on the basis of the closing price of the underlying and the execution price of the option on the last trading day (intrinsic value of the option).

****