X-pand into the Future

e u r e x *circular 229/05*

Date: Frankfurt, November 18, 2005
Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

⚠ **Action Required** ⚠ **High Priority**

Information on Market-Making

Related Eurex Circulars: 018/05, 087/05, 212/05

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Content may be most important for:	**Attachment:**
➲ All departments	List of Equity and Equity Index Options with information regarding RMM availability

Summary:

In their session on November 2, 2005, the Management Boards of the Eurex Exchanges approved the following decisions on Market-Making, effective **December 1, 2005**:

- Phasing out of the fee rebates for Market-Making on Request (RMM) for all liquid products, which means products in which permanent quotation is already guaranteed on a sufficiently high-quality level. A list of Eurex equity and equity index options with information in which products RMM will be phased out is attached to this circular. All current RMMs will retain their status as Market Makers, keep their M-accounts and will have continued access to all quoting functions.
- All RMMs will receive preferential treatment for closing out M-account positions in any product concerned.
- The introduction of an alternative Permanent Market-Making scheme (PMM Long/PML) for the most liquid equity index options. Compared to the currently available Permanent Market-Making obligations, this new scheme focuses on maturities between eighteen months and five years.
- With the introduction of harmonized exercise prices on November 21, 2005 (see Eurex circular 212/05) additional exercise prices will be generated in certain equity options. This is true mainly for the first three expiration months. Existing exercise prices which then become redundant will be deleted from the system, if there is no open interest.

Information on Market-Making

In their session on November 2, 2005, the Management Boards of the Eurex Exchanges approved the following decisions regarding Market-Making:

- **Phasing out of the fee rebates for RMM for liquid options on equities and equity indexes**

Eurex will phase out the fee rebates for Market-Making on Request (RMM) effective December 1, 2005 for liquid products, which means options in which currently quotation is provided in a continuous and sustainable way. These are the AMM packages for Dow Jones EURO STOXX 50® Index, DAX® Index, SMI® Index and the Dutch package including all constituents, as well as selected other liquid equity options.

A complete list of Eurex equity and equity index options with the respective information is attached to this circular.

- **M-account positions in products where Regular Market-Making will be phased out**

From December 1, 2005 until February 28, 2006, all previous RMMs in a given product will receive preferential treatment, if they wish to close out their M-account positions in any product concerned.

As a courtesy to our members we will grant the RMM fee rebates for the monthly reduction of the total net position in the M-account in a given product to all RMMs. The number of contracts of this reduction is determined as the difference of the net positions from month end to month end and excluding the positions of the expiring maturity.

Up to the end of this three-month period, a manual transfer of the remaining positions to other accounts can be triggered free of charge by the customer upon request.

M-accounts with their respective quoting facilities will be maintained indefinitely to both allow members to maintain a position until expiration or continue supplying quotes, if desired.

This procedure for M-account transfer can be applied for whenever a RMM program is discontinued in a product that has attracted sufficient continuous Market-Making.

- **Introduction of Permanent Market-Making Long (PMM Long/PML)**

Effective December 1, 2005, Eurex will introduce an alternative Permanent Market-Making scheme, PMM Long (PML), for options on Dow Jones EURO STOXX®, DAX®, and SMI® Index. The new scheme focuses on long-term expirations (eighteen months to five years), without imposing any obligations in shorter maturities.

The obligations set for PML are as follows:

- Coverage of 85 percent of the monthly trading period
- Minimum quote size of 100 lots
- Maximum Spread of 10 percent
- Six out of nine strikes
- Quotation of five expirations exceeding 18 months.

The PML scheme will exist in parallel with the original PMM and the recently introduced PMM Short (PMS). For every registered Permanent Market Maker, all of these three obligation schemes will be monitored.

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Market Makers fulfill their overall Permanent Market-Making obligations if they fulfill at least one of these three sets of requirements.

The revised Market Maker Obligations will be available for download from the Eurex website under the path:

www.eurexchange.com > Member Section > Market Making > Market Maker Obligations

- **Harmonized exercise prices**

With the introduction of harmonized exercise prices on November 21, 2005 (see Eurex circular 212/05), additional exercise prices will be generated in certain equity options. This is true mainly for the first three expiration months. Exercise prices which then become redundant will be deleted from the system, if there is no open interest.

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Overview of products in which Regular Market Making (RMM) is phased-out:

- RMM is maintained in products marked "+" in the column "RMM"
- RMM is phased-out in products marked "-" in the column "RMM"

Equity Options:

Products	Product ID	RMM	Products	Product ID	RMM	Products	Product ID	RMM
Equity Options								
Options on the Dow Jones EURO STOXX 50® Index Components								
ABN Amro	AAR	-	Deutsche Telekom	DTE	-	RWE	RWE	-
Aegon	AEN	-	Enel	ENL5	-	Saint-Gobain	GOB	-
Ahold	AHO	-	E.ON	EOA	-	Sanofi-Aventis	SNW	-
Air Liquide	AIR	-	ENI	ENT5	-	Sanpaolo IMI	PAO5	-
Alcatel	CGE	-	Fortis	FO4	-	SAP	SAP	-
Allianz Holding	ALV	-	France Télécom	FTE	-	Siemens	SIE	-
AXA	AXA	-	Generali	ASG5	-	Société Générale	SGE	-
BASF	BAS	-	ING	INN	-	Suez	LYO	-
Bayer	BAY	-	Lafarge	CIL	-	Telecom Italia	TQI5	-
BNP Paribas	BNP	-	L'Oréal	LOR	-	Total	TOTB	-
Carrefour	CAR	-	LVMH	MOH	-	UniCredito Italiano	CRI5	-
Crédit Agricole	XCA	-	Münchener Rückversicherung	MUV2	-	Unilever	UNI	-
Daimler Chrysler	DCX	-	Nokia	NOA3	-	Vivendi Universal	VVU	-
Danone	BSN	-	Philips	PHI1	-			
Deutsche Bank	DBK	-	Renault	RNL	-			-
Products	**Product ID**	**RMM**	**Products**	**Product ID**	**RMM**	**Products**	**Product ID**	**RMM**
Equity Options								
Options on the SMI® Index Components								
ABB	ABBN	-	Julius Bär	BAER	-	SGS Surveillance Holding	SGSN	-
Adecco	ADEN	-	Kudelski	KUD	-	Swatch Group	UHRN	-
Bâloise	BALN	-	Lonza	LONN	-	Swiss Life Holding	SLHN	-
Ciba	CIBN	-	Nestlé	NESN	-	Swisscom	SCMN	-
Cie Financière Richemont	CFR	-	Nobel Biocare	NOBE	-	Syngenta	SYNN	-
Clariant	CLN	-	Novartis	NOVN	-	Synthes	SYST	-
Credit Suisse	CSGN	-	Roche	ROG	-	UBS	UBSN	-
Givaudan	GIVN	-	Schweizerische Rückversicherung	RUKN	-	Zurich Financial Services	ZURN	-
Holcim	HOLN	-	Serono	SEO	-			

Products	Product ID	RMM	Products	Product ID	RMM	Products	Product ID	RMM
Equity Options								
Options on Other DAX Index Stocks								
Adidas	ADS	-	Fresenius Medical Care	FME	-	Metro	MEO	-
Altana	ALT	-	Henkel	HEN3	-	Schering	SCH	-
BMW	BMW	-	HypoVereinsbank	HVM	-	ThyssenKrupp	TKA	-
Commerzbank	CBK	-	Infineon	IFX	-	TUI	TUI	-
Continental	CON	-	Linde	LIN	-	VW	VOW	-
Deutsche Börse	DB1	-	Lufthansa	LHA	-			
Deutsche Post	DPW	-	MAN	MAN	-			

Products	Product ID	RMM	Products	Product ID	RMM	Products	Product ID	RMM
Equity Options								
Options on Other Dutch Stocks								
Akzo Nobel	AKU	-	Hagemeyer	HMY	-	TNT	TNT	-
ASML	ASM	-	Heineken	HNK	-	Van der Moolen	VMH	-
Buhrmann	KNP	-	KPN	KPN	-	Vedior	VED	-
DSM	DSM	-	Numico	NUT	-	VNU	VNU	-
Elsevier	ELV	-	P&O Nedlloyd	NEL	+	Wolter Kluwer	WOS	-
Getronics	GTO	-	SBM Offshore	SBMO	-			

Products	Product ID	RMM	Products	Product ID	RMM	Products	Product ID	RMM
Equity Options								
Options on Other Italian Stocks								
Autostrade	AOP5	+	Fiat	FIA5	+	Telecom Italia RNC	TQIR	+
Banca Intesa	IES5	+	Mediaset	MDS5	+			

Products	Product ID	RMM	Products	Product ID	RMM	Products	Product ID	RMM
Equity Options								
Options on Other Scandinavian Stocks								
Elisa Communications	EIA	+	Sampo	SMPA	+	Tieto Enator	TTEB	+
Fortum Oyi	FOT	+	Stora Enso	ENUR	+	UPM-Kymmene	RPL	+
Neste Oil	NEF	+	TeliaSonera	TLSN	+			

Products	Product ID	RMM	Products	Product ID	RMM	Products	Product ID	RMM
Equity Options								
Options on Other US Stocks								
Cisco	CIS	+	IBM	IBM	+	Sun	SSY	+
Citigroup	TRV	+	Intel	INL	+	Time Warner	AOL	+
EMC	EMP	+	Microsoft	MSF	+			
General Electric	GEC	+	Oracle	ORC	+			

Products	Product ID	RMM	Products	Product ID	RMM	Products	Product ID	RMM
Equity Options								
Options on Other French Stocks								
Accor	ACR	+	EADS	EAD	+	STMicroelectronics	SGM	+
AGF	AGF	+	Peugeot	PEU	+	TF1	FSE	+
Bouygues	BYG	+	Pinault-Printemps	PPX	+	Thalès	CSF	+
Cap Gemini	CGM	+	Peugeot	PEU	+	Thomson	TNM	+
Casino Guichard	CAJ	+	Schneider Electric	SND	+	Veolia Environnement	VVD	+
Dexia	DXB	+	Sodexho Alliance	SJ7	+	Vinci	SQU	+

Products	Product ID	RMM	Products	Product ID	RMM	Products	Product ID	RMM
Equity Options								
Options on Other Stocks								
Aixtron	AIX	+	Hypo Real Estate	HRX	+	Unaxis Holding	UNAX	+
Beiersdorf	BEI	+	Karstadt Quelle	KAR	+	Porsche	POR3	+
Celesio	CLS	+	Merck	MRK	+	Puma	PUM	+
Depfa	DEP	+	MLP	MLP	+	Quiagen	QIA	+
Deutsche Postbank	DPB	+	Mobilcom	MOB	+	Sulzer	SUN	+
Epcos	EPC	+				T-Online	TOI	+
Hannover Rückvers.	HNR1	+						

Products	Product ID	RMM	Products	Product ID	RMM	Products	Product ID	RMM
EXTF Options								
DAX® EX	EXS1	+	iShares DJ EURO STOXX® 50	EUN2	+			
DJ EURO STOXX 50® EX	EXW1	+	XMTCH on SMI®	XMT	+			

Index Options:

Products	Product ID	RMM	Products	Product ID	RMM
Options on					
Dow Jones Global Titans 50SM Index	OGTI	+	DAX® Index	ODAX	-
Dow Jones STOXX 50® Index	OSTX	+	TecDAX® Index	OTDX	+
Dow Jones STOXX® 600 Index	O600	+	SMI® Index	OSMI	-
Dow Jones STOXX® Mid 200 Index	O2MI	+	Dow Jones Italy Titans 30SM Index	O1TA	+
Dow Jones EURO STOXX 50® Index	OESX	-	OMX Helsinki 25 Index	OFOX	+

Products	Product ID	RMM	Products	Product ID	RMM
Dow Jones STOXX® 600 Sector Indexes					
Automobiles & Parts	OSTA	+	Industrial Goods & Services	OSTG	+
Banks	OSTB	+	Insurance	OSTI	+
Basic Resources	OSTS	+	Media	OSTM	+
Chemicals	OSTC	+	Personal & Household Goods	OSTZ	+
Construction & Materials	OSTN	+	Retail	OSTR	+
Oil & Gas	OSTE	+	Technology	OSTY	+
Financial Services	OSTF	+	Telecommunications	OSTT	+
Food and Beverage	OSTO	+	Travel & Leisure	OSTV	+
Health Care	OSTH	+	Utilities	OSTU	+
Dow Jones EURO STOXX® Sector Indexes					
Automobiles & Parts	OESA	+	Industrial Goods & Services	OESG	+
Banks	OESB	+	Insurance	OESI	+
Basic Resources	OESS	+	Media	OESM	+
Chemicals	OESC	+	Personal & Household Goods	OESZ	+
Construction & Materials	OESN	+	Retail	OESR	+
Oil & Gas	OESE	+	Technology	OESY	+
Financial Services	OESF	+	Telecommunications	OEST	+
Food & Beverage	OESO	+	Travel & Leisure	OESV	+
Health Care	OESH	+	Utilities	OESU	+