X-pand into the Future

e u r e x *circular 015/06*

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Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

High Priority

Euro-denominated Fixed Income Options
Modification of Obligations for Regular Market-Making

Related Eurex Circulars: 020/05, 250/05

Contact: Rex Jones, tel. +49-69-211-1 78 06, e-mail. rex.jones@eurexchange.com

Content may be most important for:	**Attachment:**
➲ All departments	Updated sections of Market Maker Obligations

To further improve the market-making scheme in euro-denominated fixed income options at Eurex, the Management Boards of the Eurex Exchanges approved changes to the existing obligations for Regular Market-Making (Quotation on Request) in euro-denominated fixed income options in their session on January 11, 2006.

As of **February 1, 2006** the calculation of the daily cut limit for the Quotation on Request Scheme will change, and the cut limit parameter will be applied on a daily basis.

Whenever the daily number of valid quote requests exceeds the daily cut limit parameter (currently 150 valid quote requests), the number of quote requests held against the market maker is cut to the daily cut limit.

This means, a maximum of 150 valid quote request responses will be accredited to the Market Maker per day.

Should you have any questions or require further information, please contact Rex Jones at tel. +49-69-211-1 78 06 or e-mail: rex.jones@eurexchange.com.

Market Maker Obligations at Eurex

Market Makers at Eurex may choose between three types of market making obligation schemes: Regular Market-Making (RMM), Permanent Market-Making (PMM) and Advanced Market-Making (AMM).

Quotation Requirements for Regular Market-Making (RMM) in Equity and Equity Index Options

Regular Market-Making at Eurex focuses on response to quote requests only.

Response to quote requests: At least 50 percent of all quote requests have to be answered, but only up to a maximum of 150 quote requests per day:

- within one minute

- with a minimum holding time of ten seconds.

A maximum of 150 valid quote request responses will be accredited to the Market Maker per day.

Market Maker Fees: See Price List.

Fast Market: In Fast Market (definition and announcement by the Exchange), maximum spreads will be increased by 100 percent and the minimum quote size will be reduced by 50 percent.

Quotation Requirements for Regular Market-Making (RMM) in Euro-denominated Fixed Income Options

The following quotation on request obligations are valid for all incoming quote requests in all option series (Calls and Puts)

Response to Quote Request: At least 70 percent of all quote requests have to be answered ~~on a monthly average~~, but only up to a maximum of 150 quote requests per day:

- within one minute

- with a minimum holding time of ten seconds.

A maximum of 150 valid quote request responses will be accredited to the Market Maker per day.

Minimum Quotation Size:

Options series of first maturity	200 contracts
Options series of second maturity	100 contracts
Options series of third maturity	50 contracts
Options series of fourth maturity	50 contracts

Market Maker Fees: See Price List.

Regular Market-Making Quotation Scheme:

Bid prices up to	Maximum RMM spread	Maximum spread five trading days prior to expiration
0,09	0,03	0,06
0,29	0,04	0,06
1,00	0,06	0,08
999,99	0,08	0,08

Fast Market: In Fast Market (definition and announcement by the Exchange), maximum spreads will be increased by 100 percent and the minimum quote size will be reduced by 50 percent.

Permanent Market-Making (PMM) in Equity and Equity Index Options

Permanent Market-Making at Eurex consists of continuous quotation of a set of strikes for a predefined set of expirations as well as response to quote request for all strikes and expirations of a given product.

Committed Quotation Time: Continuous quotation for an average of 85 percent of the trading period between 08:50 and 17:30 CET (calculated on a monthly average) on each Exchange trading day per calendar month for all expirations up to a maximum maturity (the maturity range). PMMs will be obliged to quote calls and puts in five strikes out of a strike price window of seven strikes around the current underlying price in every expiry within the maturity range; i.e. ten series have to be quoted in total for every expiry within the maturity range. Strikes selected for the strike price window are the seven strikes nearest to the current index level, stock price or ETF price for index options, stock options or options on ETFs respectively. Asymmetric quotation is allowed. The exception is PMM long, where six out of nine strikes have to be quoted; the strike price window was modified accordingly.

Response to Quote Requests: At present, quote requests do not have to be answered.

Market Maker Fees: See Price List.

Fast Market: In Fast Market (definition and announcement by the Exchange), maximum spreads will be increased by 100 percent and the minimum quote size will be reduced by 50 percent.

Minimum Quote Size: The minimum quote size for continuous quotation and response to quote requests within the Permanent Market-Making scheme is identical.

Quotation Requirements for Permanent Market-Making (PMM) in Euro-denominated Fixed Income Options

The following permanent market making scheme is valid as an alternative means of fulfilling market making obligations in euro-denominated Fixed Income Options. Permanent market-making obligations are limited to the first two contract months.

Committed Quotation Time: Continuous quotation for an average of 75 percent of the trading period between 08:00 and 19:00 CET (calculated on a monthly average) on each Exchange trading day per calendar month for the first two contract months. PMMs will be obliged to quote calls and puts in four strikes out of a strike price window of seven strikes around the current underlying price in the first two contract months; this means eight series have to be quoted in total for every contract month. Strikes selected for the strike price window are the seven strikes nearest to the current price of the respective Fixed Income Future. Asymmetric quotation is allowed.

Permanent Market-Making Quotation Scheme:

Bid prices up to	Maximum PMM spread	Maximum spread five trading days prior to expiration
0,09	0,03	0,06
0,29	0,04	0,06
1,00	0,06	0,08
999,99	0,08	0,08

Market Maker Fees: See Price List.

Fast Market: In Fast Market (definition and announcement by the Exchange), maximum spreads will be increased by 100 percent and the minimum quote size will be reduced by 50 percent.

Minimum Quote Size: 50 contracts

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