X-pand into the Future

eurex circular 082/16

Date: 9 September 2016
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Mehtap Dinc

Equity index derivatives: Introduction of equity index options with weekly expiration ("Weekly Options") on the SMI®

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Content may be most important for:

➲ All departments

Attachments:

1. Updated sections of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich
2. Eurex Clearing circular 113/16

Summary:

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to introduce equity index options with weekly expirations ("Weekly Options") on the SMI® effective **26 September 2016**. The Weekly Options will be introduced as separate products on the SMI®.

This circular contains information about the following topics:

Introduction date, updated sections of the contract specifications, trading hours, risk parameters, Eurex Trade Entry Services, transaction fees, Market-Making, preparations necessary for start of trading.

For the Weekly Options on SMI®, Permanent Market-Making (PMM) will be offered. In order to promote trading activities in these Weekly Options, a revenue sharing scheme for Market Makers in the products will be offered until 31 December 2017.

Registration for the Market-Making scheme is not required.

Information on clearing of the new products as well as the updated sections of the relevant Rules and Regulations of Eurex Clearing AG are contained in Eurex Clearing circular 113/16 (attachment 2).

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Equity index derivatives: Introduction of equity index options with weekly expiration ("Weekly Options") on the SMI®

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG decided to introduce equity index options with weekly expirations ("Weekly Options") on the SMI® effective 26 September 2016. The Weekly Options will be introduced as separate products on the SMI®.

This circular contains information about the following topics:
Introduction date, updated sections of the contract specifications, trading hours, risk parameters, Eurex Trade Entry Services, transaction fees, Market-Making, preparations necessary for start of trading.

For the Weekly Options on SMI®, Permanent Market-Making (PMM) will be offered. In order to promote trading activities in these Weekly Options, a revenue sharing scheme for Market Makers in the products will be offered until 31 December 2017.

Registration for the Market-Making scheme is not required.

Information on clearing of the new products as well as the updated sections of the relevant Rules and Regulations of Eurex Clearing AG are contained in Eurex Clearing circular 113/16 (attachment 2).

1. Introduction date

The new equity index options on the SMI® will be introduced on 26 September 2016.

2. Contract specifications and product parameters

The Weekly Options will be introduced as independent products on the SMI®. Eurex Exchange will offer Weekly Options for the first, second, fourth and fifth Friday of a calendar month. If the current month does not have a fifth Friday, the option will expire on the immediately following fifth Friday. The third Friday of each month remains reserved for the standard option series.

With the exception of the contract period, parameters for the Weekly Options on the SMI® will be in line with the existing equity index options:

Underlying instrument					
Index	**Currency**	**Index type**	**ISIN**	**Bloomberg**	**Reuters**
SMI®	CHF	Price index	CH0009980894	SMI Index	.SMI

Eurex products					
Options	**Product code**	**Contract period***	**Product ISIN**	**Currency**	**Product type**
Options on the SMI® Index – 1st Friday	OSM1	The next 1st Friday	DE000A2BM363	CHF	OINX
Options on the SMI® Index – 2nd Friday	OSM2	The next 2nd Friday	DE000A2BM371	CHF	OINX
Options on the SMI® Index – 4th Friday	OSM4	The next 4th Friday	DE000A2BM389	CHF	OINX
Options on the SMI® Index – 5th Friday	OSM5	The next 5th Friday	DE000A2BM397	CHF	OINX

* At the start of trading on each Thursday, the expiration for the same week of the following month will be introduced.

The Weekly Options on the SMI® follow the current Eurex standard for exercise prices for regular options on the SMI® (OSMI). Please see the contract specifications for the exercise prices.

The updated Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be published as of the introduction of the new products on the Eurex website www.eurexchange.com under the following link:

Resources > Rules and Regulations > Contract specifications

3. Trading hours

The trading hours are in line with the ones valid for regular options on the SMI® (OSMI). Please see the contract specifications for the trading hours.

4. Product group

The Weekly Options on the SMI® will be allocated to the following product group:

Product	Product group	Settlement location unit	Regulatory status	Settlement type	Product type	Product segment	Product currency	Product group code					
Weekly Options on the SMI®	E/I Options in CHF	No	Not approved for trading in the U.S. *	cash	O	Equity index	CHF	X	N	C	O	Q	C

* An application for approval for trading in the U.S. has been submitted. Once this approval is granted, the product group will change and Eurex will inform about it in a separate circular.

5. Mistrade ranges

Mistrade ranges and position limits for the new Weekly Options on the SMI® will be published as of start of trading on the Eurex website under the following link:

Products > Equity Index Derivatives > SMI®

6. Market-Making

The Market-Making rebates are based on Permanent Market-Making (PMM) for index options without Market-Making in Options Strategies (pursuant to section 3.2.1 of the Price List of Eurex Clearing AG).

The Market Maker Obligations are available for download on the Eurex website under the following link:

Trading > Market-Making Options > Market Maker obligations

In order to further promote trading activities, especially in the order book, it was decided to introduce a revenue sharing scheme for Market Makers in Weekly Options on the SMI®. Under this scheme, 15 percent of net revenues (= transaction revenues minus rebates) will be reimbursed to the Market Makers in the respective product. The scheme will run from 26 September 2016 until 31 December 2017.

Eurex Exchange will evaluate on a monthly basis which Market Makers fulfilled the Market Maker Obligations at Eurex. Among these, the five most active Market Makers per calendar month according to the number of contracts traded in the order book on the M- or P-account will be determined. These five Market Makers will participate in the revenue sharing in accordance with their share in percent of the order book turnover.

Criteria for fulfilment of PMM in Weekly Options:

- **Continuous Quotation**

Permanent Market-Making at Eurex Exchange consists of continuous quotation of a set of strikes for a predefined set of expirations (expiration range). Continuous quotation must cover 85 percent of the trading period between 09:00 and 17:20 CET on each exchange trading day per calendar month (calculated on a monthly average).

Permanent Market Makers (PMMs) will be obliged to quote calls and puts in seven strikes (i.e. a total of 14 series) out of a strike price window of 15 strikes nearest to the current index price within the expiration range. Asymmetric quotation is allowed. The expiration range for Weekly Options includes the front week and the respective immediately following week, whereby the third Friday of a month as standard expiration does not count for the Weekly Options.

At present, quote requests do not have to be answered.

- **Quotation requirements**

Market Makers may choose between two alternative quotation requirements. Both alternatives qualify equally for Market-Making rebates and revenue sharing of 15 percent, distributed between three Market Makers, at the most.

Product	Alternative 1 (size)	Alternative 1 (spread)	Alternative 2 (size)	Alternative 2 (spread)
SMI® Weekly Options	100 (front week) 50 (following week)	50 % wider than OSMI	50 (front week) 25 (following week)	in line with OSMI

The quote obligations can be amended on a monthly basis.

During the Fast Market phase the minimum quote size is reduced by 50 percent and the maximum spread is increased by 100 percent.

As of start of trading, the Quote Obligations will be available on the Eurex website for download under the following link:

Trading > Market-Making Options > Market Maker obligations

7. Further information

In the following, please find information on the new Weekly Options on SMI® which is likewise contained in Eurex Clearing circular 113/16. The circular by Eurex Clearing AG is enclosed with this circular as attachment 2.

7.1 Transaction limits, minimum size for cross- and pre-arranged trades, transaction fees

The same values apply as for the regular options on the SMI® (OSMI).

7.2 Risk parameters

Risk parameters will be published in due course on the Eurex website under the following link:

Market data > Clearing data > Risk parameters and initial margins

A separate Eurex circular will not be distributed.

7.3 Data vendor codes

At start of trading, vendor codes for the new instruments will be published on the Eurex website under the link:

Products > Vendor product codes

7.4 Eurex Trade Entry facilities

The minimum number of tradable contracts via the Eurex Trade Entry facilities is 500 contracts, in line with the minimum number for regular options on the SMI® (OSMI).

The Flexible Options facility will not be available for Weekly Options on the SMI®.

An overview of the Eurex Trade Entry facilities available for the products as well as detailed information with regard to availability, possibility of utilisation and minimum number of tradable contracts for the various Eurex Trade Entry facilities is available on the Eurex website under the following link:

Products > Eurex Trade Entry Services

7.5 Prisma eligibility

All Eurex Weekly Options are eligible for usage in Prisma. If you wish to inquire about Prisma eligibility of individual Eurex products, please call Risk Control on tel. +49-69-211-1 24 52.

9 September 2016

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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2.4 Subpart: Contract Specifications for Index Options

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2.4.4 Term

[…]

Index Options are currently available at the Eurex Exchanges for the following terms, such terms being determined by the Management Boards of the Eurex Exchanges:

Product	Term Groups	
ATX® Options contracts		24 months
ATX® five Options contracts		24 months
CECE® Options contracts		60 months
DAX® Options contracts	5 weeks	60 months
DivDAX® Options contracts		24 months
DJ Global Titans 50SM Index (EUR) Options contracts		24 months
EURO STOXX 50® ex Financials Index Options contracts		24 months
EURO STOXX 50® Index Options contracts	5 weeks	9 years 11 months
EURO STOXX® Index		24 months
EURO STOXX® Large Index		24 months
EURO STOXX® Mid Index		24 months
EURO STOXX® Banks Sector Index Options contracts (Product ID: OESB)	5 weeks	60 months
EURO STOXX® Sector Index Options contracts		24 months
EURO STOXX® Sector Index Options contracts (Product IDs: OESA, OESI, OESE, OEST, OESU)		60 months
EURO STOXX® Select Dividend 30 Index Options contracts		60 months
EURO STOXX® Small Index		24 months
MDAX® Options contracts		24 months
MSCI Index Options contracts based on MSCI Europe, Emerging Markets and World		60 months
Other MSCI Index Options contracts		24 months
OMXH25 Options contracts		12 months

RDX® EUR Index Options contracts		60 months
RDX® USD Index Options contracts		9 years 11 months
Sensex Index Option contracts		24 months
SLI® Swiss Leader Index® Options contracts		60 months
SMI® Options contracts	5 weeks	60 months
SMIM® Options contracts		24 months
STOXX® Europe 50 Index Options contracts		60 months
STOXX® Europe 600 Index (Product ID: OXXP)		60 months
STOXX® Europe 600 Sector Index Options contracts		24 months
STOXX® Europe 600 Sector Index Options contracts (Product IDs: OSTA, OSTB, OSTS, OSTG, OSTI, OSTE, OSTT, OSTU)		60 months
STOXX® Europe Large 200 Index (Product ID: OLCP)		60 months
STOXX® Europe Mid 200 Index (Product ID: OMCP)		60 months
STOXX® Global Select Dividend 100 Index Options contracts		60 months
STOXX® Small 200 Index (Product ID: OSCP)		60 months
TecDAX® Options contracts		24 months

2.4.5 Last Trading Day, Final Settlement Day, Close of Trading

(1) The last trading day of the Index Options contracts shall generally be the third Friday of the relevant month provided that such day is a trading day at Eurex and (with regard to national indices) on the relevant home-Exchange; otherwise, it shall be the trading day immediately preceding such day.

[…]

(2) The final settlement day of the Index Options Contracts shall be the last trading day to the extent no other provisions are determined hereinafter.

[…]

The final settlement day of Index Options of the term group “5 weeks” shall be – with the exception of the third Friday of the relevant calendar month – the Friday of the relevant expiration week provided that such day is a trading day; otherwise, it shall be the trading day immediately preceding such Friday within the same calendar month. If the immediately preceding trading day is not within the same calendar month as the Friday of the expiration week, the final settlement day shall be the trading day immediately succeeding the Friday of the expiration week.

The last trading day of Index Options on the SMI® of the term group “5 weeks” shall be the trading day immediately preceding the final settlement day.

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clear to trade

eurex clearing *circular 113/16*

Date: 9 September 2016
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Heike Eckert

Equity index derivatives: Introduction of equity index options with weekly expiration ("Weekly Options") on the SMI®

Related Eurex circular: 082/16

Contact: Derivatives Clearing Supervision, T +49-69-211-1 12 50, clearing@eurexclearing.com;
Risk Control, T +49-69-211-1 24 52, risk@eurexclearing.com

Content may be most important for:	**Attachments:**
➲ All departments	none

Summary:

Effective **26 September 2016,** Eurex Clearing will offer clearing services for equity index options with weekly expirations ("Weekly Options") on the SMI® introduced at Eurex Exchange. The Weekly Options will be introduced with a separate product code on the SMI®.

This circular contains information on the clearing of the respective products and the relevant revenue sharing programme of Eurex Clearing which will come into effect on 26 September 2016 and which will be valid until 31 December 2017.

Please refer to Eurex circular 082/16 for specific trading-related information on the introduction of the new product as well as the updated sections of the relevant Rules and Regulations of Eurex Deutschland and Eurex Zürich AG.

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Please refer to Eurex circular 082/16 for specific trading-related information on the introduction of the new products as well as the updated sections of the relevant Rules and Regulations of Eurex Deutschland and Eurex Zürich AG.

1. Overview

Underlying instrument					
Index	**Currency**	**Index type**	**ISIN**	**Bloomberg**	**Reuters**
SMI®	CHF	Price index	CH0009980894	SMI Index	.SMI

In general, the clearing of the new equity index options with weekly expirations on the SMI® follows the same rules as the clearing for the existing index options on the SMI® index. There are no changes in the Conditions for Utilization of the Eurex Trade Entry Services, Clearing Conditions and Price List of Eurex Clearing AG required.

Eurex products					
Options	**Product code**	**Contract period**	**Product ISIN**	**Currency**	**Product type**
Options on the SMI® Index – 1st Friday	OSM1	The next 1st Friday	DE000A2BM363	CHF	OINX
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Options on the SMI® Index – 5th Friday	OSM5	The next 5th Friday	DE000A2BM397	CHF	OINX

2. Revenue sharing programme

Eurex Exchange will evaluate on a monthly basis which Market Makers fulfilled the Market Maker Obligations at Eurex. Among these, the five most active Market Makers per calendar month according to the number of contracts traded in the order book on the M- or P-account in this product will be determined. These five Market Makers will participate in the revenue sharing in accordance with their share in percent of the order book turnover.

Under this given Market-Making scheme, 15 percent of net revenues (= transaction revenues minus rebates) will be reimbursed to the Market Makers in the respective product.

A registration for the Market-Making scheme is not required.

If you have any questions or require further information, please contact Derivatives Clearing Supervision at tel. +49-69-211-1 12 50 or send an e-mail to: clearing@eurexclearing.com. Alternatively, Risk Control is available at tel. +49-69-211-1 24 52 or via e-mail to: risk@eurexclearing.com.

9 September 2016