X-pand into the Future

eurex circular 254/08

Date: Frankfurt, October 20, 2008
Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Peter Reitz

High priority

Option Contracts: Change in Random Allocation Algorithm

Related Eurex Circulars: 073/08

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Content may be most important for:

- All departments

Attachment:
Modified section of Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

Summary:

In their meeting on October 15, 2008, the Management Boards of the Eurex Exchanges decided to extend the modification of the Random Allocation Algorithm for equity options, decided on January 23, 2008 (see circular 073/08) to all other option classes.

The change will be effective with the introduction of Eurex Release 11.0 on November 10, 2008.

Option Contracts: Change in Random Allocation Algorithm

The Random Allocation Algorithm for option contracts will be amended in the following way:

When a Member exercises a long position in a proprietary account (M/P) there will be a check first whether there is an assignable short position in any other proprietary account of the same Member. If that is the case, the exercised position will first be netted against the Member's own short position before the remaining exercised position will be allocated by the Random Algorithm.

Example:

Member A has the following positions in ALV DEC08 120 Puts:

- M1 long 1000 contracts
- P1 short 700 contracts
- A1 short 300 contracts

Exercise of the long position in the M1 account will lead to the full assignment of the short position in the P1 account. The remaining 300 contracts will then be exercised *randomly* against all other positions in the market. Client positions in the A1 account will not be affected by this modification.

This change will take effect with the introduction of Eurex Release 11.0 on November 10, 2008.

Frankfurt, October 20, 2008

[...]

2. Part: Contract Specifications for Options Contracts

2.1 Subpart: General Conditions

The provisions set forth in "General Conditions" shall be applicable to all Options Contracts if no other specific provisions or provisions diverging from the "General Conditions" pursuant to subsection 2.2 to 2.6.

[...]

2.1.5 Assignment

(1) All exercises shall be assigned to the writers of the exercised option series after the end of the Post-Trading Full Period. Assignments shall be binding. Exercises may be assigned to writers throughout the term of the option contract, including on the expiration (subsection 2.1.2).

(2) The Exchange Participants and Clearing Members affected by any such assignment shall be notified thereof during the morning of the following Exchange day by Eurex Clearing AG.

(3) Assignments shall be made through Eurex Clearing AG by a ~~random~~ selection process conducted in accordance with detailed rules. The assignment method shall be communicated to the Exchange Participants. Any change of such method shall become effective only after notice thereof.

(4) All assignments made for the Agent Position Account of an Exchange Participant shall be assigned by such Exchange Participant to the positions of its customers, on the basis of a procedure that ensures the neutrality of the assignment process.

(5) All assignments made for the Principal Position Accounts or M-position Accounts of an Exchange Participant must be performed by that Exchange Participant and may not be transferred onward to its customers.

[...]