X-pand into the Future

e u r e x *circular 019/02*

Date: Frankfurt, 14 February, 2002
Recipients: All Eurex members and vendors
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⚠ **Action Required** ⚠ **High Priority**

Parameters for Automatic Exercise of Options

Related Eurex Circulars: 007/02, Eurex Information of 12 February, 2002

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Content may be most important for:	**Attachments:** None
➲ Front Office / Trading	
➲ Middle + Back Office	

The following example explains the significance of the "ITM (in the money) Minimum Amount" parameter which can be defined in the 'Automatic Exercise Parameter Maintenance" window.

Example:

Strike Price = 30
Trading Unit = 100 Shares
Tick Size: 0.01
Tick Value: 0.01

1. Absolute Value

With member input of an ITM Minimum Amount of 50 €, exercise limits are calculated as follows:

ITM Minimum Amount * Tick Size / (Tick Value * Trading Unit)
50 € * 0.01 / (0.01 * 100) = 0.5 €

Thus, Call options will be exercised when the Closing Price of the underlying is greater than or equal to 30.5 €.
Put options will be exercised when the Closing Price of the underlying is less than or equal to 29.5 €.

The option will therefore only be exercised when the "InTheMnyPerUnit" amount, displayed on the "Exercise Overview" window exceeds the defined ITM Minimum Amount.

2. Percentage Value

With member input of an ITM Minimum Amount of 1%, the exercise limits are calculated as follows:

ITM Minimum Amount * Strike Price
1% * 30 € = 0.3 €

Thus Call options will be exercised when the Closing Price of the underlying is greater than or equal to 30.3 €
Put options will be exercised when the Closing Price of the underlying is less than or equal to 29.7 €

For example, in order to exercise DAX (or DTE) options only when they are in the money by an amount at least equal to the Eurex exercise fees of 0.75 € (or 0.20 €) , the "ITM Minimum Amount" parameter must be set to 0.75 (or 0.20).

Clearing members can check the values defined by their non-clearing members by entering the Member ID of their NCMs in the "Exchange Member" field of the "Automatic Exercise Parameter Maintenance" window.

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