X-pand into the Future

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

High Priority

1. Modification of the Mistrade Regulations for Options on Interest Rate Futures
2. Modification of Mistrade Parameters for Swiss Stock Options

Related Eurex Circulars: 096/01

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Content may be most important for:

- Front Office / Trading
- Middle + Back Office
- Auditing / Security Coordination

Attachments:
Implementation Regulations for the Handling of Erroneous Entries at Eurex Deutschland and Eurex Zürich (Sections 1.1, 1.2)

1. Modification of the Mistrade Regulations for Options on Interest Rate Futures

The Management Boards of Eurex Deutschland and Eurex Zürich have decided to modify the mistrade regulation relating to Eurex options on interest rate futures (OGBS, OGBM, OGBL, OEU3). In future, in defining the maximum permitted deviation, the Reference Price will be taken into consideration instead of the bid price.

A mistrade will be assumed when the transaction price deviates from the Reference Price by more than the values shown in the table below, within the respective Reference Price intervals:

Price interval (Ticks)	0 - 9	10 - 29	30 - 59	60 - 99	100 - 9999
New maximum valid deviation (Ticks) from Reference price	3	4	6	8	10
Previous maximum valid deviation (Ticks) from bid price	8	8	8	8	10

As shown in the table, the result of the change, in comparison to the existing regulation, is that the mistrade criteria will be more closely related to the option price at the lower price levels.

Section 1.2. of the Implementation Regulations for the Handling of Erroneous Entries at Eurex Deutschland and Eurex Zürich has been modified accordingly (see Attachment) and will come into effect on **18 February, 2002**.

2. Modification of Mistrade Parameters for Swiss Stock Options

The Management Boards of the Eurex Exchanges also made the decision to modify the mistrade parameters associated with Swiss Stock Options. A mistrade in all Swiss stock options/LEPOs will be assumed when the transaction price deviates from the Reference Price by an amount which exceeds the maximum market maker spread valid at the time with regard to the Reference Price (previously 75% of the maximum spread for Swiss stock options, and 0.75% of the Reference price for Swiss LEPOs). As a result, the mistrade regulation for all stock options/LEPOs will be identical.

Section 1.1.of the Implementation Regulations for the Handling of Erroneous Entries has been modified accordingly (see Attachment) and will also come into effect on **18 February, 2002**.

Implementation Regulations for the Handling of Erroneous Entries (Fehleingaben) at Eurex Deutschland and Eurex Zürich

1.1 Pursuant to Subsection 1.2.6 Paragraph (2) of the Conditions for Trading at Eurex Deutschland and Eurex Zürich

1.1.1 Scope of Application

The following Implementation Regulations under subsection 1.2.6 paragraph (2) of the Conditions for Trading (Handelsbedingungen) relate to erroneous entries in the trading of options contracts on stocks and stock indices.

1.1.2 Conditions

The Management Boards of the Eurex Exchanges shall cancel a transaction in order to ensure orderly and fair market conditions if

a. the price of the transaction effected by the erroneous entry deviates significantly from the market price -- hereinafter referred to as the "Reference Price" -- and

b. the Exchange Participant which entered the erroneous entry asserts to the Eurex Exchanges without delay that it mistakenly entered the order or quote incorrectly into the System of the Eurex Exchanges.

The assertion of any further rights shall remain unaffected.

In order to determine if the price of the transaction deviates significantly from the Reference Price, such prices shall be set in proportion to one another in accordance with the following provisions:

The Reference Price shall generally be established as the average of the prices of the transaction effected immediately before and the transaction effected immediately following the erroneous entry. If only one of these prices is available, such price shall be used as the Reference Price.

If a Reference Price cannot be determined pursuant to the foregoing provision or if the Reference Price so determined does not correspond to fair market conditions, the Eurex Exchanges, with the assistance of the option price model (Optionspreismodell) employed by them, shall determine a "theoretically fair" price and use such price as the Reference Price. Alternatively, the Eurex Exchanges shall select, from among the group of Exchange Participants admitted to trading on the Eurex Exchanges which do not have an interest in the transaction, three competent individuals (chief traders), each of whom shall calculate a market price for the option series concerned; the average of the prices determined by these three individuals shall then be the Reference Price.

In determining whether the price of the transaction deviates significantly from the Reference Price, a distinction shall be made in the following manner between options contracts on stocks in German joint stock corporations (German stock options) or on German stock indices, the Dow Jones STOXX 50 Index, the Dow Jones EURO STOXX 50 Index, the Dow Jones Global Titans 50 Index^{SM}, the Dow Jones EURO STOXX^{SM} Sector Indices and options contracts on stocks in Swiss joint stock corporations (Swiss stock options) or on Swiss stock indices, option contracts on stocks in Finnish joint stock corporations (Finnish stock options) or Finnish stock indices, options contracts on stocks in Dutch joint stock corporations (Dutch stock options), options contracts on stocks in Italian joint stock corporations (Italian stock options), options contracts on stocks in French joint stock corporations (French stock options), options contracts on stocks in joint stock corporations listed on Neuer Markt (Neuer Markt stock options), and options contract on stocks in US-American joint stock corporations (US-American stock options):

A significant deviation of the price of the transaction from the Reference Price in the case of options contracts on stocks in German joint stock corporations (German stock options), stocks in Swiss joint stock corporations (Swiss stock options), stocks in Finnish joint stock corporations (Finnish stock options), stocks in Dutch joint stock corporations (Dutch stock options), stocks in Italian joint stock corporations (Italian stock options), stocks in French joint stock corporations (French stock options), on stocks in joint stock corporations listed on Neuer Markt (Neuer Markt stock options), on stocks in US-American joint stock corporations (US-American stock options) and on Dow Jones Euro STOXX^{SM} Sector Indices is to be presumed when the amount of the deviation exceeds the maximum spread valid at that time with regard to the Reference Price.

The above regulation for the determination of a significant deviation of the price of the transaction from the Reference Price shall also apply to Low Exercise Price Options (LEPO) on the respective joint stock corporations.

A significant deviation of the price of the transaction from the Reference Price in the case of options contracts on German stock indices, Finnish stock indices and options contracts on the Dow Jones STOXX 50 Index or the Dow Jones EURO STOXX 50 Index is to be presumed when the amount of the deviation

- exceeds 20 points [1) 2)] or
- if not in excess of 20 points[1) 2)], the deviation exceeds 20 per cent of the Reference Price or at least 3 points[1) 2)].

1) This shall not apply to options on the NEMAX 50: A significant deviation of the price of the transaction from the Reference Price in the case of options contracts on the NEMAX 50 is only given when the deviation exceeds 50 points or, if not in excess of 50 points, exceeds 20 per cent of the Reference Price or at least 5 points.

2) This shall neither apply to options contracts on the Dow Jones EURO STOXX 50 Index with terms longer than 24 months: A significant deviation of the price of the transaction from the Reference Price in these options contracts is to be presumed if the deviation exceeds the maximum spread valid at that time with regard to the Reference Price.

A significant deviation of the price of the transaction from the Reference Price in the case of Swiss stock indices is to be presumed when the deviation exceeds 75 per cent of the maximum spread valid at that time with regard to the Reference Price.

A significant deviation of the price of the transaction from the Reference Price in the case of options contracts on the Dow Jones Global Titans 50 Index^{SM} is to be presumed when the amount of the deviation

- exceeds 5 points or
- if not in excess of 5 points, the deviation exceeds 20 per cent of the Reference Price or at least 1 point.

The provisions of subsection 1.1.2 shall apply *mutatis mutandis* to a combination order pursuant to subsection 1.3.1 paragraph (1) item c of the Conditions for Trading at Eurex Deutschland and Eurex Zürich that has been mistakenly entered into the System of the Eurex Exchanges incorrectly and has been matched with two limit orders (subsection 1.3.1 paragraph (1) item b of the Conditions for Trading at Eurex Deutschland and Eurex Zürich). However, in respect of the two resulting transactions, whether the price of one of the transactions or of both the transactions deviates significantly from the market price ("Reference Price") is to be determined separately. If the price of only one of the two transactions deviates significantly from the market price ("Reference Price") within the meaning of the foregoing provisions, only such transaction shall be cancelled. The remaining transaction, the price whereof corresponds to the market price ("Reference Price"), shall not be cancelled.

The Implementation Regulations for the Handling of Erroneous Entries set forth in subsection 1.3 shall apply to a combination order pursuant to subsection 1.3.1 paragraph (1) item c of the Conditions for Trading at Eurex Deutschland and Eurex Zürich that has been mistakenly entered into the System of the Eurex Exchanges incorrectly and has been matched with a combination order.

1.1.3 Form Claim

The Exchange Participant claiming an erroneous entry must assert such claim against the Eurex Exchanges by telephone or fax. The assertion of such claim against any one of the Eurex Exchanges shall be deemed to have been made against all Eurex Exchanges.

1.1.4 Cancellation

Cancellation of the transaction by the Eurex Exchanges is effected by means of entering a countertransaction into the System of the Eurex Exchanges at the price of the erroneous entry.

1.1.5 Costs

The Eurex Exchanges shall charge a handling fee -- reflecting expenses but in any case in the minimum amount of 150 EUR [1)] or 250 CHF [2)] per erroneous entry -- to be paid by the Exchange

Participant who caused the erroneous entry. All Eurex Exchange fees that arise - including those in respect of the cancellation transaction - shall be cancelled by the Eurex Exchanges.

[1] Options which are listed in EUR.

[2] Options which are listed in CHF.

1.1.6 Final Provisions

The Eurex Exchanges shall send a confirmation to the parties concerned to the effect that the relevant transaction has been cancelled by the Eurex Exchanges according to subsection 1.2.6 paragraph (2) of the Trading Conditions in connection with these Implementation Regulations. The Eurex Exchanges shall publish all necessary price corrections by means of electronic media. The manner and scope of such publication shall be determined by the Management Board of Eurex Deutschland or of Eurex Zürich.

1.2 Pursuant to Subsection 1.2.6 Paragraph (2) of the Conditions for Trading at Eurex Deutschland and Eurex Zürich

1.2.1 Scope of Application

The following Implementation Regulations under subsection 1.2.6 paragraph (2) of the Conditions for Trading relate to erroneous entries in the trading of options contracts on interest rate futures.

1.2.2 Conditions

The Management Boards of the Eurex Exchanges shall cancel a transaction in order to ensure orderly and fair market conditions if

a. the price of the transaction effected by the erroneous entry deviates significantly from the market price -- hereinafter referred to as the "Reference Price" -- and

b. the Exchange Participant which entered the erroneous entry asserts to the Eurex Exchanges without delay that it mistakenly entered the order or quote incorrectly into the System of the Eurex Exchanges.

The assertion of any further rights shall remain unaffected.

In order to determine if the price of the transaction deviates significantly from the Reference Price, such prices shall be set in proportion to one another in accordance with the following provisions:

The Reference Price shall generally be established as the average of the prices of the transaction effected immediately before and the transaction effected immediately following the

erroneous entry. If only one of these prices is available, such price shall be used as the Reference Price.

If a Reference Price cannot be determined pursuant to the foregoing provision or if the Reference Price so determined does not correspond to fair market conditions, the Eurex Exchanges, with the assistance of the option price model (Optionspreismodell) employed by them, shall determine a "theoretically fair" price and use such price as the Reference Price. Alternatively, the Eurex Exchanges shall randomly select, from among the group of Exchange Participants admitted to trading on the Eurex Exchanges which do not have an interest in the transaction, three competent individuals (chief traders), each of whom shall calculate a market price for the option series concerned; the average of the prices determined by these three individuals shall then be the Reference Price.

A significant deviation from the Reference Price is to be presumed for options contracts on futures of notional debt securities of the Federal Republic of Germany or of the Treuhandanstalt as well as for options contracts on money market interest rate futures if the price of the transaction deviates for a Reference Price

- of up to 0.09 points by more than 0.03,
- of up to 0.29 points by more than 0.04,
- of up to 0.59 points by more than 0.06,
- of up to 0.99 points by more than 0.08 and
- for a Reference Price of up to 1.00 points by more than 0.1

points from the Reference Price.

A significant deviation from the Reference Price is to be presumed for options contracts on futures of notional debt securities of the Swiss Confederation if the price of the transaction deviates from the Reference Price by

- more than ten times the smallest price adjustment (10 ticks) in the first expiration month
- more than fifteen times the smallest price adjustment (15 ticks) in every subsequent expiration month.

The regulations contained in subsection 1.2.2 shall apply mutatis mutandis to a combination order pursuant to subsection 1.3.1 paragraph (1) item c of the Conditions for Trading at Eurex Deutschland and Eurex Zürich that has been mistakenly entered into the System of the Eurex Exchanges incorrectly and has been matched with two limit orders (subsection 1.3.1 paragraph (1) item b of the Conditions for Trading at Eurex Deutschland and Eurex Zürich). However, in respect of the two resulting transactions, whether the price of one of the transactions or of both the transactions deviates significantly from the market price (“Reference Price”) is to be determined separately. If the price of only one of the two transactions deviates significantly from the market price (“Reference Price”) within the meaning of the foregoing provisions, only such transaction shall be cancelled. The remaining transaction, the price whereof corresponds to the market price (“Reference Price”), shall not be canceled.

The Implementation Regulations for the Handling of Erroneous Entries set forth in subsection 1.3 shall apply to a combination order pursuant to subsection 1.3.1 paragraph (1) item c of the Conditions for Trading at Eurex Deutschland and Eurex Zürich that has been mistakenly entered into the System of the Eurex Exchanges incorrectly and has been matched with a combination order.

1.2.3 Form Claim

The Exchange Participant claiming an erroneous entry must assert such claim against the Eurex Exchanges by telephone or fax. The assertion of such claim against any one of the Eurex Exchanges shall be deemed to have been made against all Eurex Exchanges.

1.2.4 Cancellation

Cancellation of the transaction by the Eurex Exchanges is effected by means of entering a countertransaction into the System of the Eurex Exchanges at the price of the erroneous entry.

1.2.5 Costs

The Eurex Exchanges shall charge a handling fee -- reflecting expenses but in any case in the minimum amount of 300 DM [1)], 150 EUR [2)] or 250 CHF [3)] per erroneous entry -- to be paid by the Exchange Participant who caused the erroneous entry. All Eurex Exchange fees that arise - including those in respect of the cancellation transaction - shall be cancelled by the Eurex Exchanges.

[1)] Options which are listed in DM.

[2)] Options which are listed in EUR.

[3)] Options which are listed in CHF.

1.2.6 Final Provisions

The Eurex Exchanges shall send a confirmation to the parties concerned to the effect that the relevant transaction has been cancelled by the Eurex Exchanges according to subsection 1.2.6 paragraph (2) of the Trading Conditions in connection with these Implementation Regulations. The Eurex Exchanges shall publish all necessary price corrections by means of electronic media. The manner and scope of such publication shall be determined by the Management Boards of Eurex Deutschland or of Eurex Zürich.