e u r e x *circular 13/99*

To: All Eurex members and vendors

Date: Frankfurt, 23rd February 1999

Introduction of Inter Product Calendar Spreads for DM-Euro Rollover

Dear Sir or Madam,

Due to a number of suggestions following the publication of Eurex Circular 10/99, on the subject of the March 1999 delivery procedure and use of the roll-over facility in DM/euro Interest rate contracts, the Eurex executive board has decided to extend the Eurex product range with a technical variant of Inter-Product Spreads which will support trading of March '99 DM contracts against June '99 euro contracts.

These products will be available for trading from Thursday February 25th 1999 and will be removed from the system following the March expiration.

The product specifications are as follows:

Product- Spread Code	WKN / ISIN	Leg 1	Leg 2	Spread Ratio	Pricing Offset
HM9L	966046 DE0009660464	BUND March 99	FGBL June 99	4:5	1
HM9M	966047 DE0009660472	BOBL March 99	FGBM June 99	4:5	1
HM9S	966048 DE0009660480	SHAZ March 99	FGBS June 99	4:5	1

The '**Spread Ratio'** parameter determines the number of contracts of the individual leg products on which a product spread is put together. The purchase of a BUND-FGBL spread (HM9L) corresponds to the purchase of 4 BUND March '99 contracts and the sale of 5 FGBL June '99 contracts. Through this ratio, an approximation is made in relation to the contract value of both products (I Million DM compared to 500,000 euro).
The **'Pricing Offset'** parameter is required because it is not possible to display negative prices on the futures trading screen. It is added to the real trade price of the spread.

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For a **BUND-FGBL Spread**, with a
BUND price of 115.90 (March 99), and an
FGBL price of 115.10 (June 99), the price of the spread product HM9L is quoted as

BUND – FGBL + Offset , thus 115.90 – 115.10 +1.00 = 1.80

The same system applies to a **SHAZ-FGBS Spread,** with a
SHAZ price of 105.10 (March 99) and an
FGBS price of 105.20 (June 99) resulting in a price for the spread product HM9S of

SHAZ – FGBS + Offset, thus 105.10 – 105.20 + 1.00 = 0.90

This means that effective negative spread prices will be less than 1.00 (minus 0.10 becomes 0.90) and effective positive spread prices are prices greater than 1.00 (plus 0.80 becomes 1.80).

The 'Spread Ratio' and 'Offset' parameters are displayed in the Underlying Zone of the trading screen. Following the known logic of the Eurex system, the purchase of a spread corresponds to the purchase of a number of Leg 1 contracts and the sale of a number of Leg 2 contracts, where the number of each is defined by the spread ratio.

Immediately after the close of trading, trades in a product spread are separated into two trades in the underlying contracts and posted in the individual position accounts. Individual trades which result from product spreads are displayed in the TRAD review of the individual products by the combination type '9'.

Example

You have a short position of 100 contracts in Schatz Futures with March 99 expiration. You want to roll this position over to the June 99 contract of the follow-on product FGBS (**F**uture on **G**overnment **B**ond **S**hort-term). The price you wish to pay is minus 0.10.

You call up the trading screen of the corresponding Roll-over product via:
'GOTO FUTO HM9S'
In the March 99 contract of this product you submit the following order:
'BUY 25 @ 0.90' (the limit of 0.90 results from minus 0.10 plus 1.00 (Offset).

After execution of the order, the following trades will be booked:

BUY 100 (=25*4) SHAZ March 99 @105.10 – Comb. type '9'
SELL 125 (=25*5) FGBS June 99 @ 105.20 – Comb type '9'

The price booked in the SHAZ, however, will correspond to the current market price.

You now have the following positions

SHAZ March 99 Short 100
SHAZ March 99 Long 100
FGBS June 99 Short 125

Through use of a Position Closing Adjustment on Eurex you can net the SHAZ positions against each other in your back office system and you have effectively transferred your position into FGBS.

If you have any questions the following Help-desks will be pleased to assist you:

Interest Rate Products	+49-(0)69-2101-1240
Clearing	+49-(0)69-2101-1250

In addition, the following individuals from the Product Development department are available to deal with your questions:

Ralf Dreyer +49-(0)69-2101-5705 and Stefan Brendgen +49-(0)69-2101-5743

Yours sincerely,

Jörg Franke

Hartmut Klein

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