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To: All Eurex members and vendors

Date: Frankfurt, 12th January 1999

Information on the first application of the modified settlement procedure for DAX options on 15th January 1999

Dear Sir or Madam,

In DTB circulars 79/97 and 15/98 we informed you of the changes to the procedure for the establishment of the settlement price for options and futures on the German stock index (DAX). As 15th January 1999 is the first expiration date of the DAX option to which the new procedure applies, we are reminding you of the changes.

According to the Conditions for Trading at Eurex Deutschland and Eurex Zurich, the following applies to DAX options:

2.2.2 Specifications for Options Contracts on the German Stock Index (DAX Options)
2.2.2.1 Subject Matter of Contract
Para. (2)
If any changes are made in the calculation of the DAX or its weighting such that the DAX appears to be no longer comparable with the concept applied when the option was admitted to trading, the Boards of Management of the Eurex exchanges may order the termination of trading of such option as of the last trading day prior to the change in the DAX. Open positions shall be settled in cash upon the close of trading. The final value of the DAX, on the basis of the auction prices for securities comprising the DAX, fixed by the electronic trading system of the Frankfurt Stock Exchange (Xetra) in an intra-day auction determined by the Boards of Management of the Eurex exchanges, shall be used**.**
….

2.2.2.2 Call Option (Call)
Para. (3)
The final settlement price shall be determined by the Eurex exchanges on the exercise day of the contract on the basis of the value of the DAX based on the auction prices of the securities comprising the DAX fixed by the electronic trading system of the Frankfurt Stock Exchange (Xetra) in an intra-day auction determined the Boards of Management of the Eurex Exchanges.

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2.2.2.5 Term, Close of Trading, Expiration Day
Para. (2)

....
Trading shall close on the last trading day upon the start of the call phase of the intra-day auction in the electronic trading system of the Frankfurt Stock Exchange (Xetra) as determined by the Boards of Management of the Eurex Exchanges.
....

The changes are not applicable to DAX option series expiring in June 1999. For those option series the old procedure applies (close of trading at 13.30 CET and settlement via the FWB floor).

Against this background, please take note of the following information:

The above-mentioned intra-day auction on the electronic trading system of the Frankfurt Stock Exchange (Xetra) begins for the DAX securities at 13.00 CET with the start of the call phase.

This means that:

- the intra-day Xetra auction at 13.00 CET is the basis for the establishment of the final value of the DAX according to Section 2.2.2.1 paragraph 2 of the Conditions for Trading

- the intra-day Xetra auction at 13.00 CET is the basis for the establishment of the final settlement price according to Section 2.2.2.2 paragraph 3 of the Conditions for Trading

- The close of trading according to section 2.2.2.5, paragraph 2 of the Conditions for Trading is 13.00 CET on the last trading day.

If you have any questions, please contact the Index Products Help-desk on +49-(0)69-2101-1220.
If you have questions concerning the Xetra auction, please contact the Xetra Help-desk directly on +49-(0)69-2101-1400.

Yours sincerely,



Jörg Franke



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