X-pand into the Future

e u r e x *circular 036/03*

Date: Frankfurt, March 28, 2003
Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

Permanent Quotation for Swiss, Italian and US Equity Options and Options on the SMI – Parameter Changes

Related Eurex Circulars: 115/02

Contact: Simon Leslie (Product Design Equity / Index): Tel +49-69-21 01-59 19
e-mail:simon.leslie@eurexchange.com

Content may be most important for:

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

Attachments:

1. Market Making Quotation Obligations – Permanent Quotation
2. Registration for Permanent Quotation in Swiss, Italian, and US Equity Options, and SMI Options
3. Market Maker Application

Summary:

New parameters have been defined for the fulfillment of the quotation obligations for market makers undertaking permanent quotation in Swiss, Italian, and US equity options as well as the options on the SMI®. With effect from April 1, 2003 the daily quotation time requirement for permanent quotation in these products will be reduced to **6 hours and 40 minutes** in all cases. Furthermore, also with effect from April 1, 2003, the flexibility of the quotation model will be enhanced by including a seventh expiration to the number of eligible series. This will allow members to quote six out of seven expirations in order to fulfill the permanent quotation obligations.

Permanent Quotation for Swiss, Italian and US Stock Options and Options on the SMI® – Parameter Changes

The evaluation of the permanent quotation performance in February has shown that the required quotation time has been achieved by several market makers. However, in order to limit the operational efforts involved in permanent quotation, it has been decided to reduce the daily quotation time requirement to **6 hours and 40 minutes** for Swiss, Italian and US stock options, as well as the options on the SMI®. This will come into effect on April 1, 2003. The table below shows the new coverage times and percentages of the daily trading hours for permanent quotation in these products.

Products	Number of hours to be quoted	Coverage Percentage
Swiss Stock Options	6 hours 40 min. from 8 hours 20 min.	80%
Italian Stock Options	6 hours 40 min. from 8 hours	83%
US Stock Options	6 hours 40 min. from 11 hours	60%
SMI® Options	6 hours 40 min. from 8 hours 45 min.	76%

Also with effect from April 1, 2003 the seventh expiration will also be eligible for the fulfillment of permanent quotation obligations; i.e. market makers can choose six out of the next seven expirations in which to quote four out of seven exercise prices from the strike price window. As a result, in the days before expiration market makers will have the flexibility to "roll over" their quoting activities into a seventh expiration.

Currently, 24 strikes (four strikes from each of six expirations) must be quoted from a total of 42 strikes (6 expirations each with a strike price window of seven). The addition of a further expiration will allow members to quote the required 24 strikes from a new total of 49 strikes. Therefore, in the days before expiration and throughout the monthly quotation period Eurex members will have additional flexibility with respect to the fulfillment of the permanent quotation obligations. Attachment 1 contains the revised parameters.

Please note that as a result of adding the seventh expiration, the 'Coverage Requirement' field in the Performance Quotation Measurement report RPTTD955 will show a lower value than that shown in the table above (6/7 of the value above).

The performance of current Market Makers undertaking permanent quotation in these products will be automatically measured against the new parameters with effect from April 1, 2003.

Those members wishing to take on the new quotation obligations described in Attachment 1 should register their intention by completing Attachment 2. Where the product or products selected are not already subject to a Market Maker agreement with Eurex, the member should also make a corresponding application using Attachment 3.

Frankfurt, March 28, 2003

Eurex Deutschland
D-60485 Frankfurt am Main
www.eurexchange.com

Functional Member Readiness
Tel. +49-69-2101-1700
Fax +49-69-2101-1701

Management Board:
Rudolf Ferscha (CEO), Jürg Spillmann,
Daniel Gisler, Thomas Lenz,
Peter Reitz, Michael Widmer

Market Maker Quote Obligations – Permanent Quotation
For Swiss, US and Italian Stock Options and SMI Option

Market Making Quotation Obligations – Permanent Quotation

Committed Daily Quotation Time:

6 hours and 40 minutes of the trading day for Swiss stock options
6 hours and 40 minutes of the trading day for Italian stock options
6 hours and 40 minutes of the trading day for US stock options
6 hours and 40 minutes of the trading day for SMI® options

on exchange trading days for six expirations from a total of seven expirations. Calls and puts for four strikes from a strike price window of seven strikes around the current underlying price must be quoted. Asymmetrical quoting is allowed, i.e. strike prices chosen for calls and puts need not be identical.

Exemption from Obligation:

Three trading days per month; the shortfall must be compensated for from additional coverage on the remaining trading days of the month so that an average daily coverage of 6 hours and 40 minutes of the trading and fast market phases is achieved over the month.

Minimum Quote Sizes and Maximum Spreads:

In line with current market making obligations (reproduced below).

Market Maker Fees:

See Circular 115/02

Fast Market State:

In the Fast Market state, the maximum spreads will increase by 50% (Swiss, Italian and US stock options) or 100% (option on the SMI); the minimum quote size will be reduced by 50%

Minimum Sizes and Maximum Spreads for Swiss, Italian and US Stock Options

Minimum Size:

20 contracts on the bid and ask side in all option series, except for the following which have a minimum size of 50 contracts:

Options on Swiss Stocks

- Credit Suisse Group N, Nestlé N, Novartis N, Swisscom, Schweizer Rückversicherung N, UBS N, Roche Holding

Maximum Spread:

Stock Options quoted in EUR

Class I		**Class II**		**Class III**	
Bid up to	*Spread*	*Bid up to*	*Spread*	*Bid up to*	*Spread*
0 - 1.00	0.20	0 - 2.00	0.40	0 - 5.00	1.00
1.01 - 15.00	20%	2.01 - 30.00	20%	5.01 - 50.00	20%
> 15.00	3.00	> 30.00	6.00	> 50.00	10.00

Market Maker Quote Obligations – Permanent Quotation For Swiss, US and Italian Stock Options and SMI Option

Stock Options quoted in CHF

Class I		Class II		Class III	
Bid up to	*Spread*	*Bid up to*	*Spread*	*Bid up to*	*Spread*
0 - 2.00	0.40	0 - 5.00	1.00	0 - 10.00	2.00
2.01-15.00	20%	5.01-30.00	20%	10.01 - 50.00	20%
>15.00	3.00	> 30.00	6.00	> 50.00	10.00

:

Minimum Size and Maximum Spreads for SMI Index Options

Minimum Size: 20 contracts on the bid and ask side

Maximum Spread:

Product	Options bid price (in index points)	Maximum spread (in index points)
SMI® options	0.10 – 29.90	6.00
	30.00 – 249.90	20%
	250.00 and over	50.00

Equity Option Quote Spread Classifications

Swiss Stock Options

Class I		Class II		Class III	
ABB	ABB2	Holcim	HOL	Givaudan	GIVN
Adecco	ADEN	Julius Bär Holding	BAER	Serono	SEO
Baloise	BALN	Nestlé	NESN	SGS Surveillance	SGS
Ciba Spezialitätenchemie	CIBN	Swiss Life Holding	SLHN		
Richemont	CFR	Schweiz. Rückversicher.	RUKN		
Clariant	CLN	Sulzer	SUN		
Credit Suisse Group	CSGN	Swisscom	SCMN		
Kudelski	KUD	Unaxis Holding	UNAX		
Lonza	LONN	Zurich Fin. Services	ZURN		
Novartis	NOVN				
Roche Holding	ROG				
Syngenta	SYNN				
The Swatch Group	UHRN				
UBS	UBSN				

Market Maker Quote Obligations – Permanent Quotation For Swiss, US and Italian Stock Options and SMI Option

Italian Stock Options

Class I		Class II		Class III	
Generali	ASG				
ENI	ENT				
Telecom Italia	SET				

U.S. Stock Options

Class I		Class II		Class III	
AOL	AOL	IBM	IBM		
Cisco	CIS				
Citigroup	TRV				
EMC	EMP				
General Electric	GEC				
Intel	INL				
Microsoft	MSF				
Oracle	ORC				
SUN	SSY				

To Eurex Product Design Equity/Index
Simon Leslie
60485 Frankfurt am Main

Fax no.: +49-69-21 01-44 61

Market Maker Registration for Permanent Quotation in Swiss, Italian, and US Stock Options and the SMI Option

1. Preface

Eurex invites all market participants interested in Permanent Quotation in Swiss, Italian, and US Stock Options and the SMI Option traded at Eurex to complete the table below. The options selected must already be subject to a regular market making license agreement between Eurex and the member. This declaration therefore supplements the Market Maker agreement undertaken between Eurex and the market making member firms in relation to Swiss, Italian, and US Stock Options and the SMI Option.

Permanent Quotation can only be taken up at the start of each month. Fulfillment of permanent quotation obligations will only be evaluated on a monthly basis. Members are requested to indicate the options in which they wish to make a permanent market in accordance with this agreement and to sign and return the document by fax to **Simon Leslie, +49-69-21 01-44 61**.

2. Selected Options (Please tick the appropriate boxes)

The Market Maker will participate in permanent quotation for the following options:

Swiss Stock Options	ABB	ABB2		Novartis	NOVN	
	Adecco	ADEN		Roche Holding	ROG	
	Julius Bär Holding	BAER		Schweiz. Rückversicherung	RUKN	
	Baloise	BALN		Swisscom	SCMN	
	Ciba Spezialitätenchemie	CIBN		Serono	SEO	
	Richemont	CFR		SGS Surveillance	SGSN	
	Clariant	CLN		Swiss Life Holding	SLHN	
	Credit Suisse Group	CSGN		Sulzer	SUN	
	Givaudan	GIVN		Syngenta	SYNN	
	Holcim	HOL		UBS	UBSN	
	Kudelski	KUD		The Swatch Group	UHRN	
	Lonza	LONN		Unaxis Holding	UNAX	
	Nestlé	NESN		Zurich Fin. Services	ZURN	
Italian Stock Options	Generali	ASG		Telecom Italia	SET	
	ENI	ENT				
US Stock Options	AOL	AOL		IBM	IBM	
	Cisco	CIS		Intel	INL	
	Citigroup	TRV		Microsoft	MSF	
	EMC	EMP		Oracle	ORC	
	General Electric	GEC		SUN	SSY	
Option on SMI	SMI Option	OSMI				

We declare that we will participate in permanent quotation as set out in this document, in accordance with the quote obligations defined in Attachment 1 to Eurex Circular 036/03

Company Name Authorized Signature(s)

01.04.03

Application for the Granting of Market Maker Licences at Eurex



Eurex

Product Development

60485 Frankfurt

(Fax: +49-69-21 01-44 61)

Applicant

Name of applying exchange participant

Address

Name of contact

Phone No. Fax No.

Application for the Granting of Market Maker Licences pursuant to Subsection 3.3 of the Eurex Exchange Rules

I. We herewith apply for admission as Market Maker pursuant to Subsection 3.3 of the Eurex Exchange Rules.

Provided that the applying company is admitted as exchange participant at Eurex Zürich, this application applies to Eurex Zürich as well.

The granting of a Market Maker Licence is applied for regarding the trading in:

Equity Option contracts with the following underlying(s):

☐ AAR (ABN Amro)	☐ ALV (Allianz)	☐ BSN (Danone)	☐ CIL (Lafarge)
☐ ABB2 (ABB)	☐ AOL (AOL Time Warner)	☐ BSN5 (Danone)	☐ CIL5 (Lafarge)
☐ ACR (Accor)	☐ ASG (Assicurazioni Generali)	☐ BYG (Bouygues)	☐ CIS (Cisco Systems)
☐ ACR5 (Accor)	☐ ASM (ASML Holding)	☐ BYG5 (Bouygues)	☐ CLN (Clariant)
☐ ADEN (Adecco)	☐ AVE (Aventis)	☐ CAJ (Casino Guichard)	☐ CON (Continental AG)
☐ ADS (Adidas)	☐ AVE5 (Aventis)	☐ CAJ5 (Casino Guichard)	☐ CSF (Thales)
☐ AEN (Aegon)	☐ AXA (AXA)	☐ CAR (Carrefour)	☐ CSF5 (Thales)
☐ AGF (AGF)	☐ AXA5 (AXA)	☐ CAR5 (Carrefour)	☐ CSGN (Credit Suisse Gr.)
☐ AGF5 (AGF)	☐ BAER (Julius Bär)	☐ CBK (Commerzbank)	☐ CSO (Consors)
☐ AHO (Ahold)	☐ BALN (Baloise Holding)	☐ CFR (Richemont)	☐ DBK (Deutsche Bank)
☐ AIR (Air Liquide)	☐ BAS (BASF)	☐ CGE (Alcatel)	☐ DB1 (Deutsche Börse AG)
☐ AIR5 (Air Liquide)	☐ BAY (Bayer)	☐ CGE5 (Alcatel)	☐ DCX (Daimler Chrysler)
☐ AIX (Aixtron)	☐ BMW (BMW)	☐ CGM (Cap Gemini)	☐ DGX (Degussa AG)
☐ AKU (Akzo Nobel)	☐ BNP (BNP Paribas)	☐ CGM5 (Cap Gemini)	☐ DPW (Deutsche Post)
☐ ALT (Altana)	☐ BNP5 (BNP Paribas)	☐ CIBN (Ciba Spezialitäten)	☐ DSM (DSM)

Application for the Granting of Market Maker Licences at Eurex

☐ DTE (Deutsche Telekom)	☐ IBM (IBM)	☐ OAG5 (Orange)	☐ SNW (Sanofi-Synthelabo)
☐ DXB (Dexia)	☐ IFX (Infineon Technologies)	☐ ORC (Oracle)	☐ SNW5 (Sanofi-Synthelabo)
☐ DXB5 (Dexia)	☐ IHC **(IHC Caland)**	☐ PEU (Peugeot)	☐ SQU (Vinci)
☐ EAD (EADS)	☐ INL (Intel)	☐ PEU5 (Peugeot)	☐ SQU5 (Vinci)
☐ EAD5 (EADS)	☐ INN (ING)	☐ PHI1 (Philips St.)	☐ SSY (Sun Microsystems)
☐ EIA (Elisa Communications)	☐ ISH1 (Intershop Comm.)	☐ POR3 (Porsche AG)	☐ SUN (Sulzer AG)
☐ ELV (Elsevier)	☐ KAR (Karstadt)	☐ PPX (Pinault Printemps)	☐ SYNN (Syngenta)
☐ EMP (EMC)	☐ KNP (Buhrmann)	☐ PPX5 (Pinault Printemps)	☐ TKA (Thyssen Krupp)
☐ ENT (ENI)	☐ KPN (KPN)	☐ QIA (Qiagen)	☐ TLSN (Telia)
☐ ENUR (StoraEnso R)	☐ KUD (Kudelski)	☐ RNL (Renault)	☐ TNM (Thomson)
☐ EOA (E.ON)	☐ LHA (Lufthansa)	☐ RNL5 (Renault)	☐ TNM5 (Thomson)
☐ EPC (Epcos)	☐ LIN (Linde)	☐ ROG (Roche Holding)	☐ TOI (T-Online)
☐ ETV (EM. TV & Merchand.)	☐ LONN (Lonza)	☐ ROY (Royal Dutch)	☐ TOTB (Total Fina Elf)
☐ FME (Fresenius Med.Care)	☐ LOR (L'Oréal)	☐ RPL (UPM-Kymmene Corp)	☐ TOT5 (Total Fina Elf)
☐ FO4 (Fortis AG)	☐ LOR5 (L'Oréal)	☐ RUKN (Schweiz. Rückv.)	☐ TPG (TPG)
☐ FSE (TF1)	☐ LYO (Suez)	☐ RWE (RWE)	☐ TRV (Citigroup)
☐ FSE5 (TF1)	☐ LYO5 (Suez)	☐ SAP (SAP)	☐ TTEB (TietoEnator Corp.)
☐ FTE (France Telecom)	☐ MAN (MAN)	☐ SCH (Schering)	☐ TUI (TUI)
☐ FTE5 (France Telecom)	☐ MEO (Metro)	☐ SCMN (Swisscom)	☐ UBSN (UBS)
☐ GEC (General Electric)	☐ MLP (MLP)	☐ SEO (Serono)	☐ UHRN (The Swatch Group)
☐ GIVN (Givaudan)	☐ MOB (Mobilcom)	☐ SET (Tele. Italia)	☐ UNAX (Unaxis)
☐ GOB (Saint Gobain)	☐ MOH (LVMH)	☐ SGE (Societe Generale-A)	☐ UNI (Unilever)
☐ GOB5 (Saint Gobain)	☐ MOH5 (LVMH)	☐ SGE5 (Societe Generale-A)	☐ VMH (Moolen Holding)
☐ GTO (Getronics)	☐ MSF (Microsoft)	☐ SGSN (SGS Surveillance)	☐ VNU (VNU)
☐ GUCN (Gucci Group)	☐ MUV2 (Münchner Rück.)	☐ SIE (Siemens)	☐ VOW (Volkswagen)
☐ HEN3 (Henkel VZ)	☐ NESN (Nestlé)	☐ SJ7 (Sodexho Alliance)	☐ VVD (Vivendi Environnement)
☐ HMY (Hagemeyer)	☐ NOA3 (NokiaCorporation A)	☐ SJ75 (Sodexho Alliance)	☐ VVD5 (Vivendi Environnement)
☐ HNK (Heineken)	☐ NOVN (Novartis)	☐ SLHN (Swiss Life Holding)	☐ VVU (Vivendi Universal)
☐ HOL (Holcim AG)	☐ NUT (Numico)	☐ SND (Schneider Electric)	☐ VVU5 (Vivendi Universal)
☐ HVM (Hypovereinsbank)	☐ OAG (Orange)	☐ SND5 (Schneider Electric)	☐ WOS (Wolters Kluwer)

☐ XCA (Credit Agricole) ☐ ZURN (Zurich Financial)

☐ XCA5 (Credit Agricole)

Option contracts on exchange traded shares of Index funds (EXTF-Options):

☐ EXS1 (DAX EX) ☐ EXW1 (DJ Euro Stoxx 50 EX) ☐ EUN2 (DJ Euro Stoxx 50 LDRS)

☐ FRC1 (Fresco DJ Euro Stoxx 50) ☐ XMT (XMTCH on SMI)

Option contracts on Interest Rate Futures:

☐ OGBS
Option contracts on Euro-Schatz Futures

☐ OGBL
Option contracts on Euro-BUND Futures

☐ OEU3
Option contracts on the Three-Month Euribor Future

☐ OGBM
Option contracts on Euro-BOBL Futures

Option contracts on stock indices:

☐ ODAX
Option contracts on the German Stock Index (DAX®)

☐ OEST
Option contracts on the Dow Jones Euro STOXX^{SM} Telecommunications Index

☐ OESA
Option contracts on the Dow Jones EURO STOXX^{SM} Automobiles Index

☐ OSTB
Option contracts on the Dow Jones STOXX^{SM} 600 Banks Index

☐ OESB
Option contracts on the Dow Jones EURO STOXX^{SM} Banks Index

☐ OESU
Option contracts on the Dow Jones EURO STOXX^{SM} Utilities Index

☐ OESE
Option contracts on the Dow Jones EURO STOXX^{SM} Energy Index

☐ OESX
Option contracts on the Dow Jones EURO STOXX 50^{SM}

☐ OESF
Option contracts on the Dow Jones EURO STOXX^{SM} Financial Services Index

☐ OESY
Option contracts on the Dow Jones EURO STOXX^{SM} Technology Index

☐ OESH
Option contracts on the Dow Jones EURO STOXX^{SM} Healthcare Index

☐ OFOX
Option contracts on the Finnish Stock Index (HEX25)

☐ OESI
Option contracts on the Dow Jones EURO STOXX^{SM} Insurance Index

☐ OSTH
Option contracts on the Dow Jones STOXX^{SM} 600 Healthcare Index

☐ OESM
Option contracts on the Dow Jones EURO STOXX^{SM} Media Index

☐ OSTT
Option contracts on the Dow Jones STOXX^{SM} 600 Telecommunications Index

☐ OGTI
Option contracts on the Dow Jones Global Titans 50^{SM}

☐ OSTX
Option contracts on the Dow Jones STOXX 50^{SM}

☐ ON50 Option contracts on the Nemax® 50	☐ OSTY Option contracts on the Dow Jones STOXX℠ 600 Technology Index
☐ OSMI Option contracts on the Swiss Market Index (SMI®)	☐ OTDX Option contracts on the TecDAX®

DNTP Index Products:

☐ DDAX Components ODAX FDAX on the German Stock Index (DAX®)	☐ DEXX Components OESX FESX on the Dow Jones Euro STOXX 50℠
☐ DSOX Components OSTX FSTX on the Dow Jones STOXX 50℠	☐ DLTS Components OSMI FSMI on the Swiss Market Index (SMI®)

DNTP Fixed Income Products:

☐ DSHZ Components OGBS FGBS (Euro-Schatz)	☐ DBOB Components OGBM FGBM (Euro-BOBL)
☐ DBUN Components OGBL FGBL (Euro-BUND)	

II. We herewith declare that the persons who have already been admitted for trading at Eurex, who are responsible for the Market Maker functions, have the necessary professional and personal qualification to fulfil the Market Maker functions pursuant to Subsection 3.3 of the Eurex Exchange Rules.

III. We confirm that we know the Eurex Rules and Regulations and declare that we will comply with these provisions in their relevant current version.

Place and Date	Company Stamp and authorized Signature