X-pand into the Future

# e u r e x *circular 037/00*

Date: Frankfurt, 11 May 2000
Recipients: All Eurex members and vendors
Authorised by: Jürg Spillmann

⚠ **Action Required - Return Market Maker Application**

## Introduction of Nemax 50 Options and Nemax 50 Futures on Eurex

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**Content may be most important for:**

- Front Office / Trading
- Middle + Back Office
- IT / System Administration
- Auditing / Security Administration

**Attachments:**

1. Contract specifications
2. Market Maker Obligations
3. Market Maker Application – Options – FAX reply
4. Market Maker Application – Futures – FAX reply

**Summary:**

On **19 June 2000** Eurex will introduce options and futures on the Nemax 50 Performance Index. Introduction will take place on the condition that at least three members are available as Market Makers. In addition to regular Market Making in the options, Eurex will offer Designated Market Making for the first six trading months of the Nemax 50 Future.

The options and futures Market Maker application forms are attached to the circular, and interested members are requested to complete and return the forms to Eurex before 13 June 2000.

The circular contains detailed information under the following headings:

1. **Product**
2. **Transaction Limits**
3. **Contract Specifications**
4. **Block Trades**
5. **Market Making**
6. **Simulation**

On 26 April 2000 the Management Boards of the Eurex Exchanges made the decision to introduce options and futures on the Nemax 50 Performance Index from 19 June 2000. Introduction will take place on the condition that at least three members are available as Market Makers. In addition to regular Market Making in the options, Eurex will offer Designated Market Making for the first six trading months of the Nemax 50 Futures.
The options and futures Market Maker application forms are attached to the circular, and interested members are requested to complete and return the forms to Eurex before 13 June 2000.

The Nemax 50 Blue Chip Index introduced on 01 July 1999 has received strong interest from institutional as well as private investors. With the option and future on the Nemax 50, from19 June 2000 Eurex will offer two index products on the Blue Chip Index of the Neuer Markt, in addition to the five Neuer Markt equity options already listed.

The contract size of EUR 1 has been chosen deliberately to meet the growing demand from private investors, and to encourage commitment to both products.

Additional information concerning the introduction procedures, the Mistrade regulation, and the Trading and Clearing conditions will be forwarded to you in a separate circular approximately three weeks before the introduction.

## 1. Product

| Eurex Product | Eurex Code | WKN | ISIN |
|---|---|---|---|
| **Nemax 50 Option** | ON50 | 968311 | DE0009683110 |
| **Nemax 50 Future** | FN50 | 968312 | DE0009683128 |

## 2. Transaction limits

The transaction limits are the same as those for the DAX Future and Option. The table of transaction limits and excess fees is published on the Eurex web-site “www.eurexchange.com” under “Info for members / Manuals / Implementation Regulations”.

## 3. Contract Specifications

The Nemax 50 Option and Future follow essentially the same structure as the DAX Option and DAX Future. The detailed specifications can be found in Attachment 1.

## 4. Block Trades

No Block Trade facilities will be offered In the Nemax 50 Option or Future.

## 5. Market Making

Eurex offers interested Market Makers the possibility to participate in Regular Market Making for Nemax 50 Options, and Designated Market Making for the Nemax 50 Futures. The Market Maker conditions and obligations for Regular and Designated Market Making can be found in Attachment 2.

Attachment 3 is the application form for participation as a Regular Market Maker in the options. The application form for participation in Designated Market Making in the futures can be found as Attachment 4. If you decide to participate in Market Making, please complete the corresponding form(s) and return it (them) before 13 June 2000 to Eurex, c/o Olaf Hummels, Fax: +49 (0)69-2101-4461.

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Management Board:
Dr. Jörg Franke, Otto E. Nägeli
Andreas Preuß, Jürg Spillmann

**6. Simulation**

The Nemax 50 Options (ON50) and Futures (FN50) can be tested within the scope of the Eurex Release 4.0 Simulation. They will be set up and available in the simulation environment from 22 May 2000.

If you have any general questions please contact the appropriate help-desk below:

| | |
|---|---|
| Technical Help-desk | Tel. +49(0)69-2101-1200 |
| Functional Help-desk (Index Products) | Tel. +49(0)69-2101-1220 |
| Functional Help-desk (Clearing) | Tel. +49(0)69-2101-1250 |

If you have any questions relating to the content of this circular, please contact Olaf Hummels on Tel: +49 (0)69-2101-5254 (Olaf_Hummels@exchange.de).

Frankfurt, 11 May 2000

## Contract Specifications[1]

# Nemax 50 Futures

*(FN50)*

### Contract Standard

The Nemax 50 Performance Index.

### Contract Value

EUR 1 per Nemax 50 index point.

### Settlement

Cash settlement based on the Final Settlement Price, payable on the first exchange trading day following the Last Trading Day.

### Price Determination

In points, with no decimal places.

### Minimum Price Change

1 point, equivalent to a value of EUR 1.

### Maturity Months

The three successive quarterly months within the cycle March, June, September and December.

### Last Trading Day

The third Friday of each maturity month, if this is an exchange trading day; otherwise, the exchange trading day immediately preceding that Friday. Trading ceases at the start of the call phase of the Intraday Auction on the electronic trading system of the Frankfurt Stock Exchange (Xetra®), at 1:00 p.m. CET.

### Daily Settlement Price

The last traded price of the trading day; or, if the last traded price is older than 15 minutes or does not reasonably reflect the prevailing market conditions, then Eurex will establish the official settlement price.

### Final Settlement Price

The value of the Nemax 50, determined on the basis of the aggregate prices of the Nemax 50 component shares on the Last Trading Day, as determined in the Intraday Auction on the electronic trading system of the Frankfurt Stock Exchange (Xetra®), at 1:00 p.m. CET.

### Trading Hours

8:50 a.m. until 20:00 p.m. CET.

[1] Valid as of 19 June, 2000

## Contract Specifications[2]

# Nemax 50 Options

*(ON50)*

### Contract Standard

The Nemax 50 Performance Index.

### Contract Value

EUR 1 per Nemax 50 index point.

### Settlement

Cash settlement, payable on the first exchange trading day following the Last Trading Day.

### Price Determination

In points, with one decimal place.

### Minimum Price Change

0.1 of a point, equivalent to a value of EUR 0.10.

### Last Trading Day

The third Friday of each maturity month, if this is an exchange trading day; otherwise, the exchange trading day immediately preceding that Friday. Trading ceases at the start of the call phase of the Intraday Auction on the electronic trading system of the Frankfurt Stock Exchange (Xetra®), at 1:00 p.m. CET.

### Daily Settlement Price

The last traded price of the trading day; or, if the last traded price is older than 15 minutes or does not reasonably reflect the prevailing market conditions, then Eurex will establish the official settlement price.

### Final Settlement Price

The value of the Nemax 50, determined on the basis of the aggregate prices of the Nemax 50 component shares on the Last Trading Day, as determined in the Intraday Auction on the electronic trading system of the Frankfurt Stock Exchange (Xetra®), at 1:00 p.m. CET.

### Exercise

European style, i.e. an option may only be exercised on the Last Trading Day of the respective option series, up to the end of the Post-Trading Period.

### Expiration Months

The three nearest calendar months, the three following months within the cycle March, June, September and December thereafter, as well as the two following months of the cycle June and December thereafter; i.e. options contracts are available with a lifetime of 1, 2, 3, max 6, max 9, max 12, as well as max 18 and max 24 months.

### Exercise Prices

Exercise Price intervals for Nemax 50 Options are as follows:

| Expiration Months with a remaining term up to | Number of Exercise Prices | Exercise Price Intervals, in Index Points |
|---|---|---|
| 9 months | 9 | 50 |
| 12 months | 5 | 100 |
| 24 months | 5 | 200 |

At least five Exercise Prices are introduced initially for each expiration month.

[2] Valid as of 19 June, 2000

## Option Premium

The EUR equivalent of the premium in points is payable in full on the first exchange trading day following the trade date.

## Trading Hours

8:50 a.m. until 20:00 p.m. CET.

# Market Maker Scheme

## Nemax 50 Options (Regular Market Making)

### Quote Obligations

**Minimum Size:** 50 contracts on the bid and ask side in all option series.

**Maximum Spread:**

| Bid up to | Spread |
|---|---|
| 24.9 | 5.0 EUR |
| 249.9 | 20% |
| 9999.8 | 50.0 EUR |

**Response to quote requests:** At least 50% of all Quote Requests have to be answered (up to a max. of 150 quote requests per day)

- within 1 minute
- with a minimum holding time of 10 seconds

**Market Maker Fees:**

| | |
|---|---|
| Trade per contract | EUR 0.10 |
| Exercise per contract | EUR 0.10 |

## Nemax 50 Futures (Designated Market Making)

### Quote Obligations

**Minimum Size:** 20 contracts on the bid and ask side, only in the series with the nearest expiration (Front Month)

**Maximum Spread:** 20 index points

**Quotation Period:** 50 percent of the total daily trading period on a monthly average

**Designated Market Maker Fees:**

June 19, 2000 up to September 30, 2000:
Total refund of trading and clearing fees for contracts traded on M accounts

October 1, 2000 up to December 30, 2000:
50% refund of trading and clearing fees for contracts traded on M accounts

Application for the Granting of Market Maker Licences at Eurex

Attachment 3 to Eurex Circular 037/00

Eurex

Product Development

60284 Frankfurt

(Fax: ++49 69 2101-4461)

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 an 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

Option contracts on equities with the following underlying(s):

| | | | |
|---|---|---|---|
| ☐ AAR (ABN Amro) | ☐ CSGN (Credit Suisse Gr.) | ☐ HEPE (Helsinki Tel. Corp.) | ☐ MMN (Mannesmann) |
| ☐ ABBN (ABB) | ☐ CSO (Consors) | ☐ HOEC (Hoechst) | ☐ MOB (Mobilcom AG) |
| ☐ ADEN (Adecco) | ☐ DBK (Deutsche Bank) | ☐ HOL (Holderbank) | ☐ MSRB (Metsä-Serla Corp.B) |
| ☐ ADS (Adidas) | ☐ DCX (Daimler Chrysler) | ☐ HUKI (Huhtamäki I) | ☐ MUV2 (Münchner Rück.) |
| ☐ AEN (Aegon) | ☐ DHA (Degussa Hüls) | ☐ HVM (Bayer.Hypo-.Vereinsb.) | ☐ NESN (Nestlé) |
| ☐ ALUB (Algroup) | ☐ DRB (Dresdner Bank) | ☐ INN (ING) | ☐ NOA3 (Nokia Corporation A) |
| ☐ ALV (Allianz) | ☐ DTE (Deutsche Telekom) | ☐ IFX (Infineon Technologies AG) | ☐ NOVN (Novartis) |
| ☐ ASG (Generali) | ☐ ENT (ENI) | ☐ ISH (Intershop Comm. AG) | ☐ PHI (Philips St.) |
| ☐ BAS (BASF) | ☐ ENUR (StoraEnso R) | ☐ KAR (Karstadt) | ☐ PRS (Preussag) |
| ☐ BAY (Bayer) | ☐ EPC (Epcos AG) | ☐ LHA (Lufthansa) | ☐ RAN (Rentenanstalt) |
| ☐ BMW (BMW) | ☐ ETV (EM. TV & Merchand.) | ☐ LIN (Linde) | ☐ ROG (Roche Holding) |
| ☐ CBK (Commerzbank) | ☐ FME (Fresenius Med. Care) | ☐ LONN (Lonza) | ☐ ROY (Royal Dutch) |
| ☐ CIBN (Ciba Spezialitäten) | ☐ FOT (Fortum Corporation) | ☐ MAN (MAN) | ☐ RPL (UPM-Kymmene Corp.) |
| ☐ CLN (Clariant) | ☐ HEN3 (Henkel VZ) | ☐ MEO (Metro) | ☐ RUKN (Schweiz. Rückv.) |

| | | | |
|---|---|---|---|
| ☐ RWE (RWE) | ☐ SMPA (Sampo Insurance) | ☐ TTEB (TietoEnator Corp.) | ☐ VLM (Metso Corporation) |
| ☐ SAP3 (SAP VZ.) | ☐ SOY (Sonera Corporation) | ☐ UBSN (UBSAG) | ☐ VOW (Volkswagen) |
| ☐ SCH (Schering) | ☐ SRN (Sair Group) | ☐ UHRN (The Swatch Group) | ☐ ZUAN (Zurich Allied) |
| ☐ SCMN (Swisscom) | ☐ SUN (Sulzer) | ☐ UNI (Unilever) | |
| ☐ SET (Tele. Italia) | ☐ TKA (Thyssen Krupp) | ☐ VEB (Veba) | |
| ☐ SIE (Siemens) | ☐ TOI (T-Online) | ☐ VIA (VIAG) | |

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

☐ OFOX
Option contracts on the Finnish Stock Index (FOX®)

☐ ON50
Option contracts on Nemax® 50

☐ OEU3
Option contracts on the Three-Month Euribor Future

☐ OSMI
Option contracts on the Swiss Market Index (SMI®)

☐ OGBL
Option contracts on Euro-BUND Futures

☐ OGBM
Option contracts on Euro-BOBL Futures

☐ OGBS
Option contracts on Euro-Schatz Futures

☐ ONOR
Option contracts on the Dow Jones Nordic STOXX 30

☐ OSTX
Option contracts on the Dow Jones STOXX 50

☐ OESX
Option contracts on the Dow Jones Euro STOXX 50

**II.** The functions associated with such Market Maker Licences will be carried out by the following persons who have already been admitted for trading at Eurex:

| Name, first name | Product to be covered |
|---|---|
| Name, first name | Product to be covered |
| Name, first name | Product to be covered |

We herewith declare that the persons listed above 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 |
|---|---|

**Application form Designated Market Making Scheme**

**To Eurex**
**Product Development**
Olaf Hummels
60284 Frankfurt am Main

**Fax no.: +49-69-2101-4461**

**Application for the Status of Designated Market Maker in Nemax 50 Futures contract (FN50)**

1. We _____
(name of member)

herewith apply for the status of Designated Market Maker in the Nemax 50 Futures contract for the period from June 19, 2000 until December 30, 2000 in accordance with the terms and conditions stated in the Quote Obligations (Attachment 2).

2. As a Designated Market Maker

a) we will provide bid and ask quotes on both sides of the market

- for the minimum number of contracts specified in the quote obligation
- in compliance with the Maximum Spreads (see quote obligation); and
- for the period of time specified in the quote obligation (also, and in particular, on a daily basis at the beginning of trading and at the end of trading in the contract and in response to quote requests)

b) we will give you the name of a manager who has the authorization and expertise necessary to make decisions and act as the co-ordinator in our firm, who will be available for Eurex with respect to this agreement;

c) we will ensure that a Eurex trading screen and a qualified trader are available for Designated Market Making; and

d) we will inform Eurex within one business day in the event that we find ourselves no longer in a position to fulfil these obligations.

3. Eurex will in return

a) mention the name of the Eurex member with the Designated Market Maker status in advertising and informative material in connection with the contracts;

b) make Eurex spokesmen and printed material available for seminars organized by the Designated Market Makers regarding the Nemax 50 Future; and

c) refund all trading and clearing fees for the Nemax 50 Futures contracts traded by the Designated Market Makers on M accounts up to September 30, 2000 and to refund 50% of trading and clearing fees for the Nemax 50 Futures contracts traded by the Designated Market Makers on M accounts from October 1, 2000 up to December 30, 2000. The refund for the respective month will be calculated at the beginning of the subsequent month. No refunds will be made for Nemax 50 Futures traded on A or P accounts or if the quote obligations are not fulfilled.

**Application form Designated Market Making Scheme**

4. Compliance with the obligations stated under No. 2 shall be monitored by Eurex.

   In the event that the obligations stated under No. 2 are not met by us, Eurex shall have the right to:

   - terminate the agreement and to publicly disclose the termination of the Designated Market Maker status at Eurex's discretion. In this case, Eurex shall be released from its obligations pursuant to No. 3 with immediate effect.

5. In the event of a significant change in the Contract Specifications for the contract or due to a revision of the law or rules with respect to the contract, we as well as Eurex have the right to terminate this agreement with immediate effect or to renegotiate the requirements indicated in paragraph 2 and/or in the Quote Obligations (Attachment 2).

6. Eurex shall have the right to amend or expand one or more of the conditions laid down in this agreement for limited periods of time at its sole discretion with validity for all Designated Market Makers, if it deems this appropriate (for example, in circumstances which lead to high market volatility or if such amendments or expansion is not expected to have an adverse effect on market quality). In the event that Eurex amends or expands one or more conditions, the Designated Market Makers must, for their part, ensure that the Designated Market Makers can also be promptly advised that this situation has ceased to exist.

7. Since the number of Designated Market Makers for the Nemax 50 Future is limited, we grant Eurex the right to make the final selection of Designated Market Makers from the applicants.

8. Other than the aforementioned measures, no special status at Eurex shall be accorded to the participant in conjunction with the Designated Market Maker status, which expires on December 30, 2000. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Eurex.

9. The "Quote Obligation" is an integral part of this application.

**SHOULD BE FILLED OUT BY THE PERSON SPECIFIED IN PARAGRAPH 2. b)**

_____
Place, date

_____ _____
Name Position

_____ _____
Phone Fax

_____ _____
(Signature / Stamp of the firm) E-mail address

Please send the completed application for the status of Designated Market Maker to the indicated fax number no later than June 13, 2000.