X-pand into the Future

e u r e x *circular 267/07*

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Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
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High priority

Weekly Options: Modification and Extension of Market-Making

Related Eurex Circulars: 068/06, 007/07

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Content may be most important for:	**Attachments:**
Ü All departments	none

Summary:

In order to promote further trading activities in Weekly Options based on the equity indexes DAX®, Dow Jones EURO STOXX 50® and SMI® the Management Boards of the Eurex Exchanges decided in their session on December 12, 2007, to continue offering a revenue sharing scheme for Market Makers in all three products from **February 1, 2008 until January 31, 2010**. With this, the existing Market-Making scheme will be modified and extended.

Weekly Options: Modification and Extension of Market-Making

Since April 24, 2006 the Eurex product range comprises Weekly Options on the three indexes DAX®, Dow Jones EURO STOXX 50® and SMI®. The current Market-Making scheme, which is running until January 31, 2008, is based on Permanent Market-Making for index options (PMM). For the Market Maker Obligations at Eurex please also see the Eurex website under the path:

www.eurexchange.com > Trading > Market Model > Market-Making > Market Maker Obligations

To further improve trading activities, especially in the order book, the Management Boards of the Eurex Exchanges decided in their session on December 12, 2007 to continue offering a revenue sharing scheme for Market Makers in these products. The three products will be considered separately and for each product 30 percent of the transaction fees from trading and clearing (pursuant to number 3.1 of the Price List) will be reimbursed to the Market Makers. This scheme will be applied in the period from February 1, 2008 to January 31, 2010.

Eurex will evaluate on a monthly basis which Market Makers have complied with the "Market Maker Obligations at Eurex". Based on the respective amount of traded contracts on M- or P-accounts in the order book, the three most active Market Makers will be determined per calendar month to participate in revenue sharing according to the following ranking:

Market Maker	Revenue Sharing for three Market Makers	Revenue Sharing for two Market Makers	Revenue Sharing for one Market Maker
1	12.5 %	17.5 %	30.0 %
2	10.0 %	12.5 %	
3	7.5 %		

Criteria for Fulfilment of PMM in Weekly Options:

- **Continuous Quotation:**

Permanent Market-Making at Eurex consists of continuous quotation of a set of strike prices for a predefined set of expirations (the maturity range). Continuous quotation has to be for an average of 85 percent of the trading period between 08:50 and 17:30 CET (calculated on a monthly average) on each Exchange trading day per calendar month. PMMs will be obliged to quote calls and puts in five strike prices (i.e. in total ten series) out of a strike price window of the seven nearest strikes around the current index level in every expiration within the maturity range. Asymmetric quotation is allowed. The maturity range for the Weekly Options comprises the front week and the second nearest week, whereas the third Friday of each month as the standard expiry is not considered as a Weekly Option. At present, quote requests do not have to be answered.

- **Minimum Quote Size per expiration:**

Eurex Product	Front Week	Second nearest Week
Options on DAX® (ODX*)	200	100
Options on DJ Euro STOXX 50® (OES*)	200	100
Options on SMI® (OSM*)	200	100

In Fast Market the Minimum Quote Size will be reduced by 50 percent.

- **Maximum Spread**

Eurex Product	**Spread Class**	**Bid up to: Max. Spread**	**Bid up to: Max. Spread**	**Bid up to: Max. Spread**
Options on DAX® (ODX*)	1 (+50%)	0 - 13.3: 2.1	13.4 - 133.3: 15%	> 133.3: 20.1
Options on DJ EURO STOXX 50® (OES*)	1 (+50%)	0 - 13.3: 2.1	13.4 - 133.3: 15%	> 133.3: 20.1
Options on SMI® (OSM*)	2 (+50%)	0 - 35: 5.25	35.1 - 350.0: 15%	> 350.0: 52.5

In Fast Market the Maximum Spread will be increased by 100 percent.

Eurex Members interested in participating in this scheme do not have to apply for this specifically. The performance will be monitored automatically.

The revenue amount to be disbursed to the participants concerned will be communicated and paid on a monthly basis.

Frankfurt, December 21, 2007