e u r e x *circular 42/99*

To: All Eurex Members and Vendors

Date: Frankfurt, 10th May 1999

Price Factor Calculation for Euro Capital Market Futures, Euro-Bund, Euro-BOBL, Euro-Schatz, and Euro-BUXL - Change to Eurex Circular 18/99

Dear Sir or Madam,

The official formula, which has been applicable since the introduction of the December 1999 maturity of the above-named Euro-Capital Market Futures at Eurex for calculation of price factors for the deliverable bonds, contains an implicit assumption that coupon payments will be made at regular intervals throughout the lifetime of the bond. This assumption is incorrect, however, in cases where bonds have irregular first coupons such that the first interest period is not equal to one year.

The price factor calculation according to the formula published in Eurex Circular 18/99 for the most recently issued government bond:

WKN 113511 – Maturity 04.07.2009 – first interest payment period 26.03.99 – 04.07.2000,

was incorrect due to the difference of the first coupon payment.

The executive boards of Eurex Deutschland and Eurex Zurich have therefore made the decision to utilise the formula defined on the following page of this circular for calculation of price factors, again with first application for the December 1999 maturity of the above-named products.

This takes into consideration regular as well as irregular first interest payment periods, and in the case of a regular first payment period, yields the same result as the formula published in Circular 18/99.

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The new formula is as follows:

$$PF = \frac{1}{1{,}06^{f}}\left[\frac{c}{100} * \frac{d_i}{act_2} + \frac{c}{6}\left(1{,}06 - \frac{1}{1{,}06^{n}}\right) + \frac{1}{1{,}06^{n}}\right] - \frac{c}{100} * \left(\frac{d_i}{act_2} - \frac{d_e}{act_1}\right)$$

Originating from the reference point:

DD = (Delivery Date)

first calculate the following dates:

LCD = Last (previous) Coupon Date (or start of the interest payment period)

NCD = Next Coupon Date

NCD1y = 1 Year before NCD

NCD2y = 2 Years before NCD

From that, the parameters used in the formula above are calculated as follows

$d_e = NCD\ 1y - DD$

act_1 = NCD - NCD1y, when $d_e < 0$

NCD1y - NCD2y, when $d_e \geq 0$

$d_i = NCD\ 1y - LCD$

act_2 = NCD - NCD1y, when $d_i < 0$

NCD1y - NCD2y, when $d_i \geq 0$

$f = 1 + \frac{d_e}{act_1}$

c = Coupon Rate (e.g. 4% = 4,0)

n = number of complete years from the delivery date until maturity of the bond

If you have any questions, please contact :

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Yours sincerely

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