X-pand into the Future

e u r e x *circular 045/04*

Date: Frankfurt, April 7, 2004
Recipients: All Eurex members and vendors
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High Priority

Tick Size Reduction in Euro-Schatz Futures and Options on Euro-Schatz Futures

Related Eurex Circulars: 03/98; 09/02

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Content may be most important for:

➲ All departments

Attachment:

Contract Specifications for Euro-Schatz Futures and Options on Euro-Schatz Futures at Eurex Deutschland and Eurex Zürich

Subpart 1.14: Specifications for Futures Contracts on a Notional Short-Term Debt Security of the Federal Republic of Germany (Euro-Schatz Futures)

Subpart 2.13: Specifications for Options Contracts on Futures Contracts on a Notional Short-Term Debt Security of the Federal Republic of Germany (Options on Euro-Schatz Futures)

At their meeting on February 25, 2004, the Management Boards of Eurex Deutschland and Eurex Zürich decided to reduce the tick size of futures contracts on a notional short-term debt instrument issued by the Federal Republic of Germany (Euro-Schatz Futures) from 0.01 percent to 0.005 percent with effect from June 9, 2004. The tick size reduction from 0.01 percent to 0.005 percent also applies to the corresponding options on futures contracts on a notional short-term debt instrument issued by the Federal Republic of Germany (Options on Euro-Schatz Futures). As of June 9, 2004, the value of a tick is therefore reduced from EUR 10 to EUR 5 for the Euro-Schatz Futures and Options on the Euro-Schatz Futures.

This change becomes effective after the close of trading on June 8, 2004 (19:00 CET). Please note that all existing orders in Euro-Schatz Futures will be deleted from the system on this evening and – if so desired – must be re-entered in the morning on June 9, 2004.

The new product parameters will be available in the simulation environment from April 16, 2004.

The modified contract specifications for Euro-Schatz Futures and Options on Euro-Schatz Futures can be found in the attachment to this circular.

1.14 Subpart: Specifications for Future Contracts on a Notional Short-Term Debt Security of the Federal Republic of Germany (Euro SCHATZ Futures)

1.14.1 Subject Matter of Contract

(1) A Euro Schatz Future is a futures contract on a notional debt security of the Federal Republic of Germany with a term of one and three-quarter to two and one-quarter years and a coupon of 6%. The par value of any such contract is EUR 100,000.

(2) After the close of trading in the contract, the seller of a Euro Schatz Future shall be required to deliver debt securities with the par value specified in the contract. Delivery may be made with debt securities of the Federal Republic of Germany which have on the delivery day a remaining term of one and three-quarter to two and one-quarter years. The debt securities must have a minimum issuance volume of 2 billion EUR. The purchaser shall be required to pay the tender price. The tender price shall be equivalent to the par value of the contract, multiplied by the price of the contract at the close of trading in the contract, multiplied by the conversion factor for the debt securities tendered, plus interest accrued since the last interest payment date or, as applicable, minus the interest accrued to the next interest payment date to which the purchaser is not yet entitled.

1.14.2 Term, Close of Trading

(1) Terms expiring on the delivery day of the next, the second succeeding and the third succeeding delivery months are available at the Eurex Exchanges. Delivery months are the quarter-end months March, June, September and December.

(2) The last trading day of a contract shall be two Exchange days prior to the delivery day (subsection 1.14.4) of the relevant quarter-end months. Trading shall end at 12:30 p.m. CET on the last trading day.

1.14.3 Price Gradations

The price of a contract shall be quoted as a percentage of their par value, with ~~two~~ three decimal places. The minimum change in price ("Tick") shall be ~~0.01~~ 0.005 percent (EUR ~~10~~5.00).

1.14.4 Performance, Delivery

(1) The delivery day shall be the tenth calendar day of the respective quarter-end month; provided, however, that if such day is not an Exchange day, delivery shall occur on the next succeeding Exchange day.

(2) The debt securities that may be used to perform Euro Schatz Futures as well as the conversion factors to be applied thereto shall be determined by the Eurex

Exchanges and shall be made available to the Exchange Participants on a screen display. The conversion factor adapts the price of the debt securities available for delivery to that of the contract at the end of trading. The debt securities identified for performance must, at the time of delivery, have a remaining uncallable term of 1.75 to 2.25 years.

(3) Deliveries shall be effected between the Clearing Members and Eurex Clearing AG. Each Clearing Member shall be responsible for deliveries to the Non-Clearing Members served by it and its own customers; the performance of deliveries by Non-Clearing Members to their customers is the responsibility of the Non-Clearing Members. Exchange Participants may only effect onward deliveries of debt securities that have been allocated to their Agent Position Accounts or designated for delivery by their customers.

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2.13 Subpart: Specifications for Options Contracts on Futures Contracts on a Notional Short-Term Debt Security of the Federal Republic of Germany (Options on a Euro SCHATZ Future)

2.13.1 Subject Matter of Contract

An option relates to a Euro Schatz Futures contract pursuant to subsection 1.14.1 et seq. of the available delivery months.

2.13.2 Call Option (Call)

(1) The purchaser of a call option ("Call") has the right to demand the opening of a long position in the Euro Schatz Futures contract with the stipulated exercise price.

(2) The writer of a call is required, on the Exchange day after exercise, to establish a short position in the Euro Schatz Futures contract with the stipulated exercise price.

2.13.3 Put Option (Put)

(1) The purchaser of a put option ("Put") has the right to demand the opening of a short position in the Euro Schatz Futures contract with the stipulated exercise price.

(2) The writer of a put is required, on the Exchange day after exercise, to establish a long position in the Euro Schatz Futures contract with the stipulated exercise price.

2.13.4 Option Premiums

(1) The purchaser of an options contract is required to pay to the writer thereof the price for the purchase of the options right (the "Option Premium").

(2) The premium payment is not made through a one-time payment after the purchase of the option; instead it is part of the daily settlement process during the duration of the option position based on a mark-to-market valuation of the position on each Exchange day. The valuation is made on the day on which the transaction is entered into on the basis of the difference between the option price and the daily settlement price, and thereafter on the basis of the difference between the daily settlement prices of the current Exchange day and the preceding Exchange day. The daily settlement may also result in an interim debit of the writer.

Upon exercise and assignment of the option, as well as upon its expiration, a final premium payment shall be made in an amount equivalent to the daily settlement price of the options contract on the exercise day or the expiration day, as the case may be.

2.13.5 Term, Close of Trading, Expiration Day

(1) Options are available at the Eurex Exchanges with terms consisting of the next three consecutive months as well as the respective following month of the cycle March, June, September and December. The due months of the underlying futures and the expiration month of the option are identical in the months of March, June, September and December, in all other months, the due month of the underlying futures is the next cyclical end-of-quarter month following the expiration month of the option.

(2) The last trading day of an option series shall be the last day on which such option series is available to Exchange Participants for trading and clearing through the EDP system of the Eurex Exchanges. The last trading day shall be the sixth Exchange day before the first calendar day in the expiration month. The expiration day for any option series shall be the Exchange day following its last trading day.

(3) An option series may not be canceled so long as any Exchange Participant continues to hold open positions in such option series.

2.13.6 Exercise Prices

(1) Option series can have exercise prices with price gradations of 0.10 percentage points. A percentage point has a value of EUR 1,000 and represents ~~1~~200 ticks in the EDP system.

(2) Upon the admission of a contract, at least 9 exercise prices shall be made available for trading for each expiration day for each call and put, such that 4 exercise prices are "in the money", 1 is "at the money" and 4 are "out of the money".

(3) Option series with new exercise prices shall be introduced for an existing expiration month no later than at the beginning of the Pre-Trading Period of a given Exchange day in the event that the daily settlement price of the underlying Euro

Schatz Futures contract on each of the previous two Exchange days has exceeded or fallen below the average of the fifth- and fourth-highest or the fifth- and fourth-lowest then-existing exercise prices, as the case may be, of options written on such Euro Schatz Futures contract. A new option series shall generally not be introduced if it would expire in fewer than 10 Exchange days, unless market conditions make such introduction necessary.

2.13.7 Price Gradations

The price of an options contract will be quoted with ~~two~~ three decimal places. The smallest price change shall be ~~0.01~~ 0.005 percentage points; this represents a value of EUR ~~10~~5.00.

2.13.8 Exercise

(1) Options may be exercised by the purchaser on any Exchange day during the term until the end of the Post-Trading Full Period (American style). The last exercise day shall generally be the last trading day (subsection 2.13.5 paragraph (2) sentences 1 and 2).

(2) The Eurex Exchanges shall inform the Exchange Participants on each of the last 10 Exchange days before the last trading day of an option series of options contracts then becoming due.

(3) Each Exchange Participant is responsible for exercising its options contracts. The Eurex Exchanges shall not automatically exercise any options contracts.

(4) In the event of an EDP failure, the Eurex Exchanges must receive a written exercise request from the Exchange Participant concerned (e.g., by letter or fax) no later than the end of the Post-Trading Full Period on or before the last trading day of the options contract. Any such request transmitted in writing to one of the Eurex Exchanges shall be deemed submitted to all Eurex Exchanges. The exercise request shall be entered by the Eurex Exchanges to the extent possible using reasonable efforts.

(5) The exercise of an option entered during any day may be altered until the end of the Post-Trading Full Period on the date of entry.

2.13.9 Assignment

(1) All exercises shall be assigned to the writers of the exercised option series after the end of the Post-Trading Full Period. Assignments shall be binding. Exercises may be assigned throughout the term of an options contract, including on its expiration day (subsection 2.13.5 paragraph (2) sentence 3).

(2) The Exchange Participants and Clearing Members affected by any such assignment shall be notified thereof during the morning of the following Exchange day.

(3) Assignments shall be made through Eurex Clearing AG by a random selection process conducted in accordance with detailed rules. The assignment method shall be communicated to the Exchange Participants. Any change of such method shall become effective only after notice thereof.

(4) All assignments made for the Agent Position Account of an Exchange Participant shall be assigned by such Exchange Participant to the positions of its customers, on the basis of a procedure that ensures the neutrality of the assignment process.

(5) All assignments made for the Principal Position Accounts or M-position Accounts of an Exchange Participant must be performed by such Exchange Participant and may not be transferred onward to its customers.

2.13.10 Performance, Opening of Positions

(1) Exercised and assigned options contracts shall be performed through the opening of a long position (for the purchaser of a call) or a short position (for the purchaser of a put), or of a short position (for the writer of a call) or a long position (for the writer of a put), as the case may be, subsequent to the Post Trading Period of the exercise day; the opening of the applicable position shall occur through the EDP system of the Eurex Exchanges.

(2) Pursuant to the provisions of paragraph (1), Eurex Clearing AG shall open a position in the relevant futures contract for the Exchange Participant concerned; if the Exchange Participant is not a Clearing Member, subsection 2.2 paragraph (2) of the Conditions for Trading at Eurex Deutschland and Eurex Zürich shall apply mutatis mutandis. The Exchange Participant shall have the corresponding obligation to its customers.

2.13.11 Futures Position

The applicable provisions of subsection 1.14.1 et seq. shall govern the futures position opened.