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High Priority

Modifications to the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

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Content may be most important for:

- Middle + Back Office
- Auditing / Security Coordination

Attachment:

Revised section 2.6.10 of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

In their session on June 1, 2005 the Management Boards of the Eurex Exchanges decided modifications to the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich according to the wording of the attachment. The revision concerns section 2.6.10 of the contract specifications "Alterations of Exercise Prices und Expiration Days" and are, basically, editorial and structural ones aimed above all at increasing transparency.

The changes will become effective on **July 1, 2005**.

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2. Part: Contract Specifications for Options Contracts

[.....]

2.6 Subpart: Contract Specifications for Options Contracts and Low Exercise Price Options on Stocks

[.....]

2.6.10 Alterations of Exercise Prices und Expiration Days

The following subsection 2.6.10.1 shall generally determine the alterations of exercise prices und expriation days for all stock options. ~~Any alteration of exercise prices as well as expiration days of options contracts on stocks of Swiss stock corporations is determined in subsection 2.6.10.2.~~ Any alteration of the exercise prices and the expiration days for LEPOs are determined in subsection 2.6.10.~~3~~2.

2.6.10.1 Alterations of Exercise Prices und Expiration Days of Stock Options

(1) Exercise prices shall not be adjusted upon the payment of any dividends.

Dividends are also capital reductions by nominal value reduction with shares of Swiss stock corporations respectively capital reductions by reduction of the nominal value of the shares if the company pays the amount of the nominal value reduction instead of a dividend and if this amount does not exceed the dividend of the previous year as well as guaranteed cash compensations of subscription rights and other comparable rights offered instead of a dividend.

~~(2)~~ Extraordinarily high dividends, bonuses or other cash distributions shall not be deemed to be dividends within the meaning of paragraph (1), Clause 1 and 2. In the event of such distributions, the exercise price for stock options written prior to the day of such distribution shall be reduced by an amount that reflects the value of the distribution, as determined in accordance with a formula established by the Eurex Exchanges; correspondingly, the number of shares underlying the contract shall be increased in such a manner that the original value of the contract is maintained.

~~When an option is exercised, the Eurex Exchanges will provide cash settlement for any shares in excess of the contract size.~~

~~The amount of such cash settlement shall be determined on the basis of the difference between the reduced exercise price of the option and the reference price (Chapter II. Subsection 2.6.4 of the Clearing Conditions of Eurex Clearing AG).~~

(~~3~~2) If subscription rights are granted, ~~the~~ exercise prices ~~for~~ of stock options for those options series written prior to the first Exchange day of such subscription rights shall be reduced by an amount that reflects the value of the subscription right, as determined in accordance with a formula established by the Eurex Exchanges; correspondingly, the number of shares underlying the contract shall be increased such that the original value of the contract is maintained.

~~When an option is exercised, the Eurex Exchanges will provide cash settlement for any shares in excess of the contract size.~~

~~Paragraph (2) shall apply to for any cash settlement mutatis mutandis.~~

(3) In the event of capital increases out of the company's equity *(Gesellschaftsmitteln)*, the number of shares underlying a contract will be increased proportionally to maintain the proportion of the share capital represented by these shares. The exercise price shall be reduced by a value such that the original value of the contract remains unchanged. ~~When an option is exercised, the Eurex Exchanges shall provide cash settlement for any fractional shares the new contract size may cover, provided that the new shares are vested with the same rights as the old shares. In the case of divergent terms, there shall be a cash settlement for the portion exceeding the standard contract size; in all other respects, shares and other fractional interests, if any, shall be delivered based on the new contract size. This shall also apply with respect to stock dividends and similar events.~~

~~Paragraph (2) shall apply to such cash settlements mutatis mutandis.~~

(4) In case of capital reductions, the exercise prices and the standard contract size of the options shall remain unchanged if the capital is reduced by decreasing the par value of the shares.

If a reduction of capital is implemented by a reduction of the nominal value in order to pay back the basic capital to the shareholders, the number of shares underlying the contract increases according to the ratio of reduction, if such reduction is implemented independent of or in addition to the dividend. At the same time, the exercise price reduces by an amount which does not change the original contract value. In case the reduction of capital is not implemented in addition to but instead of a dividend, the exercise prices as well as the contract sizes of the options will only be adjusted by the value exceeding the dividend of the previous year.

If a reduction of capital is implemented by redeeming or consolidating shares, the number of shares covered by a contract shall be reduced proportionally to the proportion of the reduction of the share capital. The exercise price shall be simultaneously increased to a value such that the original value of the contract remains unchanged. ~~Any remaining fractions of shares shall be settled in cash~~.

(5) In the event of stock splits, the exercise prices of stock options shall be reduced in proportion to the split rate. The contract size and / or the position size shall be modified in a ratio such that the option holder's original position remains unchanged.

~~(5) In the event of any change of the contract size and the exercise price pursuant to paragraphs (2), (3) or (4), new option series shall be introduced in accordance with the provisions of subsections 2.6.8 and 2.6.9.~~

~~In the event of changes to the share capital (paragraphs (3) to (6)) and all adjustments pursuant to paragraph (2), all orders and quotes contained in the order book with respect to the relevant option series shall be cancelled by the Eurex Exchanges. The Eurex Exchanges shall notify all Exchange Participants prior to any such cancellation.~~

(6) If, in the cases required by law (e.g. merger, consolidation, conversion of classes of shares by means of an amendment to the articles of association, collectively a "Merger" *(Umwandlung)*), shareholders receive an offer to exchange their old shares for new shares or shares of another stock corporation, any options concerned which are due to expire after the discontinuation of trading in the old shares on a stock exchange (the "Reference Date") shall be adjusted as follows:

The options shall be adjusted on the Exchange day immediately following the Reference Date. The old shares shall be replaced by the same number of new shares issued due to the Merger, or of the other shares offered by the stock corporation. In all other cases in which the exchange ratio is not 1:1 or the holders of old shares are also offered a cash compensation, the exercise prices and contract sizes shall also be adjusted in such a manner that the original contract value is maintained. ~~When an option is exercised after the Reference Date, Eurex Deutschland shall provide a cash compensation for any fractional shares the new contract size may cover.~~ The new underlying shall be delivered at the earliest from the day on which the stock corporation exchanged the old shares for new shares or shares of another stock corporation.

If, in the case of an exchange of shares as required by law, shareholders are offered a cash compensation, securities other than shares or other rights (collectively the "Other Rights") instead of new shares, the term of the options shall expire as soon as the old shares are no longer admitted to trading on a securities exchange (the "Reference Date"). The same shall apply if the Other Rights offered cannot be delivered through the central depositories or other depositories *(Lieferstelle)* recognized by Eurex Clearing AG, or if derivatives on the Other Rights offered cannot be traded on the Eurex Exchanges as a matter of law. If an option concerned is exercised on the Reference Date, the shares underlying the contract shall be replaced by the Other Rights. The Other Rights shall be delivered on the day on which they are transferred by the offering company. If this day is not an Exchange day, delivery shall be effected on the Exchange day immediately following the Reference Date. If the Other Rights offered cannot be delivered through the central depositories or other depositories *(Lieferstelle)* recognized by Eurex Clearing AG, or if derivatives on the Other Rights offered cannot be traded on the Eurex Exchanges as a matter of law, the Eurex Exchanges shall provide a proportional cash compensation.

In case of Options contracts ~~and LEPOs~~ on stocks of German stock corporations ~~it shall in addition apply that~~that the following shall, in addition, apply: ~~,~~ ~~if~~ to the extent that a shareholder, having submitted a takeover bid in accordance with the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, "WpÜG"), has acquired at least ninety-five per cent of the registered share capital of a stock corporation ("Target Company") – such shareholder being referred to as the "Principal Shareholder" –, any options concerned which are due to expire after the Principal Shareholder has paid the consideration owed for the acquisition of such shares and may therefore dispose of the shares of the Target Company ("Reference Date"), shall be adjusted on the Exchange day following the Reference Date in the same way as described with regard to the exchange of shares ~~old shares for new shares or shares of another~~

~~stock corporation~~ in accordance with the German Stock Corporation Law (Aktiengesetz) or the German Law Regulating Transformation of Companies (Umwandlungsgesetz) (see above). Whether or not a shareholder has acquired ninety-five per cent of the shares of the Target Company shall be determined in accordance with § 30 WpÜG.

(7) If a capital measure within the meaning of the aforementioned provisions is exercised but not regulated or covered by the provisions of paragraph 6, the Eurex Exchanges will adjust the respective options in order to maintain the original contract value, to guarantee orderly market conditions and to ensure the clearing and settlement of the contracts. ~~shareholders receive an offer to exchange old shares for new shares, shares of another stock corporation, securities other than shares, other rights or a cash compensation and in the event this capital market transaction is not stipulated by the provisions in accordance with paragraph (6), the Eurex Exchanges will adjust the options concerned in such manner that the original contract value is maintained to the extent possible, well-ordered market conditions are ensured and clearing and contract settlement are facilitated.~~ The Eurex Exchanges shall inform the Exchange Participants of the intended measures.

(8) With exercise of stock options whose contract sizes has been adjusted in the course of a capital measure, the Eurex Exchanges implement a cash compensation. With exercise of Swiss stock options, the cash compensation is always provided for the fractional part of the new contract size. With exercise of options denominated in EUR, the cash compensation is provided for the non-fractional part or for the part deviating from the standard contract size. The cash compensation is determined by the difference between the reduced exercise price of the option and the reference price (Chapter II, Number 2.6.4 of the Clearing Conditions of Eurex Clearing AG).

(9) Amendments to the contract sizes and exercise prices pursuant to paragraph 1 to 7 result in an introduction of new series according to Numbers 2.6.8 and 2.6.9.

With capital measures (paragraph 1 to 7) all orders and quotes listed in the order book in the respective options series will be deleted by the Eurex Exchanges. The Eurex Exchange inform all Exchange participants about an imminent cancellation.

~~**2.6.10.2 Alterations of Exercise Prices and Expiration Days of Options Contracts on stocks of Swiss Stcok Corporations[2]**~~

~~(1) Alterations to the exercise prices and expiration days of Swiss stock options shall be made at the Eurex Exchanges with the purpose of placing option holders – except with regard to the generally expected dividends – on an equal footing with shareholders and of maintaining the original contract value.~~

~~[2] In case of stock options and LEPOs on Synthes, the following provisions for options contracts and LEPOs on stocks of Swiss stock corporations shall apply.~~

(2) Exercise prices shall not be adjusted upon the payment of dividends. Capital reductions by way of a reduction in the par value of the shares – in the event that a company pays out the amount by which the par value is reduced in lieu of a dividend and if such amount does not exceed the dividend paid in the previous year – as well as guaranteed cash compensation for subscription rights and other comparable rights which are offered in lieu of dividends shall also be considered as dividends.

(3) Extraordinarily high cash distributions, the amount of which – in the view of the Eurex Exchanges – the market participants could not anticipate and therefore did not take into account in their price calculation, shall not, to the full extent, be deemed dividends within the meaning of paragraph (1). In the event of such distributions, the exercise price for options which are tradeable prior to the capital transaction shall be reduced by an amount which takes into account the differencial amount between the previous year's dividend and the distribution exceeding such dividend in accordance with a formula established by the Eurex Exchanges; correspondingly, the number of shares underlying the contract shall be increased to such an extent that the original value of the contract is maintained.

When an option is exercised, the Eurex Exchanges will provide cash settlement for any fractional shares the new contract size may cover. The amount of such cash settlement shall be determined on the basis of the difference between the reduced exercise price of the option and the reference price (Chapter II subsection 2.6.4 of the Clearing Conditions of Eurex Clearing AG).

(4) If subscription rights or comparable rights are granted, the exercise price for options which are tradeable prior to the capital transaction shall be reduced by an amount that reflects the value of the subscription right, as determined in accordance with a formula established by the Eurex Exchanges; correspondingly, the number of shares underlying the contract shall be increased such that the original value of the contract is maintained.

When an option is exercised after its adjustment, the Eurex Exchanges will provide cash settlement pursuant to paragraph (3) sentence 5 for any fractional shares the new contract size may cover.

(5) In the event of capital increases out of the company's equity (Gesellschaftsmitteln), the number of shares underlying a contract will be increased proportionally to maintain the proportion of the share capital represented by these shares. The exercise price shall be reduced by a value such that the original value of the contract remains unchanged. When an option is exercised, the Eurex Exchanges shall provide cash settlement for any fractional shares the new contract size may cover pursuant to paragraph (3) sentence 5. This shall also apply with respect to stock dividends and similar events. If a reduction of capital is implemented by redeeming or consolidating shares, the number of shares covered by a contract shall be reduced proportionally to the proportion of the reduction of the share capital. The exercise price shall be simultaneously increased by a value such that the original value of the contract remains unchanged. When an option is exercised, the Eurex Exchanges shall provide cash settlement pursuant to paragraph (2) for any fractional shares the new contract size may cover.

In the event of stock splits, the exercise price of stock options shall be reduced in proportion to the split rate. The contract size and/or the amount of contracts shall be modified in a ratio such that the original value of the option holder's position remains unchanged.

In the case of capital reductions by way of a reduction of the par value of the shares with the purpose of paying back share capital to the shareholders, the number of shares underlying a contract shall be increased relative to the proportion of the reduction in share capital to the extent such reductions are implemented independently of or in addition to the payment of a dividend. The exercise price shall be simultaneously reduced by a value such that the original value of the contract remains unchanged. If the capital reduction is implemented in lieu of a dividend payment rather than in addition to a dividend payment), the exercise price and the contract size of the options shall be adjusted only to the extent (if any) that such payment exceeds the previous year's dividend.

(6) Should, within the context of an acquisition or merger, shareholders be offered the subscription of shares in the acquiring company or another company, the options on old shares shall be converted into options on the offered shares. The shares of the acquired company (the "old shares") shall be replaced by the offered shares according to the ratio in which the offeror offers to sell and exchange the old shares for offered shares. In the event of imparity in the exchange ratio, the exercise prices and the contract sizes of the options shall, as an additional measure, be adjusted such that the original contract value remains unchanged. When an option is exercised, the Eurex Exchanges shall provide cash settlement pursuant to paragraph (3) sentence 5 for any fractional shares the new contract size may cover.

Should, within the context of an acquisition or merger, shareholders be offered a cash settlement, securities other than shares or other rights, the term of the options shall expire upon the cessation of trading in the old shares on the SWX Swiss Exchange. The same shall apply if the offered shares cannot be delivered via the central depositories or other depositories recognized by Eurex Clearing AG, or if derivatives on the offered shares cannot be traded on the Eurex Exchanges for legal or other important reasons.

(7) If a capital transaction is implemented which is not covered by the foregoing provisions, the Eurex Exchanges shall adopt analogous provisions.

(8) In the event of any alteration to the contract size and the exercise price pursuant to paragraphs (2), (3) or (4), new option series shall be introduced in accordance with the provisions of

~~subsections 2.6.8 and 2.6.9.~~
~~In the event of changes to the share capital (paragraphs (3) to (6)) and adjustments pursuant to paragraph (2), all orders and quotes contained in the order book with respect to the relevant option series shall be canceled by the Eurex Exchanges. The Eurex Exchanges shall notify all Exchange Participants prior to any such cancellation.~~

2.6.10.~~3~~2 Alterations of Exercise Prices and Expiration Days of LEPOs

The provisions of subsection 2.6.10.1 ~~and 2.6.10.2~~ with respect to alterations in the exercise prices and expiration days of Swiss stock options shall also apply to LEPO subject to the following:

In the event of a ~~change in the capital~~capital measure, the exercise price for LEPO on Swiss stocks shall in any case remain unaffected. To maintain the original contract value, the ~~change in the capital~~capital measure shall be taken account of by adjusting the contract size accordingly.

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