X-pand into the Future

e u r e x *circular 169/05*

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⚠ **High Priority**

Eurex Release 8.0 - Information on Flexible Options

Related Eurex Circulars: 149/05

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

Summary:

With this circular, Eurex provides additional information on the subjects listed below in context with the planned introduction of Flexible Options:

- AWV Reporting (German Foreign Trade Regulations) for Flexible Options
- Information on § 9 WpHG (German Securities Trading Act)
- Nomenclature for Flexible Options product codes for simulation

If you have any questions or require further information, please feel free to contact Customer Support Team at telephone +49-69-211-1 17 00 or fax +49-69-211-1 17 01.

Eurex Release 8.0 - Information on Flexible Options

1. AWV Reporting (German Foreign Trade Regulations) for Flexible Options

Clearing Members domiciled in the Federal Republic of Germany must observe reporting requirements towards German Central Bank (Deutsche Bundesbank) with regard to the German Foreign Trade Regulations (AWV). For this purpose, the following code number (AWV Code Leistungsverzeichnisnummer) has to be used for transactions in Flexible Options:

831 Payments of premiums and difference between counterparties domiciled inside and outside of the Federal Republic of Germany for options to be settled by a futures exchange's domestic clearinghouse (CCP) as well as payments between Eurex Clearing AG and a futures exchange's non-domestic clearinghouse (CCP).

The code number is already applied for OTC trades of Eurex Clearing such as OTC-Block Trades, Basis Trades and Vola Trades.

For additional information on the code mentioned above, please refer to the "Amendment to the List of Countries" on the website of Deutsche Bundesbank:

www. bundesbank.de > Reporting system > Reporting for external sector statistics > Code lists.

Reporting Flexible Option Transactions to members

With the introduction of Flexible Options two new reports RPTCB063 "Flexible Options Transaction Overview" and RPTCB064 "Flexible Options Daily Transactions" will be available for all members.

The first report (RPTCB063) will list all open Flexible Option transactions separated into account and option products for each exchange member. Within account and option product the contract will be classified by option type (call before put), expiration date (nearest first), strike price (smallest first) and exercise style (A before E).

The second report (RPTCB064) will list all Flexible Options sales separated into options products for each exchange member. A new page starts for each options product. This report will also include the option premiums that result from single Flexible Option transactions; Members can use the report for AWV reporting purposes, if applicable.

Please note that option premiums resulting from Flexible Options will also be included in the total option premium amounts which are displayed in the report RPTCD010 "Daily Cash Account Statement". Furthermore, the window **OTC Flexible Options Clearing** in the @X-tract Clearing GUI contains the option premium that has been entered with the individual Flexible Option transaction.

2. § 9 WpHG (German Securities Trading Act)

The new Flexible Options are not subject to regulatory reporting to the German Federal Financial Supervisory Authority (BaFin - Bundesanstalt für Finanzdienstleistungsaufsicht) pursuant to § 9 WpHG (German Securities Trading Act) as they are not exchange-traded and purely represent OTC transactions. As the parameters of Flexible Options can be chosen individually with regard to strike price, expiration date and exercise style, they are not identical with any regular options tradable on-exchange or with OTC-trades that can currently be carried out at the Eurex exchanges.

3. Nomenclature for Flexible Options Product Codes for Simulation

The new OTC Flexible Options facility will support off-exchange trading, clearing and settlement of user-defined series for traditional-style options. Exercise price, expiration date and exercise style can be defined individually.

In order to distinguish between different Flexible Option series, two additional product codes will be introduced. One will apply to options with European-style execution; a second one will apply to options American-style execution.

For the simulation period the following nomenclature will apply:

Equity Options

1. Flexible Option product codes (flxprodId) for all European-style equity options will consist of the standard product code (prodID) plus the figure “7” at the fourth position; Consequently, “ALV7” specifies European-style Flexible Option on Allianz Holding.

2. Flexible Option product codes (flxprodId) for all American-style equity options will consist of the standard product code (prodID) plus the figure “8” at the fourth position; Consequently, “ALV8” specifies an American-style Flexible Option on Allianz Holding.

Equity Index Options

1. Flexible Option product codes (flxprodId) for all European-style equity index options will also be derived from the standard product code (prodID). However, for equity index options, the third position will be replaced by figure 7; consequently, “OD7X” specifies a European-style Flexible Option on the DAX®, the blue chip index of Deutsche Börse AG.

2. Flexible Option product codes (flxprodId) for all American-style equity index options will also be derived from the standard product code (prodID). However, for equity index options, the third position will be replaced by figure 8; thus, OD8X specifies an American-style Flexible Option on the DAX®, the blue chip index of Deutsche Börse AG.

There are three exceptions to above-mentioned nomenclature:

1. Options on Telecom Italia RNC (prodID TQIR) will have TQ7R and TQ8R for European- and American-style Flexible Options, respectively.
2. Options on Telecom Italia (prodID TQI5) will have TQI7 and TQI8 for European- and American-style Flexible Options, respectively.
3. Options on the Swiss Market Index (prodID OSMI) will have OSM7 and OSM8 for European- and American-style Flexible Options, respectively.

All product codes will be displayed in the new Flexible Options reports RPTCB063 “Flexible Options Transaction Overview “ and RPTCB064 “Flexible Options Daily Transactions”, in RPTTA111 “All Active Series Overview”, in the new theoretical price file and in all new VALUES requests and responses for Flexible Options.

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