X-pand into the Future

# e u r e x *circular 115/01*

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**Recipients:** All Eurex members and vendors
**Authorized by:** Rudolf Ferscha

**High Priority**

## Summary of the Extraordinary Trading Situation on Tuesday, 20 November, 2001

**Contact:** Functional Member Readiness: Tel. +49 69-2101-1700

| **Content may be most important for:** | **Attachments:** None |
|---|---|
| ➲ All Departments | |

This circular summarizes the extraordinary trading occurrences of Tuesday 20 November when, following erroneous order entry, trades in futures and options on the DAX and Dow Jones STOXX indices had to be cancelled by the Exchange. Eurex reconfirms that erroneous participant order entry led to the extreme price changes in the above-mentioned derivatives. Hereby Eurex dismisses speculation that software supplied by Eurex or trading simulation could have been the cause. Eurex continues, as in the past, to uphold the principle of anonymity of trading and does not expose the identity of those institutions and individual traders responsible.

All transactions cancelled in this context on Tuesday were concluded between 09:21 and 09:25 CET. By 09:28 Eurex had informed all participants via its electronic trading system that the respective transactions were being analyzed, and had placed those transactions in the status “Under Investigation”. For a decision of the Exchange regarding mistrades, a market participant application, compliant with the regulatory requirements, is required. Such an application was first made during Tuesday afternoon. To protect market participants, the Eurex Rules and Regulations determine that the submission of a mistrade application may take place up until the end of the Pre-Trading Period of the following trading day. Of the several thousand transactions analyzed, more than 1,300 trades were cancelled on Tuesday afternoon.

Requests for volatility interruptions, raised by some voices against the current background, have been repeatedly discussed with the market and within Eurex participant working committees. However, the overwhelming majority of participants has objected to the introduction of such interruptions. Instead, Eurex derivatives market participants prefer the benefit of continuous trading which permits market users to hedge risk at any time, particularly during volatile market situations. Against this background, Eurex rejects any criticism that it has not introduced volatility interruptions which had supposedly been broadly requested. Eurex will continue its dialogue with market participants on this, in order to determine whether the market has changed its preference.

Furthermore, Eurex will continue its dialogue with market participants in order to assess whether product-specific maximum order sizes should be introduced ex officio by the Exchange. Eurex already offers, on its electronic trading system, a functionality which allows market participants, within their own responsibility, to limit individual order sizes for each product for each individual trader. This approach will also be introduced into the dialogue with market participants and addressed at future working committee meetings.

Eurex Deutschland
D-60485 Frankfurt am Main
www.eurexchange.com

Functional Member Readiness
Tel. +49-69-2101-1700
Fax +49-69-2101-1701

Alternative
Tel. +49-69-9770-1700
Fax +49-69-9770-1701

Management Board:
Rudolf Ferscha (CEO), Jürg Spillmann,
Daniel Gisler, Thomas Lenz,
Michael Widmer