X-pand into the Future

e u r e x *circular 106/02*

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Recipients: All Eurex members and vendors
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High Priority

Introduction of a Volatility Interrupt in Eurex Futures Trading

Related Eurex Circulars: 040/02, 059/02

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

The Management Boards of the Eurex Exchanges have made the decision to complete the security measures initiated with the implementation of order validation for futures trading in May this year, by introducing a volatility interrupt feature. The corresponding amendment to the Trading Conditions for Eurex Deutschland and Eurex Zürich will be published on our web-site shortly (Section 1.1.4 refers).

With effect from November 15, 2002 this function will be activated for all price-time matched futures products.

The function serves only to prevent or limit market movements which, due to their dynamics, are suspected of being due to entry of mistrades or which would give rise to extensive Stop-order cascades. Consequently, the parameters have been chosen on the basis of historical analysis such that even in volatile market situations a break in trading will occur only in very few exceptional cases.

In the event of a volatility interrupt, the product concerned will be set automatically to the 'pre-opening' status. Just as in the morning opening auction, a potential opening price is reported during this phase and market participants have the opportunity to correct any imbalance by the entry or deletion of orders.

During this phase, Eurex will perform a review of the order book situation, and will re-open the product for continuous trading immediately after ensuring orderly market conditions.

The Eurex Trading GUI offers the possibility to associate an audio signal with the occurrence of a volatility interrupt, as explained in the Release 6.0 Functional Release Notes, distributed with Circular 059/02.

Please note that certain third-party applications may need to be restarted in connection with a volatility interrupt.

In general, options are not affected by a volatility interrupt and consequently can continue to be traded during an interrupt of the underlying future.

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