X-pand into the Future

e u r e x *circular 077/00*

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1. Introduction of a New Fee Model for Market Making in Equity Options in Group C

2. Revised Group Classification for German Stock Options

Related Eurex Circulars: 124/99, 028/00, 046/00 (Attachments updated)

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Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Administration	1. Price List Sections 2.2.1, 2.2.3, 2.2.6, 2.2.7, 2.2.15 and 2.2.16 2. Contract Specifications - German Stock Options 3. Market Maker Obligations - German Stock Options 4. Market Maker Obligations - Swiss Stock Options

Summary:

Within the scope of a general review of trading practice in the stock option market segment, at their meeting on 30 August, 2000, the board of Eurex Clearing AG made the decision to introduce a new fee structure for Market Making in Group C stock options. Provided the quotation obligations are satisfied, the new price model for options on German, Swiss and Finnish stock corporations in Group C (terms up to max. 24 months) offers a potential reduction on the current level of Market Maker fees through a volume-dependent two stage fee structure.

The transaction fees for these contracts, as shown in the attached sections of the Price List, will come into effect on 01 November, 2000.

In addition, on 30 August, 2000 the Management Boards of Eurex Deutschland and Eurex Zürich made the decision to change the Group classification of certain German stock options with effect from 23 October, 2000, in order to give additional contract terms.

1. Introduction of a New Fee model for Market Making in Equity Options in Group C

On 30 August, 2000 the board of Eurex Clearing AG made the decision to introduce a new fee structure for Market Making in the most active Eurex stock options. The objective is a Market Maker fee model which gives cost reductions to Market Makers in relation to their volume of trades provided they fulfil the quote obligations. Market segments covered in the scheme are Germany, Switzerland and Finland for stock options in Group C (terms up to 24 months). The two-stage, volume-related trading fees for Market Making in Group C stock options will take effect from 01 November, 2000 as follows:

1. **Stock Options on German Underlyings (ALV, BAS, BAY, CBK, DCX, DBK, DTE, SIE, EOA, VOW, HVM, DRB, SAP3)**

Contracts traded on the M-Accounts per Month:	*Fees:*
1 – 20,000	EUR 0.04 per Contract
from 20,001	EUR 0.03 per Contract

2. **Stock Options on Swiss Underlyings (ABBN, CIBN, CLN, CSGN, LONN, NESN, NOVN, ROG, RUKN, SCMN, UBSN, ZUAN)**

Contracts traded on the M-Accounts per Month:	*Fees:*
1 – 20,000	CHF 0.08 per Contract
from 20,001	CHF 0.06 per Contract

3. **Stock Options on Finnish Underlyings (NOA3)**

Contracts traded on the M-Accounts per Month:	*Fees:*
1 – 20,000	EUR 0.70 per Contract
from 20,001	EUR 0.50 per Contract

These fees are dependent on fulfilment of the Market Maker obligations and will be accounted for in the month end processing by way of a fee-adjustment entry (as for the DAX option) after the appropriate fees per contract in the A- and P-accounts have been booked (German options EUR 0.20, Swiss options CHF 0.40, Finnish options EUR 1.35).

The criteria for fulfilment of Market Maker quote obligations in Eurex stock options remain unaltered, but attachments 3 and 4 published with earlier circulars have been updated to reflect the changes in fee structure and, where applicable, the group classification.

The report RPTTD945 (MTD - MM PERFOR. (FEE RELEVANT) allows Market Making institutions to monitor their performance. Together with the daily report on unfulfilled quote obligations (Quote Request Violations) the report also provides month-to-date figures, so that any potential shortfall in fulfilling quote obligations are always clear.

For technical reasons, the data from the last trading day of the month will only be included in the calculation for the following month.

The modified fee calculation can be tested by all Market Makers from Wednesday 04 October, 2000 in the Simulation environment with the products SIE, DBK, UBSN, and NOA3 set up according to the new fee model. Registration in the Eurex Simulation system as a Market Maker for these products can be made on request to our Clearing Help-desk, by telephone on +49 (0)69-2101-1250.

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2. Additional Contract Terms for German Stock Options

As a further measure, at their meeting on 30 August, 2000 the Management Boards of Eurex Deutschland and Eurex Zürich made the decision to change the contract-term group classification of a number of German stock options. The effect will be to move the current Group A constituents (terms up to 9 months) into Group B (terms up to12 months) or C, and to move additional liquid securities from Group B into Group C. Therefore SAP3 will be moved from Group A to Group C, HVM and DRB from Group B to Group C, and ADS, DHA, HEN3, LIN, MEO, MUV2, SCH, KAR, and MAN will move from Group A to Group B. Group A will have no assigned German stock options when the changes come into effect (see Attachment 2).

On 23 October, 2000 (after the October 2000 contract expiration) the following expiration cycles will therefore be available in the affected stock options:

Underlying Stock	**Available expirations after OCT00 expiry**
SAP3	NOV00, DEC00, JAN01, MAR01, JUN01, **SEP01, DEC01, JUN02**.
HVM, DRB	NOV00, DEC00, JAN01, MAR01, JUN01, SEP01, **DEC01, JUN02.**
ADS, DHA, HEN3, LIN, MEO, MUV2, SCH, KAR, MAN	NOV00, DEC00, JAN01, MAR01, JUN01, **SEP01**.

The classification of all German Stock Options into contract-term groups after the change will be as follows:

Contract Terms - Group A (to max. 9 Months)	**Contract Terms - Group B (to max. 12 Months)**	**Contract Terms - Group C (to max. 24 Months)**
None	EPC, FME, LHA, RWE, PRS, TKA, BMW, CSO, ISH, MOB, IFX, ETV, TOI and (new) **ADS, DHA, HEN3, LIN, MEO, MUV2, SCH, KAR, MAN.**	ALV, BAS, BAY, CBK, DCX, DBK, DTE, SIE, EOA, VOW and (new) **HVM, DRB, SAP3.**

Frankfurt 15 September, 2000

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2.2 The following fees with respect to options contracts:

2.2.1 German Stock Options

with respect to German Stock Options, fees for

a. order matching

- trade	per contract	0.20 EUR
- trade (Market Maker)	per contract	0.03 - 0.04 EUR

If the Market Maker requirements in long term Stock Options (Options of group C with terms up to max. 24 months) are met, transaction fees for trades (Market Maker) shall be subject to a refund, the amount of which shall depend on the turnover, so that the actual fees are as follows:

Traded contracts per month in M-accounts

1 - 20.000	per contract	0.04 EUR
more than 20.000	per additional contract	0.03 EUR

b. trade administration

- trade separation	per transaction	0.00 EUR
- trade transfer	per transaction	0.00 EUR
- adjustment of an opening/closing transaction	per transaction	0.00 EUR

c. position administration

- position closing transaction	per transaction	0.00 EUR
- position transfer	per transaction	0.00 EUR
- position transfer from Market Maker account	per contract	0.16 EUR

d. settlement of trades and positions

- exercise	per contract	0.20 EUR
- exercise (Market Maker)	per contract	0.03 - 0.04 EUR
- exercise adjustment	per transaction	0.00 EUR

If the Market Maker requirements have been met, so that transaction fees will be subject to a refund in accordance with section 2.2.1 a), then rebates will be given to Market Makers for exercise, so that the actual fees for exercises (Market Maker) on the basis of contracts traded in M-accounts per month are as follows:

traded contracts per month in M-accounts:	actual fees per exercised contract:
- up to 20.000	0.04 EUR
- more than 20.000	0.03 EUR

2.2.3 Finnish Stock Options

With respect to Finnish Stock Options, fees for:

a. order matching		
- trade	per contract	1.35 EUR
- trade (Market Maker)	per contract	0.50 - 0.70 EUR

If the Market Maker requirements in long term Stock Options (Options of group C with terms up to max. 24 months) are met, transaction fees for trades (Market Maker) shall be subject to a refund, the amount of which shall depend on the turnover, so that the actual fees are as follows:

Traded contracts per month in M-accounts		
1 - 20.000	per contract	0.70 EUR
more than 20.000	per additional contract	0.50 EUR

b. trade administration		
- trade separation	per transaction	0.00 EUR
- trade transfer	per transaction	0.00 EUR
- adjustment of an opening/closing transaction	per transaction	0.00 EUR

c. position administration		
- position closing transaction	per transaction	0.00 EUR
- position transfer	per transaction	0.00 EUR
- position transfer from Market Maker account	per contract	0.65 EUR

d. settlement of trades and positions		
- exercise	per contract	1.35 EUR
- exercise (Market Maker)	per contract	0.50 - 0.70 EUR
- exercise adjustment	per transaction	0.00 EUR

If the Market Maker requirements have been met, so that transaction fees will be subject to a refund in accordance with section 2.2.3 a), then rebates will be given to Market Makers for exercise, so that the actual fees for exercises (Market Maker) on the basis of contracts traded in M-accounts per month are as follows:

traded contracts per month in M-accounts:	actual fees per exercised contract:
- up to 20.000	0.70 EUR
- more than 20.000	0.50 EUR

2.2.6 LEPO on Stocks of Finnish Stock Corporations

With respect to LEPOs on Stocks of Finnish Stock Corporations, fees for:

a. order matching		
- trade	per contract	1.35 EUR
- trade (Market Maker)	per contract	0.50 - 0.70 EUR

If the Market Maker requirements in long term Stock Options (Options of group C with terms up to max. 24 months) are met, transaction fees for trades (Market Maker) shall be subject to a refund, the amount of which shall depend on the turnover, so that the actual fees are as follows:

Traded contracts per month in M-accounts		
1 - 20.000	per contract	0.70 EUR
more than 20.000	per additional contract	0.50 EUR

b. trade administration		
- trade separation	per transaction	0.00 EUR
- trade transfer	per transaction	0.00 EUR
- adjustment of an opening/closing transaction	per transaction	0.00 EUR
c. position administration		
- position closing transaction	per transaction	0.00 EUR
- position transfer	per transaction	0.00 EUR
- position transfer from Market Maker account	per contract	0.65 EUR
d. settlement of trades and positions		
- exercise	per contract	1.35 EUR
- exercise (Market Maker)	per contract	0.50 - 0.70 EUR
- exercise adjustment	per transaction	0.00 EUR

If the Market Maker requirements have been met, so that transaction fees will be subject to a refund in accordance with section 2.2.6 a), then rebates will be given to Market Makers for exercise, so that the actual fees for exercises (Market Maker) on the basis of contracts traded in M-accounts per month are as follows:

traded contracts per month in M-accounts:	actual fees per exercised contract:
- up to 20.000	0.70 EUR
- more than 20.000	0.50 EUR

2.2.7 LEPOs on Stocks of German Stock Corporations

with respect to LEPOs on stocks of German stock corporations, fees for:

a. order matching		
- trade	per contract	0.20 EUR
- trade (Market Maker)	per contract	0.03 - 0.04 EUR

If the Market Maker requirements in long term Stock Options (Options of group C with terms up to max. 24 months) are met, transaction fees for trades (Market Maker) shall be subject to a refund, the amount of which shall depend on the turnover, so that the actual fees are as follows:

Traded contracts per month in M-accounts		
1 - 20.000	per contract	0.04 EUR
more than 20.000	per additional contract	0.03 EUR

b. trade administration		
- trade separation	per transaction	0.00 EUR
- trade transfer	per transaction	0.00 EUR
- adjustment of an opening/closing transaction	per transaction	0.00 EUR
c. position administration		
- position closing transaction	per transaction	0.00 EUR
- position transfer	per transaction	0.00 EUR
- position transfer from Market Maker account	per contract	0.16 EUR
d. settlement of trades and positions		
- exercise	per contract	0.20 EUR
- exercise (Market Maker)	per contract	0.03 - 0.04 EUR
- exercise adjustment	per transaction	0.00 EUR

If the Market Maker requirements have been met, so that transaction fees will be subject to a refund in accordance with section 2.2.7 a), then rebates will be given to Market Makers for exercise, so that the actual fees for exercises (Market Maker) on the basis of contracts traded in M-accounts per month are as follows:

traded contracts per month in M-accounts:	actual fees per exercised contract:
- up to 20.000	0.04 EUR
- more than 20.000	0.03 EUR

2.2.15 Swiss Stock Options

with respect to Swiss Stock Options, fees for:

a. order matching		
- trade	per contract	0.40 CHF
- trade (Market Maker)	per contract	0.06 - 0.08 CHF

If the Market Maker requirements in long term Stock Options (options of group C with terms up to max. 24 months) are met, transaction fees for trades (Market Maker) shall be subject to a refund, the amount of which shall depend on the turnover, so that the actual fees are as follows:

Traded contracts per month in M-accounts		
1 - 20.000	per contract	0.08 CHF
more than 20.000	per additional contract	0.06 CHF

b. trade administration		
- trade separation	per transaction	0.00 CHF
- trade transfer	per transaction	0.00 CHF
- adjustment of an opening/closing transaction	per transaction	0.00 CHF

c. position administration		
- position closing transaction	per transaction	0.00 CHF
- position transfer	per transaction	0.00 CHF
- position transfer from Market Maker account	per contract	0.32 CHF

d. settlement of trades and positions		
- exercise	per contract	0.40 CHF
- exercise (Market Maker)	per contract	0.06 - 0.08 CHF
- exercise adjustment	per transaction	0.00 CHF

If the Market Maker requirements have been met, so that transaction fees will be subject to a refund in accordance with section 2.2.15 a), then rebates will be given to Market Makers for exercise, so that the actual fees for exercises (Market Maker) on the basis of contracts traded in M-accounts per month are as follows:

traded contracts per month in M-accounts:	actual fees per exercised contract:
- up to 20.000	0.08 CHF
- more than 20.000	0.06 CHF

2.2.16 LEPO on Swiss Stock Corporations

with respect to LEPOs on Swiss Stock Corporations, fees for:

a. order matching		
- trade	per contract	0.40 CHF
- trade (Market Maker)	per contract	0.06 – 0.08 CHF

If the Market Maker requirements in long term Stock Options (Options of Group C with terms up to max. 24 months) are met, transaction fees for trades (Market Maker) shall be subject to a refund, the amount of which shall depend on the volume, so that the actual fees are as follows:

Traded contracts per month in M-accounts		
1 - 20.000	per contract	0.08 CHF
more than 20.000	per additional contract	0.06 CHF

b. trade administration		
- trade separation	per transaction	0.00 CHF
- trade transfer	per transaction	0.00 CHF
- adjustment of an opening/closing transaction	per transaction	0.00 CHF
c. position administration		
- position closing transaction	per transaction	0.00 CHF
- position transfer	per transaction	0.00 CHF
- position transfer from Market Maker account	per contract	0.32 CHF
d. settlement of trades and positions		
- exercise	per contract	0.40 CHF
- exercise (Market Maker)	per contract	0.06 - 0.08 CHF
- exercise adjustment	per transaction	0.00 CHF

If the Market Maker requirements have been met, so that transaction fees will be subject to a refund in accordance with section 2.2.16 a), then rebates will be given to Market Makers for exercise, so that the actual fees for exercises (Market Maker) on the basis of contracts traded in M-accounts per month are as follows:

traded contracts per month in M-accounts:	actual fees per exercised contract:
- up to 20.000	0.08 CHF
- more than 20.000	0.06 CHF

Contract Specifications[1]

Stock Options on
German Shares
(OSTK)

Contract Size

Generally, an options contract gives the buyer of a call the right to buy - or, in the case of a put, the right to sell - 100 shares of the underlying security. Münchener Rückversicherung and Allianz have a contract size of 50 shares.

Minimum Price Movement

Options prices have price gradations of EUR 0.01.

Delivery

Physical delivery of shares of the underlying security.

Delivery Day

Two exchange trading days after the exercise.

Last Trading Day

The third Friday of the expiration month, if that is an exchange trading day; otherwise, on the exchange trading day immediately prior to that Friday.

Daily Settlement Price

The last-paid price of the trading day; or, if the last-paid price is older than 15 minutes or does not reasonably reflect actual market conditions, then Eurex will establish the official settlement price.

Exercise Period

American style, i.e. an option can be exercised up to 9:00 p.m. CET on any exchange trading day during the life of the option, except on the dividend declaration date of the underlying security.

Expiration Months

Group A shares: the three nearest calendar months, as well as the following two months within the cycle March, June, September and December thereafter (i.e. up to a maximum of 9 months).

Group B shares: the three nearest calendar months, as well as the following three months within the cycle March, June, September and December thereafter (i.e. up to a maximum of 12 months).

Group C shares: the three nearest calendar months, as well as the following three months within the cycle March, June, September and December thereafter, and the following two months within the cycle June and December thereafter (i.e. up to a maximum of 24 months).

Exercise Prices

Options series may have the following exercise prices:

Exercise prices	Exercise price gradation	
to EUR 5	EUR 0.20	
EUR 5.5 to EUR 10	EUR 0.50	
EUR 11 to EUR 20	EUR 1	
EUR 22 to EUR 50	EUR 2	
EUR 52.50 to EUR 100	EUR 2.50	only for the 1st and 2nd expiration months
EUR 55 to EUR 200	EUR 5	
EUR 210 and above	EUR 10	

For each expiration month, there are at least three call and three put series, each with an in-the-money, at-the-money and out-of-the-money strike price. For options contracts with 18- and 24-month durations, the exercise price gradations are doubled.

[1] Valid as of 23 October, 2000

Optionable Stocks

Eurex stock options on German stocks are traded in the following groups according to their expiration months:

Group A	Group B	Group C
1, 2, 3, 6 and 9 months	1, 2, 3, 6, 9 and 12 months	1, 2, 3, 6, 9, 12, 18 and 24 months
None	Adidas (ADS)	Allianz-Holding (ALV)
	BMW (BMW)	BASF (BAS)
	Consors Discount-Broker (CSO)	Bayer (BAY)
	Degussa-Hüls (DHA)	Bay. Hypo. und Vereinsbank (HVM)
	EM. TV & Merchandising AG (ETV)	Commerzbank (CBK)
	Epcos (EPC)	Daimler Chrysler (DCX)
	Fresenius Medical Care AG (FME)	Deutsche Bank (DBK)
	Henkel Vz. (HEN3)	Deutsche Telekom (DTE)
	Infineon (IFX)	Dresdner Bank (DRB)
	Intershop (ISH)	EON (EOA)
	Karstadt (KAR)	SAP Vz. (SAP3)
	Linde (LIN)	Siemens (SIE)
	Lufthansa (LHA)	VW (VOW)
	MAN (MAN)	
	Metro (MEO)	
	Mobilcom (MOB)	
	Muenchener Rueckversicherung (MUV2)	
	Preussag (PRS)	
	RWE (RWE)	
	Schering (SCH)	
	Thyssen Krupp AG (TKA)	
	T-Online (TOI)	
	VIAG (VIA)	

Trading hours (CET)

9:00 a.m. until 8:00 p.m. CET.

All stock options on German stocks are traded with mandatory market-making.

Option Premium

Payments of the equivalent EUR value in full on the first exchange trading day after the buy date.

Market Making

German Equity Options

Quote Obligations

Minimum Size:

50 contracts on the bid and ask side in all option series for options included in groups A, B and C. Exceptions are MUV2 with 5 and Allianz, Consors, EM TV, Intershop, Mobilcom, SAP3, and T-Online with 10 contracts.[1]

Maximum Spread:

A) Regular Spread:

Group A:

None

Group B and C:

Bayer, BASF, Bay. Hyp. und Vereinsbank, BMW, Commerzbank, Consors, Daimler Chrysler, Degussa-Hüls, Deutsche Bank, Deutsche Telekom, Dresdner Bank, EM TV., EON, Epcos, Fresenius Medical Care, Henkel Vz., Infineon, Intershop, Karstadt, Linde, Lufthansa, MAN, Metro, Mobilcom, Preussag, RWE, Siemens, Thyssen- Krupp, T-Online, VIAG, VW

Bid up to	*Spread*
1.33	0.20 EUR
6.66	15 %
999.80	1.00 EUR

B) Exceptions

Group A:

None

Group B and C:

Adidas, Allianz, Münchener Rückversicherung, SAP Vz. and Schering

Bid up to	*Spread*
10.00	1.00 EUR
20.00	2.00 EUR
30.00	3.00 EUR
50.00	4.50 EUR
9999.80	10 %

Response to quote requests:

- At least 50 % of all Quote Requests have to be answered (up to a max. of 150 quote requests per day)
- within 5 minutes
- with a minimum holding time of 10 seconds

Market Maker Fees:

Refer to Price List

[1] For the "Fast Market" product status, a reduced Minimum Size of 25 contracts applies. Exceptions are Allianz, Consors, EM TV, Intershop, Mobilcom, SAP3, and T-Online with 5, and Münchner Rück. with 3 contracts

Market Making

Swiss Equity Options

Quote Obligations

Minimum Size:

5 contracts on the bid and ask side in all option series and for all Swiss equity options[1]

Maximum Spread:

Group A:

Adecco N, Givaudan N, Holderbank I, Rentenanstalt/Swiss Life N, Sair Group N, Sulzer N, The Swatch Group N

Group C

ABB N, Algroup N, Ciba N, Clariant N, Credit Suisse Group N, Lonza AG, Nestle N, Novartis N, Swisscom N, Schw. Rückvers. N, UBS AG N, Zurich Allied N

Bid up to	***Spread***
29.50	6.00 CHF
249.00	20 %
9999.80	50.00 CHF

Exception:

Roche Holding GS

Bid up to	***Spread***
49.50	10.00 CHF
449.00	20 %
9999.80	100.00 CHF

Response to quote requests:

At least 50 % of all Quote Requests have to be answered (up to a max. of 150 quote requests per day)

- within 5 minutes
- with a minimum holding time of 10 seconds.

Market Maker Fees

Refer to Price List

[1] In the “Fast Market” product status there is a reduced Minimum Size of 3 contracts