e u r e x *circular 73/98*

To: All Eurex members and vendors

Date: Frankfurt, 25th November 1998

1. Introduction of Roll-over facilities for DM-euro
2. Displayed Decimals for Basis Prices of Stock Options after euro conversion

Dear Sir or Madam,

Please note the following information:

1. Introduction of Roll-over facilities for DM-euro

To simplify the position change in Money-and Capital-Market Futures, Eurex will introduce Roll-over facilities on the basis of Inter-Product Spreads for Capital-Market Futures on December 11th1998, and for Money-Market futures on December 17th 1998. A Roll-over of positions between DM and euro will only be possible when there are identical expiry dates and with identical prices in the corresponding contracts. For a full specification, please see the attached description. We would like to point out that these facilities do not permit Spread trading in the true sense. They operate more as a search and combination market for counterparties with opposing DM positions who wish to transfer them to euro positions.

The transaction fees, which arise for technical software reasons, will be reimbursed at the end of the month. Thus, the use of these Roll-over facilities will be free of charge.

2. Display of Stock Option Basis Prices following euro-conversion

In connection with the euro-conversion, the basis price of stock options on BMW, KAR, LIN, MAN, PRS, THY, and VIA will be displayed with one decimal place from 04.01.1999.

The display of the basis prices of MUV2 and SAP3 will be changed from one to two decimal digits.

The basis price display of all other German stock options will remain unchanged with two decimal digits.

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Yours sincerely,



Jörg Franke



Hartmut Klein

Enclosure

ANNEX

Introduction of the Roll-Over Facility / Inter-Product Spreads to Roll Over DM-Positions into Euro-Positions in Money- and Capital-Market Futures.

In conjunction with the euro conversion, the DM Money- and Capital-market Futures at Eurex will gradually be replaced through the parallel introduction of euro contracts. The corresponding euro products have already been introduced at Eurex. Roll-over facilities are being introduced at Eurex to make it easier for the participants to change over DM contracts into the corresponding euro contracts.

As of December 11, 1998, the following roll-over facilities will be available

BUNR: BUND - FGBL - Roll-Over Facility,
BOBR: BOBL - FGBM - Roll-Over Facility,
SHAR: SHAZ - FGBS - Roll-Over Facility,
JUMR: JUMB - FMBM - Roll-Over Facility.

The following, additional roll-over facility will be available as of December 17, 1998:

LIBR: LIB3 - FLI3 - Roll-Over Facility.

These roll-over facilities will be set up in the Eurex trading system as products in their own right with their own order books. Immediately after the transaction is completed, trades in roll-over facilities will be divided into two transactions in the underlying contracts and then promptly posted in the individual position accounts. Partial trades resulting from transactions in roll-over facilities will be marked with the combination type "9" in the TRAD-Review of the individual products and in the BOF ‘Position Transaction’ messages.

The ‘Spread Ratio’ and ‘Pricing Offset’ parameters in the above-mentioned roll-over facilities have been set as follows:

Product-ROF-Code	ISIN	Leg 1	Leg 2	Spread Ratio	Pricing Offset
BUNR	DE0009653170	BUND	FGBL	4 : 5	100 Ticks
BOBR	DE0009653188	BOBL	FGBM	4 : 5	100 Ticks
SHAR	DE0009653196	SHAZ	FGBS	4 : 5	100 Ticks
JUMR	DE0009653246	JUMB	FMBM	4 : 5	100 Ticks
LIBR	DE0009653204	LIB3	FLI3	2 : 1	100 Ticks

The ‘Spread-Ratio’ parameter determines the number of contracts in each of the individual leg products which make up a roll-over. In other words, the purchase of a BUND-FGBL roll-over corresponds to the purchase of 4 BUND contracts and the sale of 5 FGBL contracts. This parameter roughly corresponds to the relation of the nominal values of the individual legs on a euro basis. The ‘Pricing Offset’ parameter is predetermined by the system to enable matching at a spread-difference between the two products at a price of zero. Orders can only be entered exactly at the Offset Price, other limits are rejected by the system. This means that both legs are settled at the same price. Since both legs have the same underlying contract, it can be assumed that both products will also have the same price on their respective trading screens. Therefore, it makes sense to offer institutional customers a roll-over that enables a position switch with a counterparty at the same price without an execution risk. Market participants who may wish to trade an existing spread between DM and euro contracts can also do so through the respective product order books.

It is necessary to enter a roll-over trade as a ‘To Open’ transaction, which is pre-set by the system. Other entries will be rejected. This means that the DM positions will not be closed automatically. A corresponding closing adjustment must be made in the back-office. The roll-over trade is identifiable as distinct from the "conventional" trades in the individual products by being marked with the combination type ‘9’ in the TRAD-Review. This identification will also be made for the reimbursement of fees.

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The following contract months are available for the roll-over products:

- **BUNR, BOBR, SHAR, JUMR**: March 1999.
  Since, for technical reasons, at least three settlement months must be offered for trading in every futures contract in the Eurex system, the June 1999 and September 1999 contract months will also be displayed. Entries of any kind in these maturities, however, will be rejected on the systems side.

- **LIBR**: March 1999, June 1999, September 1999, December 1999, March 2000, June 2000, September 2000, December 2000 and March 2001.

The prices at which the individual contracts are posted will be determined on the basis of a price that comes as close as possible to the fair market price (the reference price) of the product defined as Leg 1.

The procedure used to determine the reference price for Leg 1 is outlined in the following table:

Step	Market Situation	Reference Price
1	Best bid < last trade price < best ask	Last trade price
2	Step 1 does not yield a reference price; the last trade price lies outside the inside market, best-bid and best-ask prices exist	Average of the best bid and best ask, rounded to 1 tick
3	Step 2 does not yield a reference price; the incoming roll-over order is a buy order, and a best ask price exists in the first leg, or the incoming roll-over order is a sell order, and a best bid price exists in the first leg	Best ask price when a Buy Roll-Over Order is entered, best bid price when a Sell-Roll-Over Order is entered
4	Step 3 does not yield a reference price; a last trade price exists in Leg 1	Last trade price
5	Step 4 does not yield a reference price	Previous day's settlement price

Roll-overs are entered and matched through the FUTO and FUTQ screens available in futures trading. To roll over a BUND Future, for example, the corresponding screen is reached by entering: GOTO FUTO BUNR. The FUTS and FTSQ screens are not available for this purpose.

The limits applying to the entry of roll-overs for synchronous transactions correspond to those of the underlying futures. We wish to remind you that - as in the case of all product launches - on-line access to the desired roll-over facilities must be authorized and activated by your System Administrator (Screen A020).

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