X-pand into the Future

e u r e x *circular 051/01*

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Recipients: All Eurex members and vendors
Authorized by: Jürg Spillmann

⚠ **Action Required** ⚠ **High Priority**

Adjustment of Equity Options on Nestlé (NESN) and Rentenanstalt/Swiss Life (RAN) due to corporate actions

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Content may be most important for:	**Attachments:** None
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Administration	

Summary:

The Eurex stock options on Nestlé (NESN) and Rentenanstalt/Swiss Life (RAN) will be adjusted due to corporate actions.

The Nestlé option will be adjusted due to a 10:1 stock split.

The Rentenanstalt/Swiss Life option will be adjusted due to the payment of a CHF 5.00 special dividend.

The circular provides information on the adjustment procedures and the planned timescales.

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Adjustment of Equity Options on Nestlé (NESN) and Rentenanstalt/Swiss Life (RAN) due to corporate actions

The Eurex stock options on Nestlé (NESN) and Rentenanstalt/Swiss Life (RAN) will be adjusted due to corporate actions. The Nestlé option will be adjusted due to a 10:1 stock split. The Rentenanstalt/Swiss Life option will be adjusted due to the payment of a CHF 5.00 special dividend.

Nestlé option (NESN) Split Ratio 10:1

Quotation ex-split: 11 June, 2001

With effect from 11 June, 2001, existing series will be adjusted with an R-factor of 0.1. For example, an exercise price of 2000 with a contract size of 10 will be adjusted to an exercise price of 200 with a contract size of 100. All adjusted series will be given the version number 1. After the stock split the standard contract size will be 100 shares. New series with version number 0 introduced after the split, due to price changes or introduction of new expirations, will also have a contract size of 100 shares. Consequently, there will be no difference between series with version number 1 or 0.

In the future, exercise prices will be displayed to 2 decimal places. Firstly, one decimal place will be added with effect from 08 June, 2001(thus 2000 becomes 20000). The split will take effect from 11 June, 2001 (20000 will become 2000 where 2000 is equivalent to an exercise price of 200.0). A further decimal digit will be added with effect from 12 June, 2001 (e.g. 2000 becomes 20000, where 20000 corresponds to an exercise price of 200.00).

Additional changes valid from 11 June, 2001:

New ISIN: CH0012056047
Tick Size / Tick Value will change from CHF 0.10 to CHF 0.01
Minimum price change for all option prices will be CHF 0.01
Market Maker Maximum Spread:

Bid up to	Spread
0 – 20.00	4.00
20.01 – 50.00	20%
> 50.00	10.00

- On the day prior to the split, all assignments to short call positions for the Nestlé option (NESN) on screen I030 (Contract Cover Assignment Entry) should be cancelled.
- On the day prior to the split, open deliveries in NESN will be cancelled, and replaced in the delivery system on the ex-date with the new ISIN and adjusted number of shares to deliver.
- On the ex-date, collateral balances will be modified to the new values in the Eurex system.
- All outstanding orders and quotes in NESN will be deleted from the order book after close of trading on 08 June, 2001.

Rentenanstalt/Swiss Life (Special Dividend Payment of CHF 5.00)

Ex-dividend date 20 June, 2001.

In addition to a normal dividend, the company Rentenanstalt/ Swiss Life has proposed to pay shareholders a special dividend of CHF 5.00.

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Following the announcement of the payment, Eurex has already communicated its decision, via the Newsboard and the Market Supervision Messages window, to adjust the existing series of the corresponding option, provided the proposal is adopted at the AGM. The procedure will be as follows:

The basis of the adjustment will be the closing price of the underlying stock on the exchange day preceding the ex-dividend date. This closing price will be reduced by the amount of the normal dividend. The resulting price is used in the calculation of the adjustment factor (R-factor).

S1 = Closing price of the equity
S2 = S1 minus the regular dividend
S3 = S2 minus the special dividend

R-factor = S3/S2

The adjustment of the exercise prices is made through multiplication by the R-factor. Thus the contract value remains unchanged, while the contract size is adjusted.

C1 = Old contract size
C2 = New contract size
X1 = Old exercise price
X2 = New exercise price (X1*R-factor)

C2 = (C1*X1)/X2

The new exercise prices and contract sizes which result from the adjustment will be published on the Newsboard / Market Supervision Messages window immediately after close of trading on the exchange day before the ex-dividend date (19 June, 2001). The version number of the existing series will be increased by 1. All open orders and quotes in the order book for the affected series will be deleted after close of trading. New series with the standard contract size of 10 shares and version number 0 will be set up to take effect from the next exchange day (20 June, 2001).

Please take into account the changes described above.

Frankfurt, 06 June, 2001

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