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eurex

Eurex Launches Futures and Options on NEMAX® 50, Europe's Leading Blue Chip Index for High-growth Equity Issues

With the initial launch of three equity options based on Neuer Markt underlyings on September 20, 1999, Eurex enhanced its product range to cover this high-growth equity segment. Following the listing of two additional Neuer Markt equity options – Intershop and T-Online – Eurex will continue to expand its product range with the introduction of futures and options on the NEMAX® 50, the Neuer Markt blue chip index. Eurex will thus be the first derivatives exchange to offer index products based on Europe's leading market for high-growth issues.

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Deutsche Börse has calculated the NEMAX® 50 index since July 1, 1999. Thanks to its composition of Neuer Markt blue chips, the index has been established as the high-growth counterpart to the traditional equity market, as represented by the DAX. The huge popularity of the Neuer Markt and the NEMAX® 50 as its benchmark index is reflected by the significant attention paid by the media, but also by soaring cash market volumes. What's more, investors now have a growing choice of customized derivatives such as NEMAX® 50 warrants or participation certificates, as well as Neuer Markt mutual funds.

The contract specifications for the NEMAX® 50 Future and Option are largely in line with existing index derivatives traded at Eurex. The contract size of EUR 1.00 per index point for both futures and options was deliberately set at a lower level compared to the DAX Future and Option, for example. This reflects the strong involvement of private investors in Neuer Markt, and is designed to facilitate trading and hedging strategies for this group of market participants.
Just like all other Eurex options products, the NEMAX® 50 Option will feature a professional market-making scheme allowing investors to establish, or close out, positions at prevailing market prices at all times.

In addition, the launch of the NEMAX® 50 Future will be supported by designated market-makers providing liquidity to the futures market as well.

The contract fees will amount to EUR 0.20 per traded contract for both futures and options. As an additional incentive for market-makers in the NEMAX® 50 Option, a reduced fee rate of EUR 0.10 per contract will be applicable for trades entered into on the 'M' position accounts. Designated market-makers for the NEMAX® 50 Future will enjoy a fee holiday on the 'M' position accounts until September 30, 2000, subject to their quoting commitments being fulfilled.

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For the period from October 1 through December 29, 2000, a contract fee of EUR 0.10 will apply for the 'M' position accounts.

For a full description of all contract specifications, please refer to our flyer "NEMAX® 50 Futures and Options" which can be ordered by phoning T +49 0(69) 21 01-15 10. Alternatively, the information is available on our website www.eurexchange.com/Entrance Hall/Products. Please do not hesitate to contact Olaf Hummels, T +49 (0)69-21 01-52 54, e-mail: Olaf_Hummels@exchange.de

Contract specifications (summary)

Product	NEMAX® 50 Future	NEMAX® 50 Option
Contract Standard	NEMAX® 50 (performance) index	
Contract Value	EUR 1.00 per index point	
Settlement	Cash settlement, payable on the first exchange trading day following the Last Trading Day	
Price Quotation	In points, with no decimal places	In points, with one decimal place
Minimum Price Change	1 point, equivalent to a tick value of EUR 1.00	0.1 points, equivalent to a tick value of EUR 0.10
Expiration Months	The three successive quarterly months within the cycle March, June, September and December	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
Last Trading Day	The third Friday of each maturity month, if this is an exchange trading day; otherwise, the exchange trading day immediately preceding that Friday. Trading ceases at the start of the call phase of the intraday auction on the electronic trading system of the Frankfurt Stock Exchange (Xetra®), at 1:10:30 p.m. CET	
Final Settlement Price	The value of the NEMAX® 50, determined on the basis of the prices of the NEMAX® component shares on the Last Trading Day, as determined in the Intraday Auction on the electronic system of the Frankfurt Stock Exchange (Xetra®) at 1:10:30 p.m. CET	
Trading Hours	8.50 a.m. until 8.00 p.m. CET	
Exercise Period	——	European style; i.e. an option may only be exercised on the last trading day of the options series up to the end of the post-trading period
Exercise Prices	——	Analogous to the DAX Option
Fees	EUR 0.20 per contract traded	

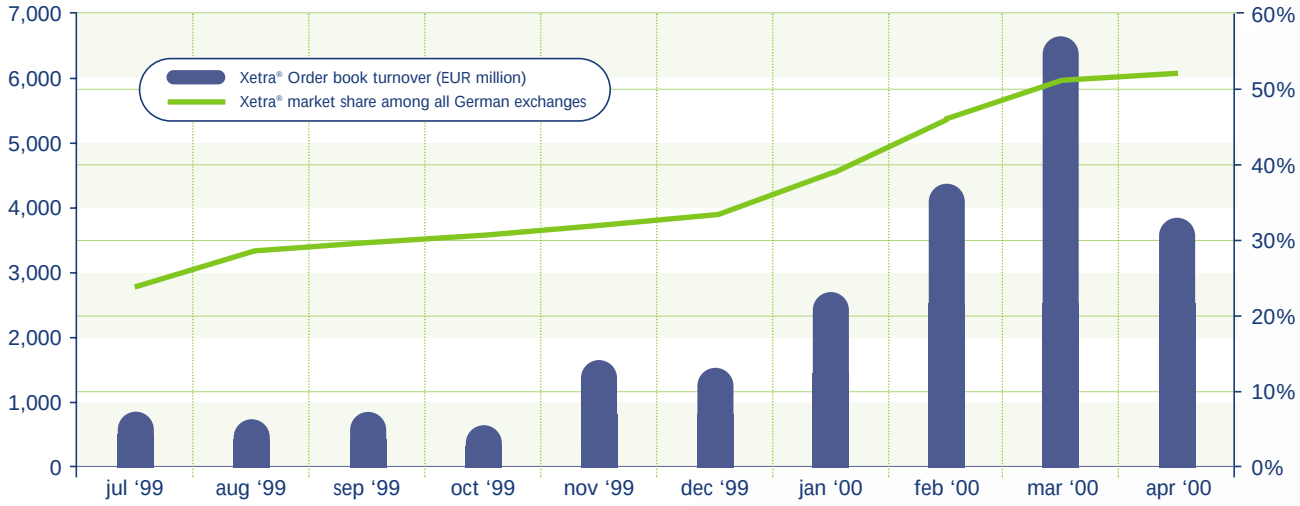
Quotation commitments to be undertaken by market-makers

	NEMAX® 50 Future	NEMAX® 50 Option
Minimum Size	20 contracts (bid & offer) for the front month	50 contracts (bid & offer)
Maximum Spread	20 index points	Bid up to: Spread: 24,9 5,0 249,9 20% 9999,8 50,0
Quotation Period	50% of daily trading hours	
'M' position account fees	Fee holiday from June 19 through September 30, 2000. From October 1 through December 29, 2000: EUR 0.10 per contract traded	EUR 0.10 per contract traded

Market Makers already registered are as follows:

Deutsche Bank	NEMAX® 50 Futures and Options
Estlander & Rönnlund Financial Products	NEMAX® 50 Options
HF Trading	NEMAX® 50 Futures
HSBC Trinkaus & Burkhardt	NEMAX® 50 Options
Hull Trading UK	NEMAX® 50 Options
Timber Hill (Europe)	NEMAX® 50 Options
UBS Warburg	NEMAX® 50 Futures and Options
Westdeutsche Landesbank	NEMAX® 50 Options

Turnover and Marketshare Development of NEMAX® 50 Listings on Xetra®



Calculation of Final Settlement Prices for Eurex Index Products

In recent months the methodology for the calculation of Final Settlement Prices for the various index products traded at Eurex was subject to scrutiny and discussion, but also for misunderstandings. We would like to clarify the methods used for each product group in this article.

The range of Eurex Index Products currently comprises 14 options and futures contracts on 7 European or national indices, with largely harmonized product specifications. With the exception of futures and options on the Swiss equity index SMI, all products are traded and settled in euros. All index options are European-style, i.e. exercises are only possible on the respective expiration date. All index products are cash settled, since a physical delivery of the underlying index would be unpractical. The products differ with respect to the method used to determine the Final Settlement Price on which the cash settlement is based. Four different methods exist:

Method 1

Future and Option on the Dow Jones Euro STOXX 50℠ Index
Future and Option on the Dow Jones STOXX 50℠ Index
Future and Option on the Dow Jones STOXX NORDIC 30℠ Index

The Final Settlement Price is established at 12.00 noon CET on the Last Trading Day, and is based on the average of index calculations from 11.50 a.m. to 12.00 noon CET on the Last Trading Day.

Method 2

Future and Option on the SMI Index

The Final Settlement Price is the value of the SMI, determined on the basis of the collective SWX (Swiss Exchange) opening prices of the SMI component issues on the Last Trading Day.

Method 3

Future and Option on the FOX Index

The Final Settlement Price is the FOX index value based on the volume-weighted average prices of all component issues on the Last Trading Day.

Future and Option on the DAX Index
Future and Option on the NEMAX® 50 Index, the Neuer Markt blue chip index

In view of misunderstandings and a need for clarification regarding the method used to determine the settlement price for these products, as well as the transparency of the calculation process, we would like to cover this process in a more detailed manner.

Trading in expiring series or maturing contracts ceases at the start of the call phase of the intraday auction on the electronic trading system of the Frankfurt Stock Exchange (Xetra®) at 1:00:00 p.m. CET (DAX) and 1:10:30 p.m. CET (NEMAX® 50). The settlement index which is used as the Final Settlement Price for both futures and options is calculated on the basis of the auction prices determined via this auction.

The Xetra auctions in the various component shares may be terminated at different times, for a variety of reasons. On the one hand, the call phase of the auction has a random end in order to prevent manipulation. On the other hand, the length of each auction may be extended by a volatility interruption. This is why the prices on which the settlement index is based may have been determined as much as 9.5 minutes apart from each other.

While the index determined in this way would generally fall within the interval of DAX values during the fixing period from 1.00 p.m. to 1.15 p.m., it may also diverge significantly (as seen in November 1999 – see table and graph on page 6). This is due to the fact that the continuous calculation of the DAX (which is calculated and published every 15 seconds) never comprises all share prices used for the calculation of the settlement price at the same time. In a situation where all auction prices represent daily highs or lows of the corresponding shares, the resulting settlement index may diverge significantly from the DAX levels published on a continuous basis.

Therefore, the method used does not constitute a distortion or manipulation of the settlement price. Quite to the contrary: the procedure effectively serves to prevent manipulation. Since the Xetra® auction may be used to cover or dispose of existing cash position, the hedging opportunities are excellent.

The current procedures have been in place since January 1999, and were implemented following discussions with, and the approval of, Eurex participants. The change of procedures at that time had become necessary in order to introduce a uniform handling for the DAX Future and the DAX Option, based on Xetra® prices. Previously, the settlement had been based on the opening prices on the Frankfurt Stock Exchange (DAX Future) and the average of DAX index calculations from 12.50 p.m. through 1.00 p.m. (DAX Option), respectively.

The benefits of the present procedure are the simplicity in hedging existing cash positions, the prevention of manipulation and the straightforward process. Although potential disadvantages may arise for participants using the products for non-hedging objectives, these may be avoided by closing out positions before the cessation of trading.

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for any questions you may have.

An overview of the determination of the Final Settlement Price for the various index products and of the DAX Index and ODAX Settlement Price on November 19, 1999 can be found on page 6

Euribor Spread Trading to be Extended from June **International Derivatives Week, London** Dates in June and July

Euribor Spread Trading to be Extended from June

With the launch of Eurex Release 4.0 on June 26, 2000, the spread trading functionality for Euribor Futures traded at Eurex will be extended. Time spreads for all pairs of sequential money market futures maturities will thus be available, on a fully integrated basis, for both the one-month and three-month futures contracts.

The improved spread trading facility is yet another functional extension for Eurex Money Market Futures, following the introduction of pro-rata matching in September last year. Please do not hesitate to contact Christine Heyde or Hans Hechler, Eurex Product Development, T +49 (0)69-21 01-56 98 or -58 88 for any additional information you may need.

International Derivatives Week – London, June 19 to June 23, 2000

Futures Industry Association (FIA) and Futures & Options Association (FOA) are hosting the International Derivatives Conference in London from June 19 through June 21, 2000. The conference will cover a wide spectrum of topics but will focus on electronic trading and its influence on derivatives markets. The 10th European Derivatives Exhibition hosted by Futures & Options World (FOW) is the second event within the International Derivatives Week in London and takes place on June 22 and June 23 in the Barbican Center.

The program is comprised of eight individual seminars, each addressing a topic of current importance to the industry. Heike Eckert, Head of Marketing & Sales at Eurex, will speak about the future of the European derivatives exchange. Please stop by and see us. For more information please contact Michael Romanek at T +41 (0)207-778 93 36, e-mail: Michael_Romanek@exchange.de

Dates in June and July

June 19–21, 2000
FIO/FOA Conference,
The Savoy, London

June 22–23, 2000
FOW's 10th European Derivatives Exhibition, The Barbican Centre, London

June 26 and 27, 2000
Eurex/Handelsblatt –
Seminar for Retail Investors, Zurich

July 3 and 4, 2000
Eurex/Handelsblatt –
Seminar for Retail Investors, Düsseldorf

Member Training **Training & Education** Derivatives Market

	Course	June	July
Traders Examination	Colloquium for Eurex Traders Examination	15.06.2000 **L** 16.06.2000 **L** 23.06.2000 **P** 26.06.2000 **C** 27.06.2000 **C**	
	Eurex Traders Examination	26.06.2000 **P** 28.06.2000 **L** 29.06.2000 **L**	05.07.2000 **C** 06.07.2000 **C** 07.07.2000 **C**
System Training	Eurex Functional Member Training	20.06.2000 **L** 21.06.2000 **C**	
	System Training for Eurex Clearing	15.06.2000 **P** 21.06.2000 **L**	
	Refresher Clearing Workshop	16.06.2000 **P** 22.06.2000 **L**	
	Clearer Test Evidence of Vocational Aptitude for Backoffice Staff	27.06.2000 **L/P**	05.07.2000 **C**
	System Training for Eurex Security	19.06.2000 **P** 26.06.2000 **L**	

C Chicago **L** London **P** Paris

continued

The determination of the Final Settlement Price for the various index products is summarized in the following table:

Product	Calculation method
FESX, OESX, FSTX, OSTX, FNOR, ONOR	The average of the Dow Jones (Euro) STOXX 50℠, or Dow Jones STOXX NORDIC 30℠, index values calculated between 11.50 a.m. and 12.00 noon CET on the Last Trading Day
FSMI, OSMI	The value of the SMI, determined on the basis of the collective SWX (Swiss Exchange) opening prices of the SMI component shares on the Last Trading Day
FFOX, OFOX	The value of the FOX index is calculated on the basis of weighted average prices of index component issues, including round lots (pursuant to the definition of the HEX Securities Exchange) which have occurred during the market opening and during continuous trading at the HEX Securities Exchange from 9.10 a.m. to 4.30 p.m., respectively
FDAX, ODAX, FN50, ON50	The value of the DAX (NEMAX 50®), determined on the basis of the collective prices of the DAX (NEMAX 50®) component shares on the Last Trading Day, as determined in the Intraday Auction on the electronic system of the Frankfurt Stock Exchange (Xetra®) at 1:00:00 p.m. CET (DAX) and 1:10:30 p.m. CET (NEMAX® 50)

DAX Index and ODAX Settlement Price on November 19, 1999



Issue	Time of price determination	Price in EUR	Issue	Time of price determination	Price in EUR
Linde	13:05:08	51,80	Karstadt-Quelle	13:05:36	41,75
Schering	13:05:09	119,00	Deutsche Bank	13:05:37	69,90
Adidas-Salomon	13:05:10	75,40	Münchener Rück	13:05:38	232,91
Fresenius Med. Care	13:05:10	78,00	BASF	13:05:40	44,80
Commerzbank	13:05:12	35,05	Mannesmann	13:06:39	199,00
Metro	13:05:14	55,40	Degussa-Hüls	13:08:21	36,20
Siemens	13:05:15	99,50	Deutsche Telekom	13:08:21	56,67
Lufthansa	13:05:16	21,35	MAN	13:08:26	30,90
SAP Vz.	13:05:19	427,00	RWE	13:08:28	38,70
ThyssenKrupp	13:05:20	26,28	Allianz	13:08:28	300,00
HypoVereinsbank	13:05:30	67,80	DaimlerChrysler	13:08:30	70,27
Volkswagen	13:05:31	51,69	Preussag	13:08:39	52,50
Henkel Vz.	13:05:32	63,85	VEBA	13:08:47	49,39
Bayer	13:05:34	41,50	BMW	13:08:57	27,96
Dresdner Bank	13:05:35	52,56	VIAG	13:09:06	17,50

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