newsletter

eurex

Eurex Newsletter N° 15/October 1999 Zurich – Frankfurt/Main

# *Equity options listed on* Neuer Markt issues

*On September 20, 1999, Eurex listed equity options on EM. TV & Merchandising AG, Consors Discount Broker AG and Mobilcom AG. These options on underlyings listed in the "Neuer Markt" segment are traded according to the standard specifications for German equity options with lifetimes of up to 12 months.*

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Deutsche Bank AG, Banque Nationale de Paris, Westdeutsche Landesbank, HSBC Trinkaus & Burkhardt and Archelon have committed themselves to making regular markets in these options from the beginning, subject to the rules of Eurex mandatory market-making.

In launching these options, Eurex recognized the increasing importance of the **Neuer Markt** segment. Market participants are now able to efficiently hedge their cash market positions in the strongest **Neuer Markt** issues in terms of traded volumes. In addition to strong demand by market participants, the three issues were selected on the basis of market capitalization and turnover. Besides being top of the range in the **Neuer Markt** segment, EM. TV & Merchandising, Consors Discount Broker and Mobilcom have already reached – or even exceeded – the levels of some DAX® blue chips. Taken together, all three issues account for some 25% of the overall market capitalization of the **Neuer Markt** segment.

The success story of **Neuer Markt** started in March 1997 – with just two companies listed. Thanks to the explosive growth in this new market segment initiated by Deutsche Börse AG, as many as 150 issues from various high-growth industries were listed at the beginning of September 1999, including 20 companies domiciled outside Germany. This positive trend is set to continue, given growing interest in high-growth sectors and the high public profile of **Neuer Markt**. This segment now accounts for a major part of new issuing volume in Germany. **Neuer Markt** has been firmly established as the dominating market in the

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European league tables for high-growth shares, accounting for some 60% of market capitalization and approximately 80% of turnover.
The equity boom experienced in Germany since the first Deutsche Telekom issue in the autumn of 1996 is seen as a major contributory factor for this development which attracted a large number of small investors to the equity market.
The public profile of Deutsche Börse AG's new equity segment in the investor community was raised even further by the above-average performance of issues listed in this high-growth bracket.
The strong momentum of **Neuer Markt** issues is expected to continue. As a result, the hedging needs of market participants are set to increase. Eurex will respond to these needs and is likely to list additional **equity options** on **Neuer Markt** issues in due course.

*Issuers by country of origin*

| *Country* | *Number* |
|---|---|
| *Germany* | *130* |
| *Israel* | *2* |
| *Netherlands* | *3* |
| *Austria* | *6* |
| *Switzerland* | *4* |
| *Hungary* | *1* |
| *USA* | *4* |

## *+++ Treatment of the Hoechst/Celanese Spin-off +++ Alternative Procedure for Establishment of the Final Settlement Prices for the DAX® Future, MDAX®Future, SMI® Future, DAX® Option and SMI® Option +++ Dates in October and November +++*

**Treatment of the Hoechst/Celanese Spin-off**
At an extraordinary general meeting on July 16, 1999, the shareholders of Hoechst AG approved a resolution to spin-off the industrial chemical activities. The spin-off would be achieved by founding a new exchange-quoted company (Celanese AG) with registered offices in Frankfurt. The exchange listing of Celanese AG is scheduled for October 1999.

With the spin-off of Celanese AG, Hoechst shareholders will receive one Celanese share for every 10 Hoechst shares held. An adjustment to the Hoechst option is also necessary when the spin-off comes into force. The form of the adjustment has been chosen so that the result at the time of the adjustment is value-neutral. A description of the required steps is given below:

- From the time of the spin-off, the underlying security of the Hoechst option is a basket consisting of Hoechst-ex and Celanese
- Exercise prices and contract size of Hoechst options will remain unchanged
- On exercise, a basket (100 Hoechst shares and 10 Celanese shares) will be delivered

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In order to be able to settle the basket, the Hoechst option will be converted into a dummy option, and the Hoechst share will be converted into a dummy underlying which represents the basket of Hoechst and Celanese. Following the conversion of the former Hoechst option on the day of the spin-off, only these "Dummy" Hoechst options will exist.

The procedure is explained in detail in circular 96/99 which can be found under the member section on: www.eurexchange.com

**Alternative Procedure for Establishment of the Final Settlement Prices for the DAX® Future, MDAX® Future, SMI® Future, DAX® Option and SMI® Option**

Eurex would like to inform its members of a decision of the Eurex Management Board relating to an alternative procedure for the establishment of the final settlement prices of the DAX® Future, MDAX® Future, SMI® Future, DAX® Option and SMI® Option. This decision was based on the recommendation of the Eurex Working Group – Equity and Index Products.

In the case where no exchange price is recorded for an equity during the appropriate settlement auction which is the basis for establishing the final settlement price of the Eurex products DAX® Future, MDAX® Future, SMI® Future, DAX® Option and SMI® Option, the next available exchange price for the equity will be used in the calculation of the final settlement price.

If no further exchange prices are recorded for such an equity during that day, the last exchange price recorded before the start of the settlement auction will be used in the calculation of the settlement price. This regulation is valid only in the case where trading in the equity concerned is not suspended at the time.

If you have any questions, our Index Products Helpdesk will be pleased to assist you:
T +49 (0)69-21 01-12 20

**Dates in October and November**

**19.–20. October**
FOW Nordic Conference,
Hotel Radisson SAS Plaza,
Oslo, Norway

**04. November**
Gemfa Derivate Kolloquium
IHK Conference Center
Frankfurt/Main, Germany

**10.–12. November**
FIA Conference & Reception,
Chicago, U.S.A.

**30. November–01. December**
FOW Exhibition and Conference
Fondazione Stelline,
Milan, Italy

## *Member Training*

Date: October 5, 1999

## Training and Education Derivatives Market

| | Course | October | Places available | November | Places available |
|---|---|---|---|---|---|
| **Traders Examination** | Colloquium for | 22.10.99 **P** | booked out | 01.11.99 **L** | 7 |
| | Eurex Traders Examination | 25.10.99 **C** | 5 | 02.11.99 **L** | 10 |
| | | 26.10.99 **C** | 5 | 17.11.99 **P** | booked out |
| | | 29.10.99 **H** | 6 | 29.11.99 **C** | 4 |
| | | | | 30.11.99 **C** | 5 |
| | Eurex Traders Examination | 15.10.99 **L** | 2 | Week Nov. 01 **C** | 5 |
| | | 08.10.99 **H** | 4 | 02.11.99 **P** | booked out |
| | | | | 11.11.99 **L** | 12 |
| | | | | 12.11.99 **L** | 4 |
| | | | | 22.11.99 **H** | 4 |
| **System Training** | Eurex Functional | 19.10.99 **P** | 4 | 15.11.99 **L** | 10 |
| | Member Training | 27.10.99 **C/L** | 3/2 | 24.11.99 **F** | 12 |
| | | | | 25.11.99 **P** | 2 |
| | System Training for | 15.10.99 **F** | 6 | 09.11.99 **L** | 10 |
| | Eurex Clearing | 20.10.99 **P** | booked out | 16.11.99 **L** | booked out |
| | | 28.10.99 **L** | 2 | 25.11.99 **F** | 9 |
| | | | | 26.11.99 **P** | booked out |
| | Refresher | | | 03.11.99 **L** | 12 |
| | Clearing Workshop | | | 09.11.99 **P** | 4 |
| | | | | 18.11.99 **L** | 3 |
| | Clearer Test | 19.10.99 **H** | 6 | 04.11.99 **P** | 18 |
| | | | | 10.11.99 **P** | 5 |
| | | | | 19.11.99 **L** | 8 |
| | | | | 23.11.99 **H** | 6 |
| | System Training for | 22.10.99 **L** | postponed * | 08.11.99 **P** | 6 |
| | Eurex Security | | | | |
| **Option Training** | Product Training | | | 15.–18.11.99 **L** | 8 |

* no new date at the moment

**C** Chicago **F** Frankfurt **H** Helsinki **L** London **N** New York **P** Paris

# *CBOT/Eurex Alliance:* Final contracts to be signed

*In Buergenstock, Switzerland, leaders of the Chicago Board of Trade and Eurex announced that they successfully completed their discussions and that final contracts for their alliance will be signed within a few days.*

This announcement followed two days of face-to-face discussions, at which all parties agreed on the terms of the alliance. The **alliance** will jointly implement and operate the common CBOT/Eurex platform in Chicago. The launch of that electronic market is scheduled for mid 2000.

Eurex CEO Joerg Franke said: "The **alliance** expresses the market participants' desire which is to support trading as many markets as possible from one screen," while comments from the CBOT Chairman David P. Brennan were: "**The CBOT/Eurex alliance** is on track and we are moving forward." Furthermore, CBOT President Thomas R. Donovan said: "The **alliance** is the right business decision to allow our members to increase global trading opportunities."

# *Automatic order routing systems* for U.S. based Eurex members

*Eurex is now in the position to allow its U.S. based members to connect their customers via Automatic Order Routing Systems (AORS). This became possible due to the new CFTC no-action letter as of August 10, 1999.*

Customers of U.S. based Eurex members can now electronically route orders through a member's trading system for direct transmission to Eurex. Amongst other requirements, the **Eurex member** must ensure that an electronic filter is in place to monitor the order flow of its clients. Furthermore, a certified Eurex trader, trained to supervise the AORS, must be present at all times.

For information regarding the requirements to connect an AORS at a U.S. based **Eurex member** site and the relevant application procedures, please contact the Chicago office:
T +1-(312)-782-22 23

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