X-pand into the Future

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U **High priority**

Calendar Spreads for Fixed Income Futures: Reduction of Minimum Price Change

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Content may be most important for:

Ü Front Office/Trading
Ü Middle + Backoffice
Ü Auditing/Security Coordination

Attachment:

Updated section of Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

Summary:

In their session on Wednesday, February 7, 2007 the Management Boards of the Eurex Exchanges decided to reduce the potential minimum price change of combined orders in Euro-Bund Futures contracts (FGBL) and Euro-Bobl Futures Contracts (FGBM) from the current 0.01 percent to 0.005 percent in the future. The changes will become effective on **May 21, 2007**.

Combined orders for futures contracts are two individual contracts entered simultaneously for purchase and sale of the same amount of contracts of the same product, which only differ with regard to maturity (calendar spread).

In general, the present price intervals of 0.01 percent of the nominal value will not be affected in individual orders of the corresponding products. However, by integrating combined order books into the individual order books, the latter might contain synthetic orders at a reduced price interval. Execution at a reduced price interval in individual order books is possible either by limiting an individual order with the restriction “Immediate or Cancel (“IoC)” or by entering the next possible higher or lower price limit respectively.

For better comprehension you will find an example in this circular.

Revised price interval will be available in simulation as of March 2, 2007.

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Example:

Individual orders in the June contract month, together with combined orders in the contract months of June/September will result in the following synthetic individual orders in the September contract:

	Bid Quantity	Bid	Ask	Ask Quantity
JUN	50	100.000	100.010	100
JUN/SEP	30	0.010	0.0150	20
SEP	20	99.985	100.000	30

In order to sell 20 contracts at a limit of exactly 99.985, the exchange participant must mark his limit order of 99.985 with the execution restriction “Immediate or Cancel”.

If an unrestricted limit sell order is entered at the next possible full price interval, i.e. at 99.98, the order will also be executed at 99.985, provided the synthetically generated buy order is still available at this price.

By reducing price intervals for calendar spreads exchange participants will achieve a considerable cost reduction for position transfers to other contract months. Since spread prices in general feature considerably lower volatilities than prices of individual contracts, this measure will permit a more precise price determination in combination with more trading possibilities.

As the use of OTC trade entry facilties (Block-, EFP-, EFS and Vola-Trade) is based on individual orders and not on combined orders, price intervals of individual contracts will apply. Thus, for Euro-Bond and also Euro-Bobl Futures only trade entries of 0.01 percent of the nominal value will be admitted.

The revised price interval will be available in simulation as of March 2, 2007.

Frankfurt, February 22, 2007

1 Part: Contract Specifications for Futures Contracts

[.....]

1.2 Subpart: Contract Specifications for Fixed Income Futures Contracts

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1.2.5 Price Gradations

(1) The price of a Euro Schatz Futures contract shall be quoted as a percentage of their par value, with three decimal places. The minimum price change ("Tick") shall be 0.005 percent; this represents a value of EUR 5.

(2) The price of Euro Bobl Futures, Euro Bund Futures, Euro Buxl® Futures and CONF Futures contracts shall be quoted as a percentage of their par value, with two decimal places. The minimum price change shall be 0.01 percent, the tick in Euro Buxl Futures contracts shall be 0.02 %; this represents a value of EUR 10 for the Euro Fixed Income Futures contracts or EUR 20 for Euro Buxl Futures contracts and CHF 10 for the CONF Futures contracts.

(3) If price determination for a Euro-Bobl Futures and a Euro-Bund Futures contract is based on a combined order (Time Spread), the price may also be determined at a price interval different from number (2). In this case, the minimum price change shall be 0.005 percent; this corresponds to an amount of EUR 5 for the Euro-Fixed Income Futures contracts specified (reduced price interval).

A reduced price interval for price determination of an individual order can only be generated by matching an individual order with a combined order. The entry of an individual limit order at a reduced price interval will only be possible via the execution restriction "Immediate or Cancel".

1.2.6 Delivery

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