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Eurex Newsletter N° 7/February 1999 Zurich – Frankfurt/Main

New Developments

Eurex Members' Meeting in London

On January 20, 1999, a Eurex Member's Meeting was held in London to inform members about new developments at Eurex and to discuss the different opinions of clearing members and UK based non clearing members regarding several Eurex trading and clearing aspects.

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Dr. Jörg Franke, Chief Executive Officer of Eurex, welcomed the 14 participating member representatives. In his opening speech, he announced several new developments at Eurex like the restructuring of the clearing committee, a group of member representatives advising the Eurex management on clearing issues. He also mentioned that possibilities to offer a spread and strip trading facility as well as the introduction of a pro rata matcher to allow easier trading of combinations are being investigated.

Following the opening speech, Andreas Preuss, Member of the Executive Board of Eurex, gave a brief status update on issues discussed in last members' meeting in November 1998. Regarding the concerns of some members that the current post trading period is too short to cover all required clearing activities, Eurex announced the decision to extend the period by 30 minutes in a test phase two weeks prior to the March expiration. The test phase will be evaluated using a questionnaire that will be submitted to the members in the next weeks.



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Responding to member complaints that clearing personnel is often unavailable during the post trading period, it was also reaffirmed that a rule demanding the presence of clearing personnel already exists. Furthermore, to ensure high quality clearing, Eurex plans to introduce mandatory training for all back office personnel (NCMs, DCMs and GCMs alike), possibly as early as the second quarter of 1999.

The member representatives were also informed of the new Eurex developments concerning performance issues. Overall, the system load increased from January 1998 to January 1999 by more than 100%. In addition, peak system load increased by 35% from September 1998 to January 1999. Several measures have been taken to improve the performance. All currently used sixteen CPUs were upgraded in December which led to a 20% improvement in system performance. Additional hardware upgrades are scheduled for February. Alongside of hardware improvements, accelerated broadcast of state transition messages were introduced on January 25 to resolve the experienced slowdowns in screen updates around the dissemination of closing messages at 5 o'clock Frankfurt time. In February, additional software will be installed to also improve the dissemination of settlement prices. Regarding the slowdown in trade posting during peak trading activity, software improvements are currently being implemented and tested. They will be available with Release 3.0 in September latest, but Eurex is looking at the possibility of introducing the improvements at an earlier date.

The question of whether the current length of the post trading period is sufficient or not, was also one of the main subjects for the subsequent panel discussion moderated by Otto E. Nägeli, Member of the Eurex Executive Board. The panel was composed of eight panelists, four of them representing clearing members and four of them UK based members.

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While there was no agreement between clearing members and non clearing members regarding the necessity of an extended post trading phase, both sides were able to explain the reasons for their point of view and to understand the perspective of the other side. In the end, all panelists agreed to the Eurex proposal to extend the post trading period by thirty minutes in a test phase of fourteen days prior to the March expiration of Capital Market Products.

The second issue under discussion was the possibility to allow historical give-up of trades for more than one day after the trade was executed (T+1). While Eurex would be able to provide an extended give-up period of more than T+1 in a later release, members were not decided whether the benefit of such an extended period outweighs the risk to take up positions generated during past high volatility periods. The result of the discussion was that the extension of the give-up period was requested due to the lack of clearing time, which could be solved with an extension of the post trading period.

Due to the intense discussions about the extension of the post trading period and the extension of the historical give-up period, most of the other points of interest to the members were only briefly touched. Eurex will therefore continue the now started dialogue by answering the most interesting questions in a special section of the Xpand newsletter that will be introduced with the next edition. Members may then add questions or comment the issues under discussion.

Member Training

Date: 10. February 99

Training and Education Derivatives Market

	Course	February	Places available	March	Places available
Traders Examination	Colloquium for	22.02.99 **C**	4	04.03.99 **L**	8
	Eurex Traders Examination	23.02.99 **C**	5	05.03.99 **L**	5
				12.03.99 **L**	20
				25.03.99 **L**	18
				26.03.99 **L**	19
				29.03.99 **C**	3
	Eurex Traders			01.03.99 **C**	3
	Examination			08.03.99 **N**	3
				11.03.99 **L**	14
				12.03.99 **L**	9
				29.03.99 **L**	29
				30.03.99 **L**	27
System Training	System Training for	22.02.99 **L**	3	03.03.99 **F**	5
	Eurex Trading	23.02.99 **L**	2	08.03.99 **L**	5
		24.02.99 **C**	5	09.03.99 **L**	6
	System Training for	24.02.99 **L**	6	05.03.99 **F**	8
	Eurex Clearing			10.03.99 **L**	6
				11.03.99 **L**	6
	System Training for	26.02.99 **L**	3	19.03.99 **L**	5
	Eurex Security				

C Chicago **F** Frankfurt **L** London **N** New York **Z** Zurich

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+++ Internet File Service Available +++ International Derivatives Exhibition 1999 in Frankfurt +++ New Year's Events in London +++ Une nouvelle adresse à Paris – Deutsche Börse and Eurex Representative Office France inaugurated in Paris +++ Euro Product Specifications +++ Events in March

Internet File Service Available
As of January 1999 interested parties can find data files based on Eurex trading on the Eurex Internet Site **www.eurex-change.com** in the Entrance Hall.
Eurex Theoretical Price Data
This file contains all data needed for computing option prices using the Cox-Rubinstein formula to calculate fair option prices.
Eurex Aggregated Trading Data
This file contains the following information for all current tradable series: opening quotation, daily high, daily low, settlement price, daily trading volume and open interest.
In order to download these files a signed contract with Deutsche Börse AG is required.The use of both services is charged at 500 Euro per month.
A choice may be made between a daily "download" or "push" mode.
Services free of charge are **the Eurex Snapshot Summary Report** and the **Eurex Current Traded Series**. The Snapshot Summary Report is the daily Eurex statistics. This file contains information about the current traded products, the futures overview and index information while the Current Traded Series contains all current series information of the trading day.

Should you have any further questions please send an e-mail or give us a call:

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International Derivatives Exhibition 1999 in Frankfurt
On 9 and 10 March 1999 the International Derivatives Exhibition will take place at the Frankfurt Marriott Hotel for the 8th time.
The exhibition will be accompanied by an attractive conference programme. Building on last year's great success (approx. 45 exhibitors and 1,500 visitors), the number of exhibitors registered for this year's event has reached a total of 60. The organisers, Futures & OTC World/Futures & Options Week, expect attendance figures to set new record levels. Eurex will again take part in the exhibition. At the Eurex stand visitors will have the opportunity of experiencing the Eurex and Xetra trading systems. During the exhibition, both systems will be linked to the live trading system.
Workshops covering Eurex and Xetra and related issues will complete the Eurex programme: On Tuesday 9 March, a presentation titled "Eurex: New Developments" will be held in the Senckenberg Room of the Marriott Hotel at 10.00 a.m., followed by a presentation by "Xetra at 11.00 a.m.

Address
Marriott Hotel Frankfurt
Hamburger Allee 2-10
D-60486 Frankfurt / Main
Germany
Exhibition hours
9 March 1999, 10.00 a.m. to 6.00 p.m.
10 March 1999, 9.00 a.m. to 5.00 p.m.

For further information on the exhibition and Eurex workshops, please contact Mr Rudolf Stein from 22 February 1999.
Eurex Communications
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New Year's Events in London
On January 20, Deutsche Börse AG and Eurex hosted their joint New Year's event "The Next Dimension" in London. More than 500 guests were able to enjoy four different dimensions in four different halls of what was previously a garage. Laser shows and light-based works of art as well as an illusionist took those present to another world. The third dimension offered 3D food, 3D glasses as well as 3D movies, whereas in the second dimension people danced to the sounds of the DJ until late at night.

Une nouvelle adresse à Paris – Deutsche Börse and Eurex Representative Office France inaugurated in Paris
With a reception hosted by Dr. Reto Francioni, Board Member of Deutsche Börse AG, and Otto E. Nägeli, Eurex Board Member, the Paris-based representative office was inaugurated on January 21. Dr. Peter Hartmann, the German ambassador to Paris, was amongst those invited to the inaugural celebrations. Paris is the third location – after Chicago and London – to see the opening of a representative office.
Ms. Françoise Maguet and Mr. Ulrich Strohmeier will be happy to answer all questions exchange participants may have in respect of both the Xetra and Eurex trading systems. Furthermore, system training courses and trader examinations will be held at the premises.

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F-75008 Paris

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Euro Product Specifications
The whole range of new euro-based product specifications is now available for downloading from the Eurex Website. The corresponding update of the product brochure will be available as of early March.

Events in March
9.–10. March
Futures & OTC World (FOW), International Derivatives Exhibition, Frankfurt
9. March
FOW Exhibition "Get Together" hosted by Eurex, Frankfurt
17.–20. March
FIA´s International Futures Industry Conference, Boca Raton, USA

Eurex is the market leader
in Three-Month EURIBOR Futures

Eurex, the European derivatives market, wants to focus exclusively on the EURIBOR as the reference interest rate for money market derivatives in the future.

The development in turnover clearly speaks in favor of the **EURIBOR**, as the exchange stated in Frankfurt. For this reason, trading in the Three-Month Euro-LIBOR Future will be discontinued at mid-year if no more open positions exist in the contract. In the future, the Eurex money-market derivatives will be focused on the **One-Month and Three-Month EURIBOR Future** as well as the option on the **Three-Month EURIBOR Future**. This will concentrate the liquidity, Eurex said.

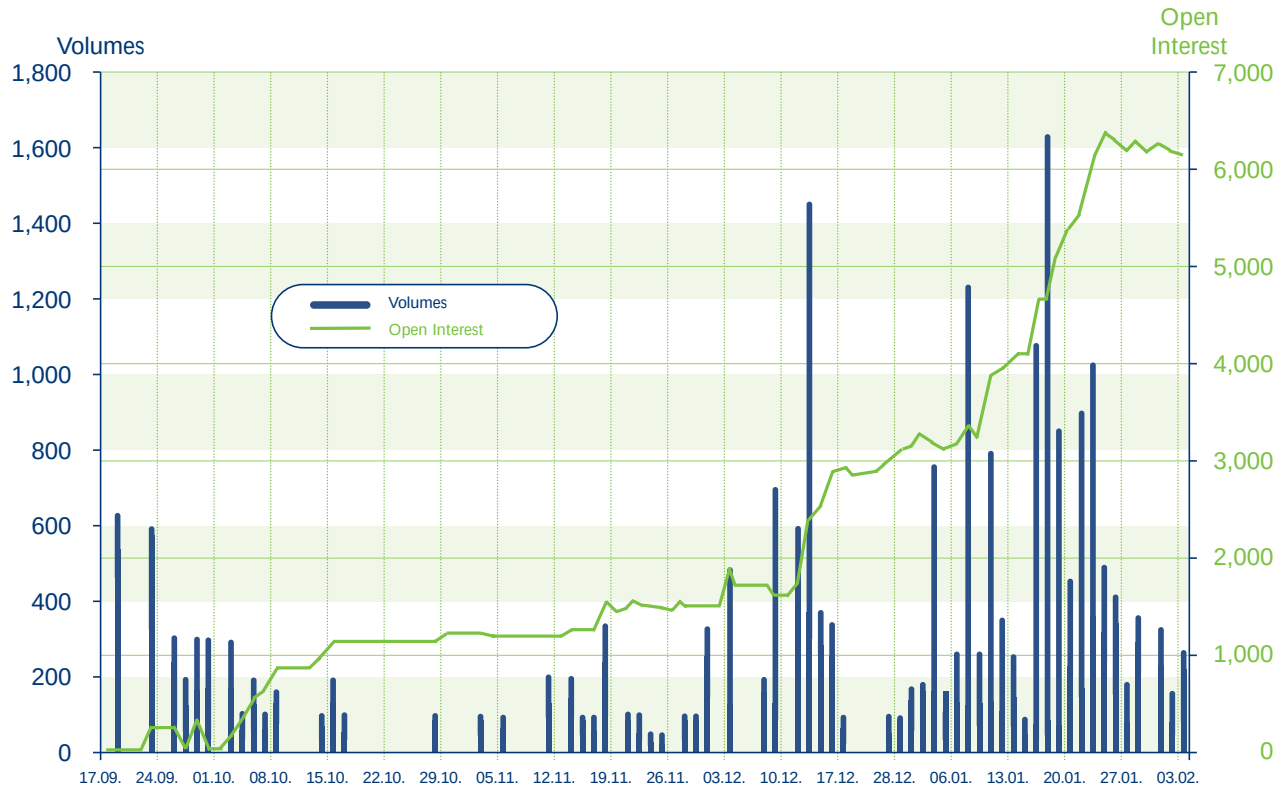
On January 13, 1999, the **EURIBOR Future** launched by Eurex on September 18, 1998 achieved volume of about 30,000 contracts traded, posting a new record high. At the same time, the open interest rose to its highest level of more than 80,000 contracts. With a total volume of about 550,000 contracts traded since the launch, Eurex has captured the leading position in the trading of derivatives on the **EURIBOR**, the new European benchmark reference rate. In addition to active support from 11 Designated Market Makers who are also trading the **EURIBOR** derivatives at Eurex as **EURIBOR** panel members, the positive trend in **EURIBOR** contracts is mainly attributable to the overwhelming success of the reference rate itself. Its function as the leading reference rate for money-market transactions and over-the-counter derivatives trading in Euroland was already clear at the beginning of the year.

To promote trading in **EURIBOR** products, the transaction fees will continue to be waived, as previously announced, up to and including March 15. Eurex is also waiving fees until the end of the year for Eurex participants who have traded at least 150,000 contracts in three-month money market Futures by March 15, 1999.

Development of Volume and Open Interest

Dates: 17.09.98–03.02.99

One-Month EURIBOR Future



Deutsche Börse AG plans to establish an Energy Exchange

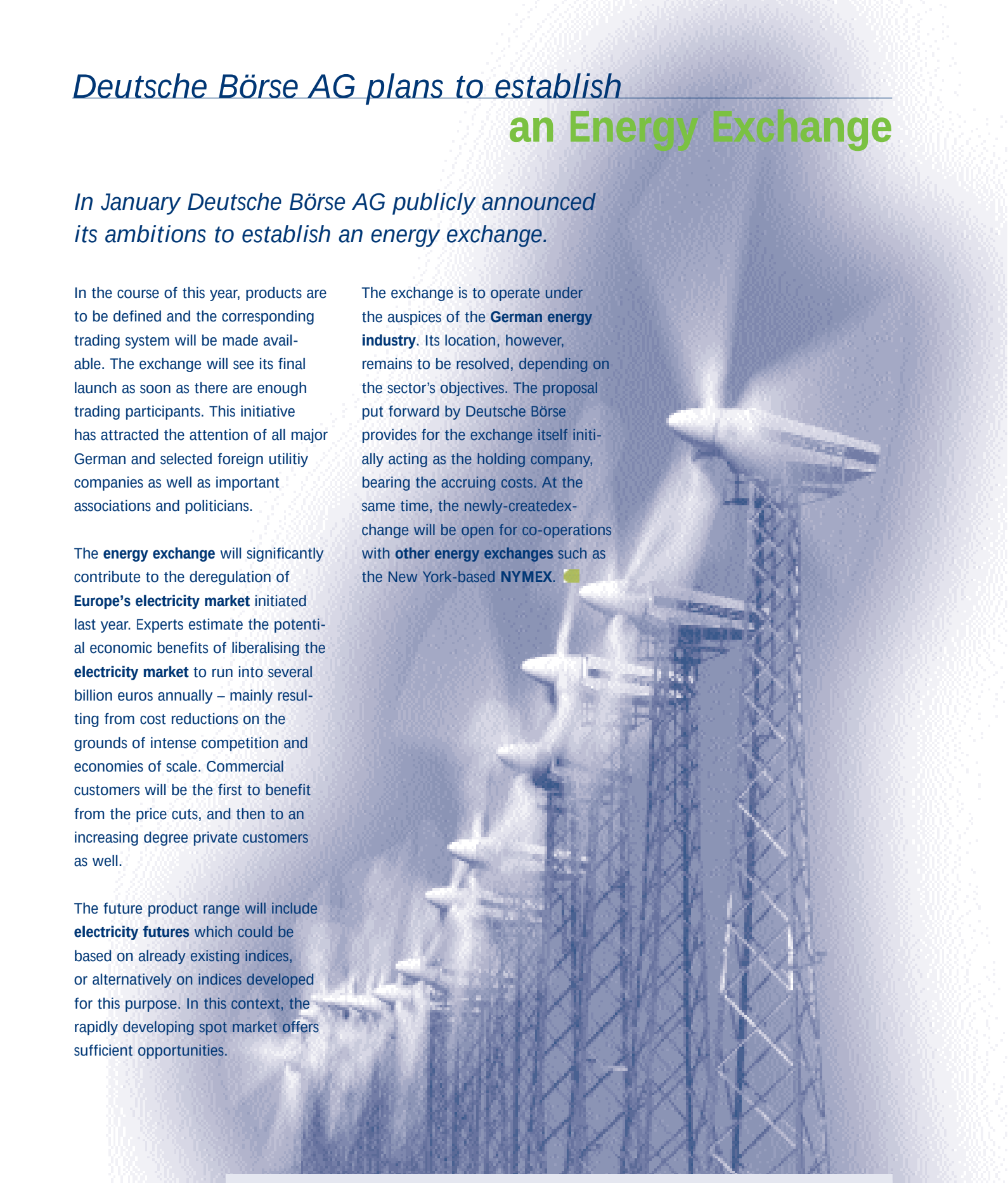
In January Deutsche Börse AG publicly announced its ambitions to establish an energy exchange.

In the course of this year, products are to be defined and the corresponding trading system will be made available. The exchange will see its final launch as soon as there are enough trading participants. This initiative has attracted the attention of all major German and selected foreign utilitiy companies as well as important associations and politicians.

The **energy exchange** will significantly contribute to the deregulation of **Europe's electricity market** initiated last year. Experts estimate the potential economic benefits of liberalising the **electricity market** to run into several billion euros annually – mainly resulting from cost reductions on the grounds of intense competition and economies of scale. Commercial customers will be the first to benefit from the price cuts, and then to an increasing degree private customers as well.

The future product range will include **electricity futures** which could be based on already existing indices, or alternatively on indices developed for this purpose. In this context, the rapidly developing spot market offers sufficient opportunities.

The exchange is to operate under the auspices of the **German energy industry**. Its location, however, remains to be resolved, depending on the sector's objectives. The proposal put forward by Deutsche Börse provides for the exchange itself initially acting as the holding company, bearing the accruing costs. At the same time, the newly-createdexchange will be open for co-operations with **other energy exchanges** such as the New York-based **NYMEX**.



© Eurex, February 1999

Published by:
Eurex Communications

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