e u r e x *circular 102/99*

To: All Eurex members and vendors

Date: Frankfurt, 14th October 1999

Mistrade Regulation for Low Exercise Price Options on Shares of German Stock Corporations

- **Modification of Section 1.1.2 of the Implementation Regulations for the Handling of Erroneous Entries**

Dear Sir or Madam,

In the attachment to Circular 60/99 of 8th July 1999, you were informed of the introduction of Low Exercise Price Options (LEPOs) on the shares of German stock corporations with effect from 18th October 1999.

Introduction of the LEPOs requires an addition to section 1.1.2 of the Implementation Regulations for the Handling of Erroneous Entries (Mistrade Rule for German LEPOs). The revised section 1.1.2 of the Mistrade regulations can be found in the attachment.

The introduction of German LEPOs is associated with the Eurex Business Continuity Planning project. They are used fundamentally as a trading alternative in the case where trading on the cash market is not possible. For this reason the Eurex Mistrade rule for LEPOs on German stocks is oriented towards the regulations on the cash market. Consequently a significant deviation of the price of a transaction from the reference price is assumed when the deviation corresponds to the value defined in the cash market regulations (Implementation Regulation for §40 of the Conditions for Transactions on the Frankfurt Stock Exchange / Xetra Mistrade Rule).

The Xetra regulation can be found on the Deutsche Boerse Group web-site (www.exchange.de) via the path Deutsche Börse-FWB Information / Issuers-Legal Information / Rules and Regulations / FWB Rules and Regulations / point 06.

If you have any questions, our functional help-desks on Tel. +49-(0)69-2101-1210 or -1220 will be pleased to assist you.

Yours sincerely,

Jörg Franke Hartmut Klein

Attachment

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Implementation Regulations for the Handling of Erroneous Entries (Fehleingaben) at Eurex Deutschland and Eurex Zürich

1.1 Pursuant to Subsection 1.2.5 Paragraph (2) of the Conditions for Trading at Eurex Deutschland and Eurex Zürich

1.1.1 Scope of Application

The following Implementation Regulations under subsection 1.2.5 paragraph (2) of the Conditions for Trading (Handelsbedingungen) relate to erroneous entries in the trading of options contracts on stocks and stock indices.

1.1.2 Conditions

The Management Boards of the Eurex Exchanges shall cancel a transaction in order to ensure orderly and fair market conditions if

a. the price of the transaction effected by the erroneous entry deviates significantly from the market price -- hereinafter referred to as the "Reference Price" -- and

b. the Exchange Participant which entered the erroneous entry asserts to the Eurex Exchanges without delay that it mistakenly entered the order or quote incorrectly into the System of the Eurex Exchanges.

The assertion of any further rights shall remain unaffected.

In order to determine if the price of the transaction deviates significantly from the Reference Price, such prices shall be set in proportion to one another in accordance with the following provisions:

The Reference Price shall generally be established as the average of the prices of the transaction effected immediately before and the transaction effected immediately following the erroneous entry. If only one of these prices is available, such price shall be used as the Reference Price.

If a Reference Price cannot be determined pursuant to the foregoing provision or if the Reference Price so determined does not correspond to fair market conditions, the Eurex Exchanges, with the assistance of the option price model (Optionspreismodell) employed by them, shall determine a "theoretically fair" price and use such price as the Reference Price. Alternatively, the Eurex Exchanges shall select, from among the group of Exchange Participants admitted to trading on the Eurex Exchanges which do not have an interest in the transaction, three competent individuals (chief traders), each of whom shall calculate a market price for the option series concerned; the average of the prices determined by these three individuals shall then be the Reference Price.

In determining whether the price of the transaction deviates significantly from the Reference Price, a distinction shall be made in the following manner between options contracts on stocks in German joint stock corporations (German stock options) or on German stock indices as well as the Dow Jones STOXX 50 Index and the Dow Jones EURO STOXX 50 Index, options contracts on stocks in Swiss joint stock corporations (Swiss stock options) or on Swiss stock indices, and option contracts on stocks in Finnish joint stock corporations (Finnish stock options) or Finnish/Nordic stock indices:

A significant deviation of the price of the transaction from the Reference Price in the case of options contracts on stocks in German joint stock corporations (German stock options) or on German stock indices, in the case of option contracts on stocks in Finnish joint stock corporations (Finnish stock options) or Finnish/Nordic stock indices, or in the case of options contracts on the Dow Jones STOXX50 Index as well as on the Dow Jones EURO STOXX 50 Index is to be presumed when the amount of the deviation

- exceeds 10 EUR [1)] or 20 points [2)] or
- if not in excess of 10 EUR [1)] or 20 points [2)] exceeds 20 per cent of the Reference Price but at least 3 EUR [1)] or 3 points [2)]. [3)]

[1)] Options on stocks in German joint stock corporations and option contracts on stocks in Finnish joint stock corporations. For options on stocks in German joint stock corporations as well as for option contracts on stocks in Finnish joint stock corporations with a nominal amount or a calculated value of 5 DM or the respective value in EUR, multiplied by factor 0.1.

[2)] Options on German stock indices or option contracts on Finnish/Nordic stock indices and options on the Dow Jones STOXX 50 Index as well as on the Dow Jones EURO STOXX 50 Index.

[3)] This shall not apply to options the underlying security of which are Allianz AG stocks: a significant deviation of the price of the transaction from the Reference Price in the case of options contracts on Allianz AG stocks is only given when the deviation exceeds the amount of 2 EUR.

A significant deviation of the price of the transaction from the Reference Price in the case of options contracts on stocks in Swiss joint stock corporations (Swiss stock options) or on Swiss stock indices is to be presumed when:

- the deviation exceeds an amount of 37.50 CHF [1)] or 37.50 points [2)] or
- if not in excess of 37.50 CHF [1)] or 37.50 points [2)] exceeds 15 per cent of the Reference Price and is at least 4.50 CHF [1)] or 4.50 points [2)]. [3)]

[1)] Options on stocks in Swiss joint stock corporations.

[2)] Options on Swiss stock indices.

[3] This shall not apply to options the underlying security of which are Roche Holding AG stocks: a significant deviation of the price of the transaction from the Reference Price in the case of options contracts on Roche Holding AG stocks is only given when

- the deviation exceeds the amount of 75.00 CHF or
- if not in excess of 75.00 CHF exceeds 15 per cent of the Reference Price and is at least 7.5 CHF.

Exceptions:

- The foregoing provision for determining a significant deviation from the Reference Price in the case of transactions pertaining to options contracts on Swiss stocks (Swiss stock options) or Swiss stock indices shall not apply to Low Exercise Price Options on Swiss stocks (LEPO). In the case of LEPO transactions, a significant deviation in the price of a transaction from the Reference Price is to be presumed when the deviation

  - exceeds 0.75 per cent of the Reference Price and is at least 3.00 CHF. [1]

  [1] This shall not apply to options for which the underlying security is Rentenanstalt: a significant deviation of the price of the transaction from the Reference Price is only given when the deviation

  - exceeds 1.5 per cent of the Reference Price and is at least 3.00 CHF.

- The foregoing provision for determining a significant deviation from the Reference Price in the case of transactions pertaining to options contracts on Finnish stocks (Finnish stock options) or Finnish/Nordic stock indices shall not apply to Low Exercise Price Options on Finnish stocks (LEPO). In the case of LEPO transactions, a significant deviation in the price of a transaction from the Reference Price is to be presumed when the deviation

  - exceeds 1,5 per cent of the Reference Price and is at least 0,50 EUR.

- The foregoing provision for determining a significant deviation from the Reference Price in the case of transactions pertaining to options contracts on German stocks (German stock options) or German stock indices shall not apply to Low Exercise Price Options on German stocks (German LEPO). In the case of German LEPO transactions a significant deviation from the Reference Price is to be presumed when the deviation corresponds to the values defined in the Mistrade Regulation applicable to the cash market "Implementation Regulation for § 40 of the Conditions for Transactions on the Frankfurt Stock Exchange - (Xetra Mistrade Rule)".

The provisions of subsection 1.1.2 shall apply *mutatis mutandis* to a combination order pursuant to subsection 1.3.1 paragraph (1) item c of the Conditions for Trading at Eurex Deutschland and Eurex Zürich that has been mistakenly entered into the System of the Eurex Exchanges incorrectly and has been matched with two limit orders (subsection 1.3.1 paragraph (1) item b of the Conditions for Trading at Eurex Deutschland and Eurex Zürich). However, in respect of the two resulting transactions, whether the price of one of the transactions or of both the transactions deviates significantly from the market price ("Reference Price") is to be determined separately. If the price of only one of the two transactions deviates significantly from the market price ("Reference Price") within the meaning of the foregoing provisions, only such transaction shall be canceled. The remaining transaction, the price whereof corresponds to the market price ("Reference Price"), shall not be canceled.

The Implementation Regulations for the Handling of Erroneous Entries set forth in subsection 1.3 shall apply to a combination order pursuant to subsection 1.3.1 paragraph (1) item c of the Conditions for Trading at Eurex Deutschland and Eurex Zürich that has been mistakenly entered into the System of the Eurex Exchanges incorrectly and has been matched with a combination order.

1.1.3 Form Claim

The Exchange Participant claiming an erroneous entry must assert such claim against the Eurex Exchanges by telephone or telefax. The assertion of such claim against any one of the Eurex Exchanges shall be deemed to have been made against all Eurex Exchanges.

1.1.4 Cancellation

Cancellation of the transaction by the Eurex Exchanges is effected by means of entering a countertransaction into the System of the Eurex Exchanges at the price of the erroneous entry.

1.1.5 Costs

The Eurex Exchanges shall charge a handling fee -- reflecting expenses but in any case in the minimum amount of 150 EUR [1)] or 250 CHF [2)] per erroneous entry -- to be paid by the Exchange Participant who caused the erroneous entry. All Eurex Exchange fees that arise - including those in respect of the cancellation transaction - shall be canceled by the Eurex Exchanges.

[1)] Options which are listed in EUR.

[2)] Options which are listed in CHF.

1.1.6 Final Provisions

The Eurex Exchanges shall send a confirmation to the parties concerned to the effect that the relevant transaction has been canceled by the Eurex Exchanges according to subsection 1.2.5 paragraph (2) of the Trading Conditions in connection with these Implementation Regulations. The Eurex Exchanges shall publish all necessary price corrections by means of electronic media. The manner and scope of such publication shall be determined by the Management Board of Eurex Deutschland or of Eurex Zürich.