X-pand into the Future

e u r e x *circular 094/01*

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Recipients: All Eurex members and vendors
Authorized by: Rudolf Ferscha

⚠ **Action Required** ⚠ **High Priority**

Introduction of Dow Jones EURO STOXX® Sector Index Options

Related Eurex Circulars: 083/01

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Content may be most important for:	**Attachments:**
➲ All Departments	1. Extension to the Conditions for Trading at Eurex Deutschland and Eurex Zürich 2. Extension to the Eurex Clearing Conditions 3. Extension to the Price List

Summary

On 24 September, 2001 Eurex will introduce four options on Dow Jones EURO STOXX® Sector Indices. The circular contains important information relating to the trading of the options on the Dow Jones EURO STOXX® Banks, Healthcare, Technology, and Telecommunications sector indices under the following headings:

1. Products and Underlying Indices
2. Trading/Clearing Conditions and Price List
3. Margin Parameters
4. Mistrade Parameters
5. Vendor Codes
6. Market Makers
7. Preparation for Start of Trading

Introduction of Dow Jones EURO STOXX® Sector Index Options

In their meeting of 01 August, 2001 the Eurex Boards of Management made the decision to introduce options on Dow Jones EURO STOXX® Sector Indices on **24 September, 2001**.

You will find below complementary information to that provided in Circular 083/01 related to trading in the new Dow Jones EURO STOXX® Sector Index Options.

1. Products and Underlying Indices

The planned introduction date for the Dow Jones EURO STOXX® Sector Indices **is Monday, 24 September, 2001.** At that time, maturities of October, November and December, 2001, March, June, September and December, 2002 and June 2003 will be introduced for the options.

Product	Eurex Code	WKN	ISIN	Underlying Code	Underlying WKN
DJ EURO STOXX^{SM} Banks Option	OESB	792351	DE0007923518	SX7E	965842
DJ EURO STOXX^{SM} Healthcare Option	OESH	792352	DE0007923526	SXDE	965834
DJ EURO STOXX^{SM} Technology Option	OESY	792353	DE0007923534	SX8E	965854
DJ EURO STOXX^{SM} Telecommunications Option	OEST	792354	DE0007923542	SXKE	965856

2. Trading/Clearing Conditions and Price List

The corresponding regulations as part of the Trading and Clearing Conditions and the Price List can be found in Attachments 1, 2 and 3.

3. Margin Parameters

The following margin parameters have been set for the Dow Jones EURO STOXX® Sector Index Options.

Margin Class	Products in this Class	Parameters
ESB	FESB/OESB	20 Points (1,000.00 EUR) 200.00 EUR Back and Spot Month
ESH	FESH/OESH	30 Points (1,500.00 EUR) 300.00 EUR Back and Spot Month
ESY	FESY/OESY	100 Points (5,000.00 EUR) 1000.00 EUR Back and Spot Month
EST	FEST/OEST	60 Points (3,000.00 EUR) 600.00 EUR Back and Spot Month

4. Mistrade Parameters

In the case of options contracts on Dow Jones EURO STOXX® Sector Indices, a significant deviation of the price of a transaction from the Reference Price is to be presumed when the amount of the deviation exceeds the maximum spread valid at that time with regard to the Reference Price. The relevant update to the Implementation Regulations for the Handling of Erroneous Entries at Eurex Deutschland and Eurex Zürich will be published in good time.

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Daniel Gisler, Thomas Lenz,
Peter Reitz, Michael Widmer

5. Vendor Codes

Vendor	Dow Jones EURO STOXX® Sector Index Options:			
	Banks	**Technology**	**Telecommunications**	**Healthcare**
Bridge	DJES Banks - de; SX7E<month><strike>	DJES Technology - de; SX8E<month><strike>	DJES Telecom. - de; SXKE<month><strike>	DJES Healthcare - de; SXDE<month><strike>
Fides	OESB	OESY	OEST	OESH
GIS	BK01 ff. /BK31 ff	TL01 ff. /TL31 ff	TC01 ff./TC31 ff	HC01 ff./HC31 ff
Reuters	<FESB*.EX>	<FESY *.EX>	<FEST*.EX>	<FESH*.EX>
Telekurs	OESB	OESY	OEST	OESH
Tenfore	FESBf <F4>	FESYf <F4>	FESTf <F4>	FESHf <F4>

Other vendor codes are not yet available. A more complete list will be published on our web-site "www.eurexchange.com" under 'market place > products > vendor codes'.

6. Market Makers

The institutions BNP Paribas, Salomon Brothers International and Timber Hill Europe have already received Market maker licenses for OESB, OESH, OESY and OEST.

7. Preparation for Start of Trading

- On 18 September, 2001 the Dow Jones EURO STOXX® Sector Index Options as well as the associated margin classes will be set up in the Eurex system. Corresponding back-office transactions will be transmitted electronically.
- On 19 September, 2001 after close of trading, settlement prices for all tradable contract months of the Dow Jones EURO STOXX® Sector Index Options will be transmitted. In addition, transactions for the PMI file will be generated. Within the daily transmission of theoretical prices after 20:30 CET, theoretical prices for the Dow Jones EURO STOXX® Sector Index Options will also be transmitted. These should be ignored.
- Trading in the Dow Jones EURO STOXX® Sector Index Options will start on Monday 24 September, 2001. Orders and quotes may be entered into the Eurex system from 07:30 CET onwards.

Frankfurt, 12 September, 2001

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2 Part

Contract Specifications

2.2 Subpart: Contract Specifications for Options Contracts

2.2.28 Sub-Subpart: Specifications for Options Contracts on the Dow Jones EURO STOXX® Sector Indices (EURO STOXX® Sector Index Options)

2.2.28.1 Subject Matter of Contract

(1) The option contract relates to a Dow Jones EURO STOXX® Sector Index (Price Index). The EURO STOXX® Sector Index Options are based on the Dow Jones EURO STOXX® Banks Index, the Dow Jones EURO STOXX® Technology Index, the Dow Jones EURO STOXX® Telecommunications Index or the Dow Jones EURO STOXX® Healthcare Index. The publications of STOXX Limited shall determine the composition, weighting and calculation of the Dow Jones EURO STOXX® Sector Indices. The value of an option contract shall be 50 EUR per index point.

(2) If any changes are made in the calculation of the Dow Jones EURO STOXX® Sector Indices or their composition and weighting such that the concept of the Dow Jones EURO STOXX® Sector Indices appears to be no longer comparable with the concept that applied when the option was admitted to trading, the Boards of Management of the Eurex Exchanges may order the termination of trading in such option as of the last trading day prior to the change in the Dow Jones EURO STOXX® Sector Indices at 12:00 CET. Open positions shall be settled in cash upon the close of trading. The final value of the Dow Jones EURO STOXX® Sector Indices, calculated on the basis of the average of the respective calculations of the Dow Jones EURO STOXX® Sector Indices on such day from 11:50 a.m. CET to 12:00 CET, shall be used.

New contracts shall be introduced in accordance with subsection 2.2.28.6.

2.2.28.2 Call Option (Call)

(1) The purchaser of a call option ("Call") has the right to demand a payment equivalent to the difference between the exercise price of the option and any higher final settlement price of the option series ("Cash Settlement").

(2) The writer of a call shall be required to pay in cash, on the Exchange day after the exercise of the option, the difference between the exercise price of the option and any higher final settlement price of the option series; this shall also apply if the exercise is first assigned to the writer on the Exchange day following the day of exercise.

(3) The final settlement price shall be determined by Eurex Clearing AG on the final settlement day of the contract on the basis of the average of calculations of the Dow Jones EURO STOXX® Sector Indices determined on such day from 11:50 a.m. CET to 12:00 CET.

2.2.28.3 Put Option (Put)

(1) The purchaser of a put option ("Put") has the right to demand payment of an amount equivalent to the difference between the exercise price of the option and any lower final settlement price of the option series ("Cash Settlement").

(2) The writer of a put is required to pay in cash, on the Exchange day after the exercise of the option, the difference between the exercise price of the option and any lower final settlement price of the option series; this shall also apply if the exercise is first assigned to the writer on the Exchange day following the day of exercise.

(3) Subsection 2.2.28.2 paragraph (3) shall apply in respect of the determination of the final settlement price.

2.2.28.4 Option Premiums

The purchaser of an options contract is required to pay to the writer thereof the price for the purchase of the option right (the "Option Premium").

2.2.28.5 Term, Close of Trading, Expiration Day

(1) Options are available at the Eurex Exchanges with terms up to and including the next, the second and the third succeeding expiration days as well as up to and including the next three succeeding quarterly expiration days (March, June, September, December) thereafter and up to the next two half-year expiration days (June, December). Depending on the time of the purchase of the option, the term may be up to 24 months and six Exchange days.

(2) The last trading day of an option series shall be the last day on which such option series is available to the Exchange Participants for trading and clearing through the EDP system of the Eurex Exchanges; such day shall be the third Friday of the relevant month; provided, however, that if such Friday is not an Exchange day, the last trading day shall be the Exchange day prior to such Friday. Trading shall close on the last trading day at 12:00 CET. The Boards of Management of the Eurex Exchanges may set another time for the close of trading. The expiration day for an option series shall be the Exchange day following the last trading day.

(3) An option series may not be cancelled as long as any Exchange Participant continues to hold open positions in such option series.

2.2.28.6 Exercise prices

(1) Option series can have exercise prices with price gradations of 5, 10 or 20 points. A point has a value of 50 EUR and represents 10 ticks in the EDP system.

(2) Upon the admission of a contract, at least 5 exercise prices shall be made available for each term for each call and put, such that two exercise prices are "in the money", one is "at the money" and two are "out of the money".

(3) Option series with new exercise prices shall be introduced for an existing expiration month no later than at the beginning of the Pre-Trading Period of a given Exchange day in the event that the last determination of the Dow Jones EURO STOXX® Sector Indices on the Frankfurt Stock Exchange at the close of trading of the EURO STOXX®

Sector Index Options on the Eurex Exchanges on the two preceding Exchange days has exceeded or fallen below the average of the third- and second-highest or the third- and second-lowest then-existing exercise prices, as the case may be. In the event that none of the respective Dow Jones EURO STOXX® Sector Indices is available at the close of trading of the EURO STOXX® Sector Index Options on the Eurex Exchanges, the reference price shall be determined by the Eurex Exchanges. A new option series shall generally not be introduced if it would expire in fewer than five Exchange days, unless market conditions make such introduction necessary.

2.2.28.7 Price Gradations

The prices of the options contracts will be quoted with one decimal place. The smallest price change shall be 0.1 points (5.00 EUR).

2.2.28.8 Exercise

(1) The holder of an option purchased on the Eurex Exchanges may only exercise such option up to the end of the Post-Trading Full Period on the last trading day (subsection 2.2.28.5 paragraph (2)) thereof (European style).

(2) The Eurex Exchanges shall inform the Exchange Participants on each of the last ten Exchange days before the last trading day of an option series of options contracts then becoming due.

(3) Each Exchange Participant is responsible for exercising its options contracts. Subject to subsection 2.2.28.8 paragraph (4), the Eurex Exchanges shall not automatically exercise any options contracts.

(4) With respect to the principal accounts of Exchange Participants (M- and P-accounts), the Boards of Management of the Eurex Exchanges may order an automatic exercise in accordance with the criteria set by the Boards of Management of the Eurex Exchanges.

(5) In the event of an EDP failure, the Eurex Exchanges must receive a written exercise request from the Exchange Participant concerned (e.g., by letter or fax) no later than the end of the Post-Trading Full Period on the exercise day of the options contract. Any such request transmitted in writing to one of the Eurex Exchanges shall be deemed submitted to all Eurex Exchanges. The exercise request shall be entered by the Eurex Exchanges to the extent possible using reasonable efforts.

(6) The exercise of an option entered during the course of the exercise day may be altered until the end of the Post-Trading Full Period on the date of entry.

2.2.28.9 Assignment

(1) All exercises shall be assigned to the writers of the exercised option series after the end of the Post-Trading Full Period on the exercise day. Assignments shall be binding.

(2) The Exchange Participants and Clearing Members affected by any such assignment shall be notified thereof during the morning of the following Exchange day.

(3) Assignments shall be made through Eurex Clearing AG by a random selection process conducted in accordance with detailed rules. The assignment method shall be communicated to the Exchange Participants. Any change of such method shall become effective after notice thereof.

(4) All assignments made for the Agent Position Account of an Exchange Participant shall be assigned by such Exchange Participant to the positions of its customers, on the basis of a procedure that ensures the neutrality of the assignment process.

(5) All assignments made for the Principal Position Accounts or M-position Accounts of an Exchange Participant must be performed by such Exchange Participant and may not be transferred onward to its customers.

2.2.28.10 Performance, Cash Settlement

(1) The settlement day is the Exchange day after the exercise day.

(2) The performance of contracts shall be effected through cash settlement between the Clearing Members and Eurex Clearing AG. Each Clearing Member shall be responsible for handling the cash settlements with the Non-Clearing Members served by it and its own customers; the handling of cash settlements by Non-Clearing Members to their customers is the responsibility of such Non-Clearing Members.

2 Part: Settlement of Transactions

2.2 Subpart

Settlement of Options Contracts

2.2.28 Sub-Subpart Settlement of Options Contracts on the Dow Jones EURO STOXX® Sector Indices (EURO STOXX® Sector Index Options)

2.2.28.1 General Provisions

(1) Eurex Clearing AG shall be a contracting party to all payments arising out of the exercise and assignment of options contracts.

(2) Clearing Members must, in accordance with instructions of Eurex Clearing AG, make payments in respect of exercises and assignments of positions for the Clearing of which they are responsible.

(3) Eurex Clearing AG will inform each Clearing Member of the options contracts assigned to it on the morning of the Exchange day after exercise.

(4) The following provisions shall apply to the procedures for payments pursuant to paragraph (1):

All payments shall be made directly between the Clearing Members through LZB on the Exchange day following the exercise day; this shall also apply if the exercise is not assigned to the writer until the Exchange day following the exercise day. All Clearing Members must ensure their ability to effect payments on the due date thereof through sufficient credit balances in their account at LZB.

2.2.28.2 Option Premiums

The balance of the option premiums ("Net Premium") to be paid by the Clearing Members pursuant to subsection 2.2.28.4 of the Conditions for Trading at the Eurex Exchanges and to be reimbursed by Eurex Clearing AG shall be payable by the time specified by Eurex Clearing AG on the Exchange day following the conclusion of the transaction, but generally prior to the commencement of trading at the Eurex Exchanges on such Exchange day.

2.2.28.3 Margin Requirements

(1) The basic provisions for margin requirements are set forth in subsections 1.3.1 through 1.3.5. In addition thereto, the following conditions apply:

(2) Margin must generally be maintained to cover the costs of a potential closing of all positions at their daily settlement price ("Premium Margin"). The daily settlement price of an option series is the price of the last transaction entered into in such option series during the final 15 minutes of an Exchange day. If no transactions are entered into in such option series during such period, or if the use of such daily settlement price would not result in a margin requirement that would be adequate to cover the risk assessment of Eurex Clearing AG, Eurex Clearing AG shall determine the daily settlement price.

(3) For purposes of calculating the margin requirements for all option series, net long positions shall be treated as credit balances.

(4) In addition to the foregoing margin requirements ("Premium Margin"), a further margin requirement ("Additional Margin") shall be calculated in an amount sufficient to cover any change to the cost of closing all options positions assuming the least favorable price developments, as determined by Eurex Clearing AG, until the next calculation of margin.

2.2.28.4 Cash Settlement

(1) Exercised and assigned options positions shall be settled by means of a compensating payment credited to or debited from the internal cash clearing account of the Clearing Member.

(2) The cash settlement shall be equal to the difference between the exercise price of the option series and its final settlement price. The final settlement price shall be determined by Eurex Clearing AG on the exercise day of the option series. The final value of the Dow Jones EURO STOXX® Sector Indices, calculated on the basis of the average of the respective calculations of the Dow Jones EURO STOXX® Sector Indices determined on such day from 11:50 a.m. to 12:00 CET, shall be used. The Boards of Management of the Eurex Exchanges may determine another method of calculation of the final settlement price.

2.2.28.5 Default in Payment

Defaults or technical defaults in payment shall be subject to the provisions of subsection 1.7.1 paragraph (4) or subsection 1.7.2 paragraph (5) respectively.

Price List

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2 Transaction Fees of Eurex Deutschland and Eurex Zürich

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2.2 The following fees with respect to options contracts:

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2.2.28 EURO STOXX® Sector Index Options

with respect to EURO STOXX® Sector Index Options, fees for:

a. order matching		
- trade	per contract	0.30 EUR
- trade (Market Maker)	per contract	0.15 EUR
b. trade administration		
- trade separation	per transaction	0.00 EUR
- trade adjustment	per transaction	0.00 EUR
- trade transfer	per transaction	0.00 EUR
c. position administration		
- position closing adjustment	per transaction	0.00 EUR
- position transfer	per transaction	0.00 EUR
- position transfer from Market Maker account	per contract	0.00 EUR
d. settlement of trades and positions		
- exercise	per contract	0.30 EUR
- exercise (Market Maker)	per contract	0.15 EUR
- exercise adjustment	per transaction	0.00 EUR