X-pand into the Future

e u r e x *circular 089/02*

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Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

Modifications to Market Making Parameters

Related Eurex Circulars: 079/02

Contact: Weiwei Wang (Product Development): Tel. +49 69-2101-7262

Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Coordination	Market Maker Obligations and Quote Spread Classification of Equity Options

The classification of an equity option within a particular maximum market maker quote spread class is based on the price of the underlying equity and the volatility of the equity option itself. From time to time, Eurex reviews the definition of the classes and the allocation of the equity options to those classes.

Following a recent review, the Management Boards of the Eurex Exchanges have made the following decisions:

1. Reduction of Number of Spread Classes for Swiss Equity Options

The number of spread classes for equity options quoted in Swiss Francs will be reduced **from six to three**.

2. Reduction of the Bid Price Limits and Maximum Spreads in the Lower Price Bands

With the exception of Dutch equity options, the 'bid up to' limits in the lower price bands for equity options quoted in EUR and CHF have been reduced, with a corresponding narrowing of the maximum spread.

The new tables giving the revised spread class definitions and the allocation of equity options to the classes can be found in the attachment. The changes will take effect on **November 1, 2002**.

In future, Eurex intends to review the spread parameters and classification on a quarterly basis. Members will be informed of any changes via Circular.

Market Maker Quote Obligations

And Quote Spread Classification of Equity Options

1. Quote Obligations for Non-Dutch Equity Options

Minimum Size:

20 contracts on the bid and ask side in all option series, except for the following which have a minimum size of 50 contracts:

Options on German Stocks

- Allianz, BASF, Bayer, BMW, DaimlerChrysler, Deutsche Bank, Deutsche Telekom, E.ON, Bayerische Hypo- und Vereinsbank, Metro, Münchener Rückversicherung, RWE, SAP, Siemens, ThyssenKrupp, VW.

Options on Finnish Stocks

- Nokia

Options on Swiss Stocks

- Credit Suisse Group N, Nestlé N, Novartis N, Swisscom, Schweizer Rückversicherung N, UBS N, Roche Holding

Maximum Spread:

Equity Options quoted in EUR

Class I		**Class II**		**Class III**	
Bid up to	*Spread*	*Bid up to*	*Spread*	*Bid up to*	*Spread*
0 - **1.00**	**0.20**	0 - **2.00**	**0.40**	0 - **5.00**	**1.00**
1.01 - 15.00	20%	**2.01** - 30.00	20%	**5.01** - 50.00	20%
> 15.00	3.00	> 30.00	6.00	> 50.00	10.00

Equity Options quoted in CHF

Class I		**Class II**		**Class III**	
Bid up to	*Spread*	*Bid up to*	*Spread*	*Bid up to*	*Spread*
0 - **2.00**	**0.40**	0 - **5.00**	**1.00**	0 - **10.00**	**2.00**
2.01-15.00	20%	**5.01**-30.00	20%	**10.01** - 50.00	20%
>15.00	3.00	> 30.00	6.00	> 50.00	10.00

Response to quote requests:

At least 50 % of all Quote Requests have to be answered (up to a max. of 150 quote requests per day):

- within 1 minute

- with a minimum holding time of 10 seconds.

Market Maker Fees:

See Price List.

Fast Market:

In the Fast Market state, the maximum spreads will increase by 50%, the minimum quote size will be reduced by 50% and the maximum response time will be reduced by 50%.

2. Quote Obligations for Dutch Equity Options

Minimum Size for Regular and Permanent Market Making and Maximum Spreads *:

		DJ Euro STOXX 50 Components	Non-DJ Euro STOXX 50 Components
Term: Minimum Contract Size	**Bid Price**	**Maximum Spread**	**Maximum Spread**
< 12 months :	0.00 – 0.50	0.15	0.15
Regular : 20 Contracts	0.51 – 2.50	0.15	0.20
Permanent: 50 contracts	2.51 – 5.00	0.20	0.30
	5.01 – 10.00	0.30	0.40
	10.01 – 20.00	0.40	0.50
	>20.00	0.60	0.65
12- 24 months	0.00 – 0.50	0.15	0.20
Regular 20 Contracts	0.51 – 2.50	0.15	0.30
Permanent: 30 contracts	2.51 – 5.00	0.20	0.40
	5.01 – 10.00	0.30	0.50
	10.01 – 20.00	0.40	0.60
	>20.00	0.60	0.70
> 24 months:	0.00 – 0.50	0.15	0.30
Regular: 20 contracts	0.51 – 2.50	0.20	0.40
> 24 to 36 months	2.51 – 5.00	0.30	0.50
Permanent: 20 Contracts	5.01 – 10.00	0.40	0.60
	10.01 – 20.00	0.50	0.70
	>20.00	0.60	0.80

*** The Maximum Spreads apply to both Regular and Permanent Market Making**

Regular Market Making

Response to quote requests: At least 50 % of all Quote Requests have to be answered (up to a max. of 150 quote requests per day):

- within 1 minute
- with a minimum holding time of 10 seconds.

Market Maker Fees: See Price List.

Fast Market: In the Fast Market state, the maximum spreads will increase by 50%, the minimum quote size will be reduced by 50% and the maximum response time will be reduced by 50%.

Permanent Market Making

Committed Quotation time: Average of 90% of the period between 09:00 and 17:30 CET on Exchange trading days per calendar month for all expirations up to 36 months. PMMs will be obliged to quote Calls and Puts in maturities up to 3 years for all at-the-money strikes. Additionally, quotes are required on two in-the-money or out-of-the-money strike prices on either side (asymmetrical quoting is allowed) such that a total of six quotes are outstanding.

Exemption from Obligation 3 Exchange trading days per month

Market Maker Fees: See Circular 051/02.

Fast Market: In the Fast Market state, the maximum spreads will increase by 50%, the minimum quote size will be reduced by 50% and the maximum response time will be reduced by 50%.

3. Quote Spread Classification – Non-Dutch Options Quoted in Euro

German Stock Options

Class I		Class II		Class III	
Adidas	ADS	Deutsche Bank	DBK	Allianz	ALV
Altana	ALT	SAP	SAP	Münchner Rückversicherung	MUV2
BASF	BAS			Porsche	POR3
Bayer	BAY				
BMW	BMW				
Commerzbank	CBK				
Continental	CON				
Consors	CSO				
DaimlerCrysler	DCX				
Degussa	DGX				
Deutsche Börse	DB1				
Deutsche Post	DPW				
Dresdner Bank	DRB				
Deutsche Telekom	DTE				
E.ON	EOA				
Epcos	EPC				
Fresenius Medical Care	FME				
Henkel	HEN3				
Bay. Hypo- und Vereinsbank	HVM				
Infineon	IFX				
Karstadt Quelle	KAR				
Lufthansa	LHA				
Linde	LIN				
MAN	MAN				
Metro	MEO				
MLP	MLP				
RWE	RWE				
Schering	SCH				
Siemens	SIE				
ThyssenKrupp	TKA				
TUI	TUI				
VW	VOW				

Market Maker Quote Obligations

And Quote Spread Classification of Equity Options

Neuer Markt Stock Options

Class I		Class II		Class III	
Aixtron	AIX				
Broadvision	BDN				
EM.TV	ETV				
Intershop	ISH				
Mobilcom	MOB				
Qiagen	QIA				
T-Online	TOI				

Finnish Stock Options

Class I		Class II		Class III	
Elisa Communications	EIA				
Stora Enso	ENUR				
Nokia	NOA3				
Sonera	SOY				
TietoEnator	TTEB				
UPM-Kymmene	RPL				

French Stock Options

Class I		Class II		Class III	
Aventis	AVE	L'Oréal	LOR		
AXA-UAP	AXA	TotalFinaElf	TOTB		
BNP Paribas	BNP				
Carrefour	CAR				
France Telecom	FTE				
Orange	OAG				
Vivendi	VVU				

Italian Stock Options

Class I		Class II		Class III	
Generali	ASG				
ENI	ENT				
Telecom Italia	SET				

Market Maker Quote Obligations

And Quote Spread Classification of Equity Options

U.S. Stock Options

Class I		Class II		Class III	
AOL	AOL	IBM	IBM		
Cisco	CIS				
Citigroup	TRV				
EMC	EMP				
General Electric	GEC				
Intel	INL				
Microsoft	MSF				
Oracle	ORC				
SUN	SSY				

4. Dutch Stock Options

The following Dutch Stock Options are available for quotation under Regular or Permanent Market Making

Stock Option	Eurex Code	DJ Euro STOXX 50 Component
ABN Amro	AAR	Y
Aegon	AEN	Y
Akzo Nobel	AKU	N
Ahold	AHO	Y
ASML Holding	ASM	N
ING	INN	Y
DSM	DSM	N
Elsevier	ELV	N
Fortis	FO4	Y
Getronics	GTO	N
Gucci Group	GUCN	N
Hagemeyer	HMY	N
Heineken	HNK	N
Buhrmann	KNP	N
KPN	KPN	N
Numico	NUT	N
Philips	PHI1	Y
Royal Dutch	ROY	Y
TPG	TPG	N
Unilever	UNI	Y
Moolen Holding	VMH	N
VNU	VNU	N
Wolters Kluwer	WOS	N

5. Quote Spread Classification – Options Quoted in CHF

Class I		Class II		Class III	
ABB	ABB2	Holcim	HOL	Givaudan	GIVN
Adecco	ADEN	Julius Bär Holding	BAER	Serono	SEO
Ciba Spezialitätenchemie	CIBN	Nestlé	NESN		
Richemont	CFR	Rentenanstalt/Swisslife	RAN		
Clariant	CLN	Schweiz. Rückversicher.	RUKN		
Credit Suisse Group	CSGN	Sulzer	SUN		
Kudelski	KUD	Swisscom	SCMN		
Lonza	LONN	Unaxis Holding	UNAX		
Novartis	NOVN	Zurich Fin. Services	ZURN		
Roche Holding	ROG				
Syngenta	SYNN				
The Swatch Group	UHRN				
UBS	UBSN				