X-pand into the Future

e u r e x *circular 223/06*

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

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

Spanish and Swedish Stock Options: Initiative for the Encouragement of Trading Activities

Related Eurex Circulars: 152/06

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Content may be most important for:	**Attachments:**
➲ All departments	(only on the Eurex website) 1. Registration of Market Maker Licenses 2. Market Maker Obligations at Eurex

Summary:

In order to encourage trading activities in the new Spanish and Swedish stock options segment at Eurex, the Management Boards of the Eurex Exchanges approved some measures in their session on November 1, 2006. The following measures will become effective on **November 20, 2006**:

1. Market Maker compensation from November 20, 2006 to March 31, 2007
2. Revenue sharing in the Spanish and Swedish stock options segment between March 1, 2007 and December 31, 2007

Spanish and Swedish Stock Options: Initiative for the Encouragement of Trading Activities

On November 20, 2006, six Spanish options denominated in Euro (on stocks of Banco Bilbao Vizcaya Argentaria, Banco Santander Central Hispano, Endesa, Iberola, Repsol and Telefónica), two Swedish options (on stocks of Ericsson and Nordea Bank) and LEPOs will be introduced.

In order to encourage trading activities in these new stock options segments at Eurex, the Management Boards of the Eurex Exchanges approved some measures in their session on November 1, 2006. The following measures will become effective on November 20, 2006:

1. Market Maker Compensation

From November 20, 2006 to March 31, 2007, Market Makers who fulfil the respective Market Maker obligations for one month pursuant to number 3.3. Section 2 of the Exchange Rules and Regulations will receive compensation at the beginning of the following month.

Spanish Stock Options: Prerequisites for and Score of Market Maker Compensation

Market-Making for Spanish stock options is based on Permanent Market-Making (PMM) and Advanced Market-Making (AMM). PMM and AMM in the Spanish package will be offered from November 20, 2006. The Spanish AMM package (ES) consists of all Spanish stock options listed at Eurex. With the exception of one issue, all options must be quoted on a monthly basis in order to fulfil the obligations. Also, as of December 1, 2006, Spanish issues will be included in the EURO STOXX 50® package for AMM. The number of admitted monthly exceptions will be increased from seven to ten.

The following Market-Making parameters apply:

Options on	Product code	Contract size	Spread class	Minimum quote size (contracts)		Maturity Range for PMM/AMM
				RMM	PMM/ AMM	
Spanish stocks						
BCO BILBAO VIZCAYA ARGENTARIA	BBVD	100	1	-	50	24
BCO SANTANDER CENTRAL HISPANO	BSD2	100	1	-	50	24
ENDESA	ENA	100	4	-	20	24
IBERDROLA	IBE	100	4	-	20	24
REPSOL	REP	100	4	-	20	24
TELEFONICA	TNE5	100	1	-	50	24

Eurex will grant Market Makers, who fulfil their quote obligations for Spanish AMM according to Market-Making parameters listed above and the quote obligations provided as attachment 2 to this circular (Market Maker Obligations at Eurex) during one month a limited compensation of the maximum amount of EUR 33,375 (Nov 06: EUR 3,375, Dec 06: 7,500 EUR, Jan 07: EUR 7,500, Feb 07: EUR 7,500, Mar 07: 7,500). Compensation will be paid at the beginning of each consecutive month.

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Swedish Stock Options: Prerequisites for and Score of Market Maker Compensation

Market-Making for Swedish stock options is based on Regular Market-Making (RMM) and Permanent Market-Making (PMM). Both models will be offered from November 20, 2006. Also, both options will be included in the Scandinavian package for AMM on December 1, 2006. The number of exceptions will be increased by two.

The following Market-Making parameters apply:

Options on	Product code	Contract size	Spread class	Minimum quote size (contracts)		Maturity Range for PMM/AMM
				RMM	PMM/ AMM	
Swedish stocks						
ERICSSON B	ERCB	500	4	200	100	24
NORDEA BANK	NDB	100	7	100	50	12

Eurex will grant Market Makers, who fulfil their quote obligations for Swedish PMM in both stock options according to Market-Making parameters listed above and the quote obligations provided as attachment 2 to this circular (Market Maker Obligations at Eurex) during one month a limited compensation of the maximum amount of EUR 22,250
(Nov 06: EUR 2,250, Dec 06: 5,000 EUR, Jan 07: EUR 5,000, Feb 07: EUR 5,000, Mar 07: 5,000).

Detailed Market Maker Obligations valid as of November 20, 2006, are attached to this circular. They are also available on the Eurex website under the following path:

www.eurexchange.com > Trading > Market Model > Market-Making > Market Maker Obligations

If you are interested in performing market-making for these options, please complete and return the Market Maker Registration Form attached to this circular by November 13, 2006 for the attention of Christine Heyde at fax no. +49-69-211-1 44 61. The form can be downloaded from the Eurex website at:

www.eurexchange.com > Documents > Forms > Trading Derivatives > Single Forms > Market-Making

Eurex will waive transaction fees for Spanish and Swedish stock options for the time between November 20, 2006 and February 28, 2007. From March 1, 2007, lower transaction fees for contracts traded on M-accounts will be valid for Market Makers who fulfill quote obligations in Spanish and Swedish stock options. The following transaction fees apply according to the current price list:

Regular Trades/Block Trades	Fees per contract		
Product	A- and P-accounts	M-accounts (PMM)	M-accounts (AMM)
Spanish stock options	EUR 0.20	EUR 0.04	EUR 0.02
Swedish stock options	EUR 0.50	EUR 0.10	EUR 0.05

Detailed information can be found on the Eurex website under the path:

www.eurexchange.com > Documents > Rules and Regulations > Price List

2. Revenue sharing

For the time between March 1, 2007 and December 31, 2007, the five participants with the highest monthly contract volumes in Spanish and Swedish stock options at Eurex will benefit from the concept of revenue sharing.

Eurex will have participants take a stake in fifty percent of the revenue gained from transactions in these two segments (pursuant to Section 2.1. of the Price List). Payment will be made to the five most active participants (M- and P-accounts - Pre-give-up) in regular trades (order book) and off-exchange (OTC) trades in the segments Spanish and Swedish stock options proportionate to their contract volumes in the following way:

Spanish Stock Options Segment:

- The total sum available for revenue sharing in the Spanish segment will be fifty percent of the monthly transaction fees from trading and clearing of Spanish stock options.
- On a monthly basis, two lists will be generated for ranking purposes: a) the five participants with highest turnover (Pre-give-up) from proprietary trading and market-making activities (P- and M-accounts) in regular (order book) trades and b) the five participants with highest turnover (Pre-give-up) from proprietary trading and market-making activities (P- and M-accounts) in OTC trades.
- Each of these groups will be entitled to a fifty percent stake of the respective revenue pool (order book/OTC) relevant for distribution. The five leading participants of each group will receive the percentage of the revenue their group is entitled for as shown in the following table:

Participant's Rank Order Book	Prize Pool Order Book	Participant's Rank OTC	Prize Pool OTC
1	15%	1	15%
2	12.5%	2	12.5%
3	10%	3	10%
4	7.5%	4	7.5%
5	5%	5	5%

- The total of the earnings to be distributed will be communicated to the respective participant each month and disbursed at the end of each quarter.

Swedish Stock Options Segment:

- The procedure will be along the lines of the method used for the Spanish segment. It will be based on earnings and participant's ranking in Swedish stock options.

Frankfurt, November 8, 2006

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