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Daily Settlement Prices: Changes to Clearing Conditions for Eurex Clearing AG

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Content may be most important for:	**Attachments:**
Ü All departments	Modified sections of the Clearing Conditions for Eurex Clearing AG

In its session on November 29, 2006 the Executive Board of Eurex Clearing AG decided to adjust the Clearing Conditions for Eurex Clearing with regard to the determination of the daily settlement price as stipulated in the attachment. The changes will become effective on **December 18, 2006** and are aimed at establishing a general rule for the different options and futures product groups and harmonizing the respective procedures.

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[….]

Chapter II
Transactions at Eurex Deutschland and Eurex Zürich (Eurex Exchanges)

[….]

Part 2
Clearing of Futures Contracts

[….]

2.1 General Provisions

[….]

2.1.2 Daily Settlement

(1) For each Futures Contract, profits and losses arising out of open positions on any Exchange day will be determined at the end of the Post-Trading Period and credited to or debited from the internal cash clearing account. For open positions from the previous Exchange day, the amount to be credited or debited shall equal the difference between the daily settlement prices of the contract in question on the relevant Exchange day and the previous Exchange day. For transactions on the relevant Exchange day, the amount to be credited or debited shall equal the difference between the price at which the transaction was concluded and the daily settlement price for such Exchange day.

(2) Eurex Clearing AG determines the daily settlement price according to the true market conditions of the respective contract (Paragaraph 5) and under consideration of its risk assessment.

a) When determining the daily settlement prices pursuant to Clause 1 for contracts of the current expiry month, the procedure described below shall apply.

- For contracts with which a closing price in the closing auction pursuant to number 4.5.3 of the Exchange Rules for Eurex Deutschland and Eurex Zürich is determined before 7 p.m., Eurex Clearing AG shall determine the daily settlement price according to the closing price respectively determined for the contract.

- With all other contracts, the daily settlement price shall be determined from the volume-weighted average of the prices of all transactions of the last minute before the respective reference point in time in the respective contract, provided that no more than five transactions have been settled within this period. In case no more than at least five transactions have been concluded before the respective reference point in time, the daily settlement price shall be determined from the volume-weighted average of the prices of the last five transactions concluded before the reference point in time in the

respective contract, provided that those transactions are not concluded more than 15 minutes before the reference point in time.

- In case no price can be determined according to aforementioned procedure, the daily settlement price shall be determined on basis of the procedure described in b).

b) For all other contract terms, the following procedures apply to the determination of the daily settlement price.

- The daily settlement price for a contract shall be determined according to the average bid-ask spread of the combination order book.

- In case there is no spread in the combination order book, Eurex Clearing AG shall base the determination on the average bid-ask spread of the respective expiry month.

- In case there is no medium bid-ask spread for the respective expiry month, the daily settlement price shall be determined according to the theoretic price based on the price of the underlying.

c) The daily settlement price for futures contracts on exchange-traded index fund shares and on shares shall be determined by Eurex Clearing AG according to the closing price of the respective future determined in the closing auction of the underlying plus the respective costs of carry. For index fund shares, the closing price in the electronic trade on the Frankfurt Stock Exchange/SWX; for shares, the closing price according to the regulation in number 2.7.2 applies.

If it is not possible to determine a price pursuant to ~~the respective~~ aforementioned provisions ~~in Number 2.2 to 2.5,~~ or if the daily settlement price so determined ~~does~~ would not reflect the true market conditions, Eurex Clearing AG shall determine the settlement price at its equitable discretion.

If the determined daily settlement price does not reflect the true market conditions at the close of trading of the respective contract, Eurex Clearing AG may change the daily settlement price.

(3) Paragraph 1 shall apply to the legal relationship between General Clearing Members or Direct Clearing Members and the Non-Clearing Members represented by them mutatis mutandis.

(4) For the payments resulting from the daily settlement, the rules of Number 2.1.1 apply mutatis mutandis.

(5) Reference times

Contract	Reference Time (CET)
Money Market Futures	17:15
Fixed Income Futures (denominated in Euro)	17:15
CONF-Futures	17:00
SMI®-Futures	17:27
VSMI®-Futures	17:20
All other Index-Futures	17:30

[….]

2.2 Clearing of Money Market Futures contracts

[….]

~~2.2.2 Daily Settlement Price~~

~~The daily settlement price shall be determined on the basis of the volume-weighted average of the prices of the last five transactions entered into, provided that no more than 15 minutes have passed since these transactions, or, if more than five transactions were entered into during the final minute of trading, the volume-weighted average of the prices of all transactions entered into during such period.~~

2.2.~~3~~2 Final Settlement Price

[….]

2.2.~~4~~3 Performance, Delivery

[….]

2.2.~~5~~4 Default in Payment

[….]

2.3 Clearing of Fixed Income Futures contracts

[….]

2.3.1 Procedures in Delivery and Payment

All matching payments shall be settled with physical delivery directly between the Clearing members and Eurex Clearing AG on the second exchange day after the notice day (Number 2.3.~~5~~ 4 Paragraph 2).

[….]

~~2.3.2 Daily Settlement Price~~

~~As a rule, the daily settlement price for Euro Fixed Income Futures contracts shall be determined on the basis of the volume-weighted average of the prices of all transactions concluded within the last trading minute before 17.15 CET, provided that in such period of time, more than five transactions have been executed. If this is not the case, the settlement price shall be determined on the basis of the prices of the last five executed transactions provided that no more than 15 minutes have passed since this transaction. For all other Fixed Income Futures, the daily settlement price corresponds to the closing price as settled in the closing auction. If it is not possible to determine a closing price within the closing auction, the method described in Clause 1 shall apply for other Fixed Income Futures contracts as well.~~

~~If the daily settlement price determined at 17.15 CET does not reflect the true market conditions at the close of trading of the Euro Fixed Income contracts, Eurex Clearing AG may re-determine the daily settlement price.~~

2.3.~~3~~2 Final Settlement Price

[….]

2.3.~~4~~3 Tender Price

[….]

2.3.~~5~~4 Performance, Delivery

[….]

2.3.~~6~~5 Default

[….]

2.3.~~7~~6 Corporate Actions

[….]

2.4 Clearing of Index Futures Contracts

[….]

~~2.4.2 Daily Settlement Price~~

~~The daily settlement price shall be determined on the basis of the volume-weighted average of the prices of all transactions concluded within the last trading minute before 17.30 CET. If a price determination by means of aforementioned regulation is not possible or if the determined price does not reflect the actual market conditions, the last price determined between 17.10 and 17.30 CET will be consulted. If the price determined at 17.30 CET does not reflect the actual market conditions at the close of trading, Eurex Clearing AG may change and re-determine the daily settlement price.~~

~~For SMI®- and SMIM®-Futures contracts, the daily settlement price always corresponds to the final settlement price determined in the final auction. If a determination of the final settlement price within the final auction is not possible or if the determined price does not reflect the actual market conditions, the settlement price shall be determined by the price resulting from the price of the last transaction to be executed during the last 15 minutes of an exchange day. Clause 3 of aforementioned Paragraph shall apply mutatis mutandis.~~

2.4.~~3~~2 Final Settlement Price

[….]

2.4.~~4~~3 Performance, Delivery

[….]

2.4.~~5~~4 Default in Payment

[….]

2.5 Clearing of Futures Contracts of Exchange Traded Fund Shares

[….]

~~2.5.2 Daily Settlement Price~~

~~The daily settlement price of EXTF futures whose underlying instrument is traded in the electronic system of the FWB, shall be determined on the basis of the volume-weighted average of the prices of all transactions concluded within the last trading minute before 17.30 CET. If a price determination by means of aforementioned regulation is not possible or if the determined price does not reflect the actual market conditions, the last price determined between 17.10 and 17.30 CET will be consulted. If the price determined at 17.30 CET does not reflect the actual market conditions at the close of trading, Eurex Clearing AG may change and re-determine the daily settlement price.~~

~~The daily settlement price of EXTF whose underlying instrument is traded in the electronic trading system of SWX shall be determined on the basis of the price of the last transaction entered into during the final 15 minutes of trading on an Exchange day. If it is not possible to determine a price pursuant to the above provision, or if the price so determined does not reflect the true market conditions, Eurex Clearing AG shall determine the settlement price.~~

2.5.~~3~~2 Tender Price

[….]

2.5.~~4~~3 Performance, Delivery

[….]

2.5.~~5~~4 Default

[….]

2.5.~~6~~5 Corporate Actions

[….]

2.6 Clearing of Volatility Index Futures contracts

[….]

~~2.6.2 Daily Settlement Price~~

~~As a rule, the daily settlement price corresponds to the closing price as settled in the closing auction. If it is not possible to determine a closing price within the closing auction or if such price does not reflect the true market conditions, the settlement price shall be determined by the price of the last executed transaction within the last 15 minutes of an Exchange day. If a price determination pursuant to aforementioned regulation is not possible or if such price does not reflect the true market conditions, Eurex Clearing AG shall determine the reference price.~~

2.6.~~3~~2 Final Settlement Price

[….]

2.6.~~4~~3 Performance, Delivery

[….]

2.6.~~5~~4 Default

[….]

2.7 Clearing of Futures Contracts on Shares

[….]

~~2.7.2 Daily Settlement Price~~

~~The daily settlement price always corresponds to the final settlement price of the underlying security (Number 1.6.3) determined in the final auction in the domestic cash market plus the respective so-called "costs of carry". If a determination of the final settlement price is not possible or if such price does not reflect the actual market conditions, the settlement price shall be determined by the price resulting from the price of the last transaction to be executed during the last 15 minutes of an exchange day. If a price determination by means of aforementioned regulation is not possible or if such price does not reflect the actual market conditions, Eurex Clearing AG shall determine the settlement price.~~

2.7.~~3~~2 Final Settlement Price

[….]

2.7.~~4~~3 Performance, Delivery

[….]

2.7.~~5~~4 Default

[….]

Part 3
Clearing of Options Contracts

[….]

3.1 General Provisions

[….]

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

All physical deliveries of securities and payments shall be concurrently performed between the Clearing Members and Eurex Clearing AG through Eurex Clearing AG on the second Exchange day after the exercise of the option; this shall also apply if the exercise is not assigned to the writer until the Exchange day following exercise. Physical deliveries of securities are to be made through a bank for central depository of securities determined by Eurex Clearing AG or respectively through a Custodian or Central Securities Depository, and payments shall be made through the corresponding account determined by such bank for central depository of securities or by such Custodian or Central Securities Depository.

(5) Eurex Clearing AG determines the daily settlement price according to the true market conditions and under consideration of its risk assessment according to the following procedure:

- The settlement prices shall be determined through the option price models used by Eurex Clearing AG. For American options, the Binominial model according to Cox Ross Rubinstein, for European options, the model Black and Scholes 76 is used. If necessary, future dividend expectations, current interest rates and other dividends are considered.

- The price determined pursuant number 3.6.3 respectively 3.5.3 shall serve as reference price for the underlying of options on shares and onexchange-traded index fund shares.

- The underlying reference price is the daily settlement price of the futures contracts underlying the options series for options on money market futures contracts and options on fixed income futures contracts.

- The underlying reference price is the daily settlement price of Eurex futures based on the respective index for index options contracts.

- For each option expiry date, an implied volatility chart shall be determined on basis of the bid-ask spreads of the respective underlying prices quoted intra-daily. In case no bid-ask spreads are available intra-day, the implied volatility shall be determined by inter-/extrapolation within the expiry month respectively between

the different expiry dates.

In case the determination of the daily settlement price of a contract according to aforementioned regulations is not possible or if the price so determined does not reflect the true market conditions, Eurex Clearing AG shall determine the settlement price at its equitable discretion.

In case the determined daily settlement price does not reflect the true market conditions at the close of trading, Eurex Clearing AG may change the daily settlement price.

3.2 Clearing of Options Contracts on Money Market Futures Contracts

[….]

3.2.2 Options Premium

The balance of the option premiums ("Net Premium") to be paid by the Clearing Members pursuant to Number 2.2.4 of the Contract Specifications for Futures contracts and Options contracts at Eurex Deutschland and Eurex Zürich 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 pursuant to ~~the following~~ Number 3.~~2.3~~1 Paragraph 5, but generally prior to the commencement of trading at Eurex Deutschland and Eurex Zürich on such Exchange day.

~~3.2.3 Daily Settlement Price~~

~~The daily settlement price of an option series will be determined by Eurex Clearing AG in accordance with the respective risk assessment.~~

3.2.~~4~~3 Daily Settlement prior to Exercise

[….]

3.2.~~5~~4 Margin Requirements prior to Exercise

[….]

3.2.~~6~~5 Procedure for Exercise of Options

[….]

3.2.~~7~~6 Futures Position

(1) Unless otherwise provided below, the provisions of Numbers 2.2 shall apply for the futures position opened in accordance with Number 3.2.6.

(2) Notwithstanding Number 2.~~2~~1.2., the following shall apply:

The difference between the exercise price of the exercised and assigned option and the daily settlement price of the underlying futures contract on the exercise day shall be settled in cash. The amount of such cash settlement shall be credited to or debited from the internal cash clearing account of the Clearing Member.

3.3 Clearing of Options Contracts on Fixed Income Futures Contracts

[….]

3.3.2 Option Premium

The balance of the option premiums ("Net Premium") to be paid by the Clearing Members pursuant to Number 2.3.4 of the Contract Specifications for Furtures Contracts and Options contracts at Eurex Deutschland and Eurex Zürich 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 pursuant to ~~the following~~ Number 3.~~3.3~~1 Paragraph 5, but generally prior to the commencement of trading at Eurex Deutschland and Eurex Zürich on such Exchange day.

~~3.3.3 Daily Settlement Price~~

~~The daily settlement price of an option series shall be determined at 17.15 CET. The daily settlement price is the price of the last transaction entered into in such option series during the final 15 minutes before 17.15 CET. If no transactions are entered into in such option series during such period, or if the calculated price does not reflect the actual market situation, Eurex Clearing AG shall determine the daily settlement price. If the daily settlement price determined at 17.15 CET does not reflect the true market conditions at the close of trading of Euro Fixed Income Options, Eurex Clearing AG may change and re-determine the daily settlement price.~~

3.3.~~4~~3 Daily Settlement prior to Exercise

[….]

3.3.~~5~~4 Margin Requirements prior to Exercise

[….]

3.3.~~6~~5 Procedure for Exercise of Options

[….]

3.3.~~7~~6 Futures Position

(1) Unless otherwise provided below, the provisions of Numbers ~~3~~2.3 shall apply for the futures position opened in accordance with Number 3.3.~~6~~5.

(2) Notwithstanding Number 2.~~3~~1.2, the following shall apply:

The difference between the exercise price of the exercised and assigned option and the daily settlement price of the underlying futures contract on the exercise day shall be settled in cash. The amount of such cash settlement shall be credited to or debited from the internal cash clearing account of the Clearing Member.

3.4 Clearing of Index Options Contracts

[….]

~~3.4.3 Daily Settlement Price~~

~~The daily settlement price of an option series will be determined by Eurex Clearing AG in accordance with the respective risk assessment.~~

3.4.~~4~~3 Final Settlement Price

[….]

3.4.~~5~~4 Margin Requirements

[….]

3.4.~~6~~5 Cash Settlement

[….]

3.4.~~7~~6 Default in Payment

[….]

3.5 Clearing of Options contracts on Shares of Exchange-Traded Funds (EXTF Options)

[….]

~~3.5.3 Daily Settlement Price~~

~~The daily settlement price of an option series shall be determined on the basis of the price of the last transaction of this option series entered into during the final 15 minutes of trading on an Exchange day. If no transactions have been effected during this period, or if the price so determined does not lead to a margin requirement reflecting the risk assessment of Eurex Clearing AG, Eurex Clearing AG shall determine the settlement price.~~

3.5.~~4~~3 Reference Price

[….]

3.5.~~5~~4 Margin Requirements

[….]

(3) The difference between the price of the respective underlying security effected on the closing auction in the electronic trading system of the Frankfurt Stock Exchange and the exercise price shall be used for exercised and assigned positions in EXTF options.

(4) If the price so determined does not reflect the risk assessment of Eurex Clearing AG, Eurex Clearing may deviate from the reference price determined pursuant to Number 3.5.~~4~~3.

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

[….]

3.5.~~6~~5 Distribution of Profits

[….]

3.5.~~7~~6 Default

[….]

3.5.~~8~~7 Corporate Actions

[….]

3.6 Clearing of Options Contracts and Low Exercise Price Options on Shares

[….]

~~3.6.3 Daily Settlement Price~~

~~The daily settlement price of an option series will be determined by Eurex Clearing AG in accordance with the respective risk assessment.~~

3.6.~~4~~3 Reference Price

[….]

(2) The reference price shall be the price of the respective underlying security effected on the closing auction in the respective electronic trading system (Number 3.6.~~4~~3 Paragraph 1). If no price in the underlying security is effected on the closing auction, the volume-weighted average of the last three "paid" prices (Bezahlt-Preise) of the respective underlying security effected in the electronic trading system of the respective Stock Exchange shall be authoritative.

[….]

3.6.~~4~~5 Margin Requirements

[….]

(4) If the price so determined does not reflect the risk assessment of Eurex Clearing AG, Eurex Clearing may deviate from the reference price determined pursuant to Number 3.6.~~4~~3.

[….]

3.6.~~6~~5 Dividends and Distribution of Profits

[….]

3.6.~~7~~6 Default

[….]

3.6.~~8~~7 Corporate Actions

[….]