eurex *circular 129/06*

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Recipients:	All Eurex members and vendors
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UBS: Repayment of Nominal Value / Stock Split
UBS / Unaxis: Adjustment of Market Maker Obligations and Mistrade Ranges

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Content may be most important for:	**Attachments:**
Ü Front Office / Trading Ü Middle + Back Office Ü Auditing / Security Coordination	(only on the Eurex website) 1. Market Maker Obligations at Eurex 2. Mistrade Ranges

Summary:

On April 19, 2006, the annual general meeting of UBS decided on a repayment of nominal value of CHF 0.60 and a stock split at the ratio of 1:2. Consequently, one existing UBS stock will be divided into two new stocks of UBS.

Ex date for both transactions will be **July 10, 2006.**

As a consequence to both corporate actions, an adjustment to the Eurex option on shares of UBS (UBSN) as well as to the stock futures contract on UBS (UBSF) will become necessary.

This circular describes the adjustment procedure.

Effective August 1, 2006, Market Maker Obligations and Mistrade Ranges in options on UBS will be adjusted.

Due to the current high volatility in Unaxis, the Minimum Quote Size in options on Unaxis will be reduced as of July 1, 2006.

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UBS: Repayment of Nominal Value / Stock Split UBS / Unaxis: Adjustment of Market Maker Obligations and Mistrade Ranges

1. Adjustment Procedure in Options and Futures on UBS due to Repayment of Nominal Value / Stock Split

On April 19, 2006, the annual general meeting of UBS decided on a repayment of nominal value of CHF 0.60 and a stock split at the ratio of 1:2. Consequently, one existing UBS stock will be divided into two new stocks of UBS.

Ex date for both transactions will be July 10, 2006.

As a consequence to both corporate actions, an adjustment to the Eurex option on shares of UBS pursuant to section 2.6.10.1 (4) and 2.6.10.1 (5) (for options) and the stock futures contract on UBS pursuant to section 1.6.7 (2) and 1.6.7 (4) of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will become necessary.

Stock Option (UBSN):

Since both transactions will take place on the same day, the adjustment will be done as follows:

First, the adjustment factor (R-factor) for the repayment of nominal value will be determined. Basis for the calculation of the R-factor will be the closing auction price of the UBS stock on the last cum trading day, July 7, 2006.

S1 = Closing auction price of the UBS stock
S2 = S1 minus CHF 0.60

R-factor = S2/S1

The R-factor determined in this way will be multiplied by the R-factor of 0.5000 resulting from the stock split. Consequently, the formula is as follows:

$$\textbf{R-factor} = \frac{\textbf{UBS closing auction price minus CHF 0.60 x 0.50}}{\textbf{UBS closing auction price}}$$

The result of this calculation is the R-factor valid for the adjustment.

The adjustment of strike prices will be done by multiplication by the R-factor. The new contract size will be determined in the following way:

Contract size new = (strike price old * contract size old) / strike price new

Strike prices and contract sizes resulting from the adjustment will be published in the **Market Supervision Messages** windows immediately after close of trading on the last cum trading day on July 7, 2006.

The version number of the existing series will be increased by 1.

New series with standard contract size 100 and version number 0 will be introduced effective ex date, July 10, 2006.

All existing orders and quotes will be deleted after close of trading on the last cum trading day.

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Upon execution of an adjusted series, cash settlement for the fractional part of the new contract size will take place.

The new contract size for LEPOs will also be published after close of trading on the last cum trading day, in case there is open interest. If this is not the case, LEPOs will be deleted after close of trading on July 7, 2006.

The new position limit as of July 10, 2006 will be 4.922.789 contracts.

The ISIN of UBS (CH0012032030) is scheduled to remain unchanged.

Clearing Measures:

- On the days prior to the corporate action, the **Contract Cover Assignment Entry** window should be used to delete all allocations of shares covering short call positions for the UBS product.
- Pending deliveries in UBS shares will be cancelled after close of trading on the day prior to the corporate action. They will be replaced by delivery instructions with the adjusted number of securities.
- Collateral that contains UBS shares will be rebooked in the Eurex® system during the batch run on July 7, 2006.

Stock Future (UBSF)

The adjustment will be carried out by means of the same R-factor as for the options. To adjust the calculation of the variation margin on the following day, settlement prices of the stock futures contract on UBS (UBSF) of July 7, 2006, will be multiplied by the R-factor. The new contract size will be calculated as follows:

Contract size new = contract size old / R-factor

All existing orders and quotes will be deleted after close of trading on July 7, 2006.

After the adjustment, a new stock futures contract on UBS with standard contract size 100 and new product code UBSG will be introduced.

The exact introduction date will be published via the **Market Supervision Messages** window.

As soon as there are no more series with open interest, trading in the original stock futures contract on UBS (UBSF) will be discontinued.

If there is no open interest for the stock futures contract on UBS (UBSF) after close of trading on July 7, 2006, no adjustment will be carried out.

2. Adjustment of Market Maker Obligations and Mistrade Ranges in Options on UBS and Unaxis

As of August 1, 2006, options on stocks of UBS will be assigned to spread class 1. As a result, the new maximum spreads will be:

Bid prices up to (CHF)	**Maximum spreads (CHF)**	
	Expiry months	
	£ **24**	**> 24**
Spread class 1		
0 – 1.50	0.15	0.23
1.51 – 22.50	10 percent	15 percent
> 22.50	2.25	3.38

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Effective August 1, 2006, Mistrade Ranges in options on UBS stocks will be defined in line with maximum spreads.

Effective July 1, 2006, due to the current high volatility in Unaxis, Minimum Quote Size in options on Unaxis will be reduced from 200 contracts in RMM to 100 and in AMM/PMM from 100 contracts to 50.

Option on	**Product Code**	**Spread Class**	**Minimum Quote Size (Contracts)**		**Expiries for PMM/AMM**	**AMM Package Code**
			RMM	**PMM/AMM**	**(Maximum number of months)**	
Unaxis	UNAX	5	100	50	18	CH

Detailed Market Maker Obligations at Eurex, value dates July 1, 2006 and August 1, 2006 are available for download on the Eurex website under the following path:

www.eurexchange.com > Member Section > Market Making

Also, as of August 1, 2006, new Mistrade Ranges for options on stocks of UBS will be available for download from the Eurex website under the path:

www.eurexchange.com > Products > Equity Derivatives > Options on Swiss Stocks

Please contact the Functional Helpdesk Equity and Equity Index Products on telephone +49-69-211-1 12 10 should you have any further questions.

Frankfurt, June 16, 2006