

X-pand into the Future



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Equity Derivatives: Introduction of 30 Equity Options on British Stocks

Related Eurex Clearing Circulars: 037/09, 050/09, 066/09, 068/09

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- Front Office/Trading
- Middle + Backoffice
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Attachment:

none

Summary:

In their session on December 4, 2009, the Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG passed the following decisions that will become effective on **January 18, 2010**:

- The introduction of 30 equity options on British stocks
- The introduction of a Market-Making scheme combined with a 50 percent revenue sharing scheme for the new British equity options.

The corresponding changes to the Eurex and Eurex Clearing rules and regulations will be decided upon in the course of the next two weeks. The changes will be communicated via a separate circular.



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Equity Derivatives: Introduction of 30 Equity Options on British Stocks

In their session on December 4, 2009, the Management Boards of the Eurex Exchanges and the Executive Board of Eurex Clearing AG passed the following decisions that will become effective on January 18, 2010:

- The introduction of 30 equity options on British stocks and
- The introduction of a Market-Making scheme combined with a 50 percent revenue sharing scheme for the new British equity options.

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1. Contract Specifications and Product Parameters

The detailed product parameters will be available on the Eurex website under the following path as of start of trading:

www.eurexchange.com > Trading > Products > Equity Derivatives > Equity Options > Selection by Country

The following table contains all essential contract specifications and product parameters of the new British equity options:

| Eurex: UK Equity Options - Launch on January 18, 2010 | | | | | | | | |
|--|------------------------------------|------------------------|---------------------|-------------------|----------------------|-----------------------------------|-----------------------------|-----------------|
| | Underlying Stock | Underlying ISIN | Product ISIN | Eurex Code | Contract Size | Maximum Maturity in Months | Minimum price change | Currency |
| 1 | ANGLO AMERICAN PLC | GB00B1XZS820 | GB00B1XZS820 | AHA | 1000 | 24 | 0.50 | GBp |
| 2 | ASTRAZENECA PLC | GB0009895292 | GB0009895292 | AZA | 1000 | 24 | 0.50 | GBp |
| 3 | AVIVA PLC | GB0002162385 | GB0002162385 | CUA | 1000 | 24 | 0.25 | GBp |
| 4 | BAE SYSTEMS PLC | GB0002634946 | GB0002634946 | AER | 1000 | 24 | 0.25 | GBp |
| 5 | BARCLAYS PLC | GB0031348658 | GB0031348658 | BBL | 1000 | 24 | 0.25 | GBp |
| 6 | BG GROUP PLC | GB0008762899 | GB0008762899 | BGG | 1000 | 24 | 0.50 | GBp |
| 7 | BHP BILLITON PLC | GB0000566504 | GB0000566504 | BLT | 1000 | 24 | 0.50 | GBp |
| 8 | BP PLC | GB0007980591 | GB0007980591 | BPT | 1000 | 24 | 0.25 | GBp |
| 9 | BRITISH SKY BROADCASTING GROUP PLC | GB0001411924 | GB0001411924 | BSK | 1000 | 24 | 0.25 | GBp |
| 10 | BT GROUP PLC | GB0030913577 | GB0030913577 | BTG | 1000 | 24 | 0.25 | GBp |
| 11 | CABLE & WIRELESS PLC | GB0001625572 | GB0001625572 | CAW | 1000 | 24 | 0.25 | GBp |
| 12 | CENTRICA PLC | GB00B033F229 | GB00B033F229 | CTR | 1000 | 24 | 0.25 | GBp |
| 13 | COMPASS GROUP PLC | GB0005331532 | GB0005331532 | CPG | 1000 | 24 | 0.25 | GBp |
| 14 | DIAGEO PLC | GB0002374006 | GB0002374006 | GNS | 1000 | 24 | 0.50 | GBp |
| 15 | GLAXOSMITHKLINE PLC | GB0009252882 | GB0009252882 | GXO | 1000 | 24 | 0.50 | GBp |
| 16 | HSBC HOLDINGS PLC | GB0005405286 | GB0005405286 | HSB | 1000 | 24 | 0.25 | GBp |
| 17 | LEGAL & GENERAL GROUP PLC | GB0005603997 | GB0005603997 | LGE | 1000 | 24 | 0.25 | GBp |
| 18 | LLOYDS BANKING GROUP PLC | GB0008706128 | GB0008706128 | TSB | 1000 | 24 | 0.25 | GBp |
| 19 | MARKS & SPENCER GROUP PLC | GB0031274896 | GB0031274896 | MKS | 1000 | 24 | 0.25 | GBp |
| 20 | NATIONAL GRID PLC | GB00B08SNH34 | GB00B08SNH34 | NGG | 1000 | 24 | 0.25 | GBp |
| 21 | PRUDENTIAL PLC | GB0007099541 | GB0007099541 | PRU | 1000 | 24 | 0.25 | GBp |
| 22 | RIO TINTO PLC | GB0007188757 | GB0007188757 | RTZ | 1000 | 24 | 0.50 | GBp |

| Eurex: UK Equity Options - Launch on January 18, 2010 | | | | | | | | |
|---|------------------------------|-----------------|--------------|------------|---------------|----------------------------|----------------------|----------|
| | Underlying Stock | Underlying ISIN | Product ISIN | Eurex Code | Contract Size | Maximum Maturity in Months | Minimum price change | Currency |
| 23 | ROYAL BANK OF SCOTLAND GROUP | GB0007547838 | GB0007547838 | RBS | 1000 | 24 | 0.25 | GBp |
| 24 | ROYAL DUTCH SHELL PLC-B SHS | GB00B03MM408 | GB00B03MM408 | SHL | 1000 | 24 | 0.50 | GBp |
| 25 | RSA INSURANCE GROUP PLC | GB0006616899 | GB0006616899 | RYL | 1000 | 24 | 0.25 | GBp |
| 26 | SAINSBURY (J) PLC | GB00B019KW72 | GB00B019KW72 | SAN | 1000 | 24 | 0.25 | GBp |
| 27 | STANDARD CHARTERED PLC | GB0004082847 | GB0004082847 | SCB | 1000 | 24 | 0.50 | GBp |
| 28 | TESCO PLC | GB0008847096 | GB0008847096 | TCO | 1000 | 24 | 0.25 | GBp |
| 29 | VODAFONE GROUP PLC | GB00B16GWD56 | GB00B16GWD56 | VOD | 1000 | 24 | 0.25 | GBp |
| 30 | XSTRATA PLC | GB0031411001 | GB0031411001 | XST | 1000 | 24 | 0.25 | GBp |

The **currency** for quoting, trading and clearing the new British equity options will be GBp (British pence).

The following **expiration months** will be available: the next three consecutive calendar months, the following three quarterly expiration months of the March, June, September and December cycle and the following two expiration months of the June and December cycle.

The **last trading day** will be the third Friday of each expiration month. Exercises are possible on any trading day until the end of the Post-Trading period (20:00 CET).

Final Settlement will take place in form of physical delivery of the underlying shares in CREST upon exercise on the t+4 business day after the exercise has taken place.

2. Risk Parameters

Risk parameters will be published on the Eurex website under the path:

www.eurexchange.com > Clearing > Risk & Margining > Risk Parameters & Initial Margins

In this connection, a separate circular will not be published.

3. Trading Hours (all times CET)

Trading hours valid for the country segment GB11 are listed below:

| Product | Pre-Trading | Continuous Trading | Post-Trading | OTC Block-Trading |
|-------------------------|-------------|--------------------|--------------|-------------------|
| Eurex UK equity options | 07:30-09:00 | 09:00-17:30 | 18:30-20:00 | 09:00-18:30 |

4. Mistrade Parameters

Mistrade ranges for the new equity options will be published on the Eurex website as of the relevant trading date under the following path:

www.eurexchange.com > Trading > Products > Equity Derivatives > Equity Options > Selection by Country

5. Position Limits

Position limits will be published on the Eurex website under the path:

www.eurexchange.com > Trading > Products > Equity Derivatives > Equity Options > Selection by Country

6. Market-Making

The new 30 British equity options will be assigned to group ID **GB11** and will be part of the Advanced Market-Making package. Permanent Market-Making (PMM) and Regular Market-Making (RMM) will be offered as well.

Market-Making scheme:

First eight months after launch (January 18 until August 31, 2010): Market Makers fulfilling the obligations will be entitled to a trading fee refund for trades executed on the M account. Market makers fulfilling the obligations for at least five months out of the first eight months, i.e. January 18 to August 31, 2010, will qualify for the revenue sharing program. Fulfilment between January 18 and January 31, 2010 will be considered as fulfilment of one month.

Next two years: Market Makers who qualified for the revenue sharing program (i.e. who fulfilled their obligations for at least five out of the first eight months) will participate pro-rata in 50 percent of the overall revenues in British options (on-screen and OTC block trades) for the next two years (September 1, 2010 until August 31, 2012). There will be no restriction in the number of market makers allowed to take part in the program.

The refund of 50 percent of the overall revenues in British equity options will be shared amongst market makers that have qualified for the program on a monthly basis, after the volume ranking (on-screen and OTC block volumes on M accounts) has been updated to determine the pro-rata share of each Market Maker.

Eurex spread classes for British equity options Market-Making:

| spread class 11 | | spread class 12 | | spread class 13 | |
|-----------------|--------------------------------|-----------------|--------------------------------|-----------------|--------------------------------|
| GBP bid up to | GBP spread for all expirations | GBP bid up to | GBP spread for all expirations | GBP bid up to | GBP spread for all expirations |
| 0-40 | 8.00 | 0-40 | 8.00 | 0-75 | 15.0 |
| 40.25 - 75.00 | 20% | 40.25 - 200.00 | 20% | 75.25 - 300.00 | 20% |
| > 75 | 15.00 | > 200 | 40.00 | > 300 | 60.0 |

Main criteria for allocating an option to a spread class are its underlying share price and its historical volatility.

Market Maker obligations will also be available on the Eurex website as of start of trading under the following path:

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

7. Data Vendor Codes

At start of trading, data vendor codes will be published on the Eurex website under the path:

www.eurexchange.com > Trading > Products > Vendor Product Code Search

8. Trading Calendar

The existing trading calendars for the respective country segments apply. They can be found on the Eurex website under the path:

www.eurexchange.com > Trading > Trading Calendar

9. Transaction Limits, Minimum Size for Cross- and Pre-arranged Trades

The same values apply as for the already existing Euro denominated equity options.

www.eurexchange.com > Technology > Transaction Limits

10. Transaction Fees

Fees for trading and clearing of British equity options (order book transactions or OTC block trade entries) will be **GBP 0.30** for matching trades on the A or P accounts, **GBP 0.10** for matching trades on the M account with PMM Market-Making fulfilment on a per product basis or **GBP 0.05** for matching trades on the M account with AMM Market-Making package (i.e. 20 out of 30 options) fulfilment.

OTC Block Trade fee caps:

A account trades = 300 GBP (1,000 lots)

P account trades = 150 GBP (500 lots)

M account trades PMM = 100 GBP (1,000 lots)

M account trades AMM = 50 GBP (1,000 lots)

11. Product Group

The new equity options will be assigned to the following product groups:

| Eurex: UK Equity Options - Launch on January 18, 2010 | | | | FLEX Product Code | | | |
|---|------------------------------------|-----------------|---------------|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
| | Underlying Stock | Underlying ISIN | Product Group | cash settlement / European style | physical delivery / European style | cash settlement / American style | physical delivery / American style |
| 1 | ANGLO AMERICAN PLC | GB00B1XZS820 | CNSOEG | AHA6 | AHA7 | AHA8 | AHA9 |
| 2 | ASTRAZENECA PLC | GB0009895292 | CNSOEG | AZA6 | AZA7 | AZA8 | AZA9 |
| 3 | AVIVA PLC | GB0002162385 | CNSOEG | CUA6 | CUA7 | CUA8 | CUA9 |
| 4 | BAE SYSTEMS PLC | GB0002634946 | CNSOEG | AER6 | AER7 | AER8 | AER9 |
| 5 | BARCLAYS PLC | GB0031348658 | CNSOEG | BBL6 | BBL7 | BBL8 | BBL9 |
| 6 | BG GROUP PLC | GB0008762899 | CNSOEG | BGG6 | BGG7 | BGG8 | BGG9 |
| 7 | BHP BILLITON PLC | GB0000566504 | CNSOEG | BLT6 | BLT7 | BLT8 | BLT9 |
| 8 | BP PLC | GB0007980591 | CNSOEG | BPT6 | BPT7 | BPT8 | BPT9 |
| 9 | BRITISH SKY BROADCASTING GROUP PLC | GB0001411924 | CNSOEG | BSK6 | BSK7 | BSK8 | BSK9 |
| 10 | BT GROUP PLC | GB0030913577 | CNSOEG | BTG6 | BTG7 | BTG8 | BTG9 |
| 11 | CABLE & WIRELESS PLC | GB0001625572 | CNSOEG | CAW6 | CAW7 | CAW8 | CAW9 |

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|---|------------------------------|-----------------|---------------|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| | Underlying Stock | Underlying ISIN | Product Group | cash settlement / European style | physical delivery / European style | cash settlement / American style | physical delivery / American style |
| 12 | CENTRICA PLC | GB00B033F229 | CNSOEG | CTR6 | CTR7 | CTR8 | CTR9 |
| 13 | COMPASS GROUP PLC | GB0005331532 | CNSOEG | CPG6 | CPG7 | CPG8 | CPG9 |
| 14 | DIAGEO PLC | GB0002374006 | CNSOEG | GNS6 | GNS7 | GNS8 | GNS9 |
| 15 | GLAXOSMITHKLINE PLC | GB0009252882 | CNSOEG | GXO6 | GXO7 | GXO8 | GXO9 |
| 16 | HSBC HOLDINGS PLC | GB0005405286 | CNSOEG | HSB6 | HSB7 | HSB8 | HSB9 |
| 17 | LEGAL & GENERAL GROUP PLC | GB0005603997 | CNSOEG | LGE6 | LGE7 | LGE8 | LGE9 |
| 18 | LLOYDS BANKING GROUP PLC | GB0008706128 | CNSOEG | TSB6 | TSB7 | TSB8 | TSB9 |
| 19 | MARKS & SPENCER GROUP PLC | GB0031274896 | CNSOEG | MKS6 | MKS7 | MKS8 | MKS9 |
| 20 | NATIONAL GRID PLC | GB00B08SNH34 | CNSOEG | NGG6 | NGG7 | NGG8 | NGG9 |
| 21 | PRUDENTIAL PLC | GB0007099541 | CNSOEG | PRU6 | PRU7 | PRU8 | PRU9 |
| 22 | RIO TINTO PLC | GB0007188757 | CNSOEG | RTZ6 | RTZ7 | RTZ8 | RTZ9 |
| 23 | ROYAL BANK OF SCOTLAND GROUP | GB0007547838 | CNSOEG | RBS6 | RBS7 | RBS8 | RBS9 |
| 24 | ROYAL DUTCH SHELL PLC-B SHS | GB00B03MM408 | CNSOEG | SHL6 | SHL7 | SHL8 | SHL9 |
| 25 | RSA INSURANCE GROUP PLC | GB0006616899 | CNSOEG | RYL6 | RYL7 | RYL8 | RYL9 |
| 26 | SAINSBURY (J) PLC | GB00B019KW72 | CNSOEG | SAN6 | SAN7 | SAN8 | SAN9 |
| 27 | STANDARD CHARTERED PLC | GB0004082847 | CNSOEG | SCB6 | SCB7 | SCB8 | SCB9 |
| 28 | TESCO PLC | GB0008847096 | CNSOEG | TCO6 | TCO7 | TCO8 | TCO9 |
| 29 | VODAFONE GROUP PLC | GB00B16GWD56 | CNSOEG | VOD6 | VOD7 | VOD8 | VOD9 |
| 30 | XSTRATA PLC | GB0031411001 | CNSOEG | XST6 | XST7 | XST8 | XST9 |

For further information on the assignment of products and product groups, please refer to Eurex circular 232/07, section 1.6.

12. OTC Wholesale Facilities

For the 30 new British equity options the minimum amount of tradable contracts by means of the Block Trade and Flexible Options Facilities is **100 contracts**.

Members who are already registered for Block Trading and/or Vola Trading may use the Block Trade Facility for the new equity options without any further action.

Members wishing to participate in the OTC Trade Entry Facilities for the first time should confirm their acceptance of the General Participation Conditions of the OTC Trade Entry Facilities by signing the appropriate form and returning it to Eurex. In addition, where the member firm is a Non-Clearing Member, its General Clearer must sign and return the General Clearer's Declaration Agreement at the same time.

The necessary forms can be found on the Eurex website under the following path:

www.eurexchange.com > Documents > Forms > Trading Derivatives > Single Forms > OTC Trade Entry

Eurex will introduce a non-disclosure facility for OTC block trades in equity options depending on the trade size, resulting in the intraday non-disclosure of price and size for block trades exceeding predefined thresholds. These volumes are reflected in the open interest of the next trading day.

The intention is to set the non-disclosure thresholds in such a manner that around 90 percent of OTC trades are disclosed.

As no historical Eurex data on OTC block trade sizes is available for British options, the non-disclosure thresholds for British equity options will only be set after the first months of trading and will be communicated to the market.

An overview of the OTC trade entry facilities available for the products and detailed information on all equity options on single product basis with regard to their availability, utilization possibilities and minimum contract sizes for the various wholesale trading facilities can be found under the path:

www.eurexchange.com > Trading > Wholesale Trading > Wholesale Trading Parameters

Upon acceptance of the General Conditions of Participation, the Flexible Options facility will be available.

13. Preparation for Start of Trading

Two British equity options, HSB (option on HSBC Holdings PLC) and SCB (option on Standard Chartered PLC), will be available in the simulation environment as of Tuesday, January 5, 2010.

If you have any questions or if you are interested in Market-Making in these products, please contact Eurex Product Strategy (Christian Csomos and Michael Durica).

Frankfurt, December 15, 2009