X-pand into the **Future**

eurex *circular 242/09*

Date: Frankfurt, December 23, 2009
Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Peter Reitz

High priority

Hurricane Futures: Introduction of Contract Risk Period 2011

Related Eurex Circular: 115/09

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Content may be most important for:	Attachments:
Ü All departments	none

Summary:

The Management Boards of the Eurex Exchanges approved the introduction of Hurricane Futures contracts for the Contract Risk Period 2011 as of **January 4, 2010**.

Hurricane Futures: Introduction of Contract Risk Period 2011

The new contracts will be available as of Monday, January 4, 2010.

Futures for Contract Risk Period 2011 will be introduced for all Hurricane Futures.

Hurricane Futures are binary contracts, which settle based on industry-wide insurance loss estimates produced by the Property Claim Services (PCS) unit of Insurance Services Office Inc.

A contract will settle at USD 10,000, if the PCS loss estimates for a single eligible event during the Contract Risk Period (calendar year) meets or exceeds the respective Trigger Level.

The calculation of industry-wide loss estimates will be conducted by a neutral body, PCS. PCS has been responsible for identifying and estimating insured property damage resulting from catastrophes affecting the United States, Puerto Rico, and the U.S. Virgin Islands since 1949. Primary insurers and re-insurers rely on these estimates to identify catastrophe losses, as well as to validate reserves and estimate the physical resources that may be needed to handle claims at catastrophe sites.

Eurex Hurricane Futures provide a means for market participants, both from insurance and financial markets, to participate and trade in U.S. wind catastrophe risk in a transparent and secure way. All transactions will be guaranteed by the Central Counterparty, Eurex Clearing, one of the world's leading clearinghouses. It offers fully automated electronic straight-through post trade services for all Eurex transactions. In 2008, Eurex Clearing cleared contracts with a notional amount of EUR 118 trillion in derivatives, equities, fixed income, repo and energy.

1. Product Overview

Product ISINs for Contract Risk Period 2011

Eurex Product Code	Product ISIN	Product Name
HF31	DE000A1CRB90	Hurricane Futures Florida 30bn 2011
HF41	DE000A1CRCA2	Hurricane Futures Florida 40bn 2011
HF51	DE000A1CRCB0	Hurricane Futures Florida 50bn 2011
HG11	DE000A1CRCC8	Hurricane Futures Gulf 10bn 2011
HG21	DE000A1CRCD6	Hurricane Futures Gulf 20bn 2011
HU11	DE000A1CRB41	Hurricane Futures USA 10bn 2011
HU21	DE000A1CRB58	Hurricane Futures USA 20bn 2011
HU31	DE000A1CRB66	Hurricane Futures USA 30bn 2011
HU41	DE000A1CRB74	Hurricane Futures USA 40bn 2011
HU51	DE000A1CRB82	Hurricane Futures USA 50bn 2011

Contract Value	Product Currency	Minimum Price Change	Minimum Price Change Value	Block Trade Size	Market Order Matching Range	Product Group
100 points	USD	0.1 points	USD 10	1	30	XACHJU

Minimal Price	Maximal Price	Settlement Decimals
0.1 points	100 points	3

2. Contract Specifications

As an example that applies to all Hurricane futures, please find below contract specifications for the Florida Hurricane contracts with Trigger Level USD 30 billion and Contract Risk Period 2010.

Name	Hurricane Future Florida 30bn 2010
Product ID	HF30
Contract Notional	100 points
Settlement Value	binary: USD 10,000 if: • a final PCS report states an industry loss amount for an Eligible Event equalling or exceeding the Trigger Level, • the last available PCS report on the last business day of the 30th month following the start of the Contract Risk Period states an industry loss amount for an Eligible Event equalling or exceeding the Trigger Level, • an interim PCS report states an industry loss amount for one of the previously occurred Eligible Events that is equal to or greater than 110 percent of the Trigger Level, • Otherwise the future settles at USD 0.10.
Currency	USD
Minimum Tick Size	0.10
Minimum Tick Value	USD 10
Trading Hours	10:00 – 22:00 CET
Contract Risk Period	Calendar year starting on January 1, 2010 and ending on December 31, 2010, in each case determined in the local time-zone where the event occurred.
Region	Florida
Eligible Event	Event defined by PCS as a natural catastrophe occurring in or affecting the state of Florida and where the perils identified in the PCS report include the perils of wind (including storm, hurricane, tempest, tornado, cyclone, typhoon and/or hail including all flood following such perils).
Trigger Level	USD 30 billion (30.000.000.000)
First Trading Day	Listing Day
Last Trading Day	The last business day of the 30th month following the start of the Contract Risk Period (subject to modified following business day convention). The following events will trigger an early cessation of trading of the contract on the following business day: • Eurex receiving a final PCS report stating an industry loss amount for a Eligible Event equalling or exceeding the Trigger Level, • Eurex determining on the first business day of the February following the end of the Contract Risk Period that no Eligible Event has occurred, that has caused a loss equalling or exceeding 25 percent of the trigger level according to the latest available PCS reports,

- Eurex determining on the last business day of the 24th month following the start of the Contract Risk Period that the most recently issued interim PCS report with respect to each Eligible Event reflects an industry loss amount that is less than 75 percent of the Trigger Level,
- Eurex receiving an interim PCS report reflecting an industry loss amount for one of the previously occurred Eligible Events that is equal to or greater than 110 percent of the Trigger Level.

Contract Type	Future, binary
Block Trade Size	1 future
Trading Fee	USD 5 per side (Order Book & Block Trade)

The product code will be a four digit code according to the following logic:

- The first character is an "H"
- The second character represents the region
  - U – USA Hurricane Futures
  - F – Florida Hurricane Futures
  - G – Gulf Hurricane Futures
- The third character represents the Trigger Level
- The fourth character represents the Contract Risk Period

i.e. HF30 stands for a Florida Hurricane Future with a Trigger Level of USD 30 billion and the Contract Risk Period 2010.

Each region, Trigger Level and Contract Risk Period represent a separate futures contract. They are assigned a specific product code and Product ISIN. The introduction of these Hurricane Futures will be announced via a circular.

Eurex offers contracts on three regions:

- USA – all 50 states incl. the District of Columbia, Puerto Rico and U.S. Virgin Islands
- Florida – State of Florida
- Gulf – States of Alabama, Louisiana, Mississippi and Texas

Following Trigger Levels will be available on a region basis (in billion USD):

- USA 10 / 20 / 30 / 40 / 50
- Florida 30 / 40 / 50
- Gulf 10 / 20

As of January 4, 2010 Eurex additionally lists following Contract Risk Period:

- 2011

Other contract risk periods will be listed as follows:

The listing day will be the first business day of the year preceding the Contract Risk Period, i.e. a contract covering the Contract Risk Period of 2012 will be listed on January 3, 2011.

In case of early cessation of a contract as described under last trading day Eurex will force a termination of the respective contracts. This termination will be performed via a position transfer of all respective open positions to an internal Eurex account during the end-of-day batch of the Eurex® system on day "T". With this transfer the Members' position accounts will be cleared and the additional margin released. These transfers will be done free of charge. To support the subsequent posting of this termination on Member side, Eurex will inform the market place in advance via a circular about the termination and the date “T” the transfer will be performed.

For example:
Eurex announces on “T-5” via a circular that it will terminate a specified contract on “T”. During the Eurex batch on “T”, Eurex books all respective existing positions to an internal Eurex account. On the same day Members should terminate their positions in the contract in their back-office systems. During the batch run, that is conducted between “T” and “T+1”, the positions are then terminated.

3. Trading Hours (all times are CET)

Pre-Trading	Trading	Post-Trading	End of Trading (on the last Trading Day)
09:30-10:00	10:00-22:00	22:00-22:02	18:00

4. **Transaction Fees**

Order Book Transaction	Block Trade Transaction
USD 5	USD 5

5. Admission to Block-Trading

Hurricane Futures will be admitted to Block-Trading with a block trade size of one contract.

Members who are already registered for Block-Trading may use the Block Trade facility for the Hurricane Futures 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 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 corresponding 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

6. Mistrade Parameters

As of start of trading, mistrade ranges for the products will be available on the Eurex website under the following path:

www.eurexchange.com > Trading > Products > Weather Derivatives

7. Margining and Risk Parameters

Variation margin as for conventional futures (Mark-to-Market) will be applied to Hurricane Futures.

Additional margin parameters will be calculated as percentage of the maximum payout (USD 10,000), not of the traded price. The margin requirement may change as a function of the futures price according to the formula below and needs to be obtained through the theoretical price file.

The additional margins will be calculated as follows:

Margin_for_Buyer = Min (MP, FP-0.1) * USD 100

Margin_for_Seller = Min (MP, 100-FP) * USD 100<

whereby

MP = Margin Parameter

FP = Futures Price

As a result, the buyer and the seller may be charged with different margins. This reflects different risk exposures to the change of the futures price for each side.

During the Contract Risk Period three margin levels for the futures referencing the Contract Risk Period will be applicable:

Season	Margin Parameter (MP)	Margin Amount*
Pre-Season (January 1 - May 31)	5%	USD 500
In-Season (from June 1)	30%	USD 3.000
High Threat	100%	USD 10.000

* subject to the formula above

For example:

If the margin parameter is set to 100 percent and the Futures price is currently at 78.6 the margin requirement will be:

Margin_for_Buyer = Min (MP, FP-0.1) * USD 100 = Min (100, 78.6-0.1) * USD 100 = Min (100, 78.5) * USD 100 = 78.5 * USD 100 = USD 7.850

Margin_for_Seller = Min (MP, 100-FP) * USD 100 = Min (100, 100-78.6) * USD 100 = Min (100, 21.4) * USD 100 = 21.4 * USD 100 = USD 2.140

Eurex will determine the time to set the margin parameter to “High Threat”.

As of start of trading, margin parameters for the new products will be available on our website under the path:

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

8. Vendor Codes

Bloomberg

Bloomberg Product Codes for Contract Risk Period 2011

Eurex Product Code	Product ISIN	Product Name	BBG Code
HF31	DE000A1CRB90	Hurricane Futures Florida 30bn 2011	FLCA Index
HF41	DE000A1CRCA2	Hurricane Futures Florida 40bn 2011	FLDA Index
HF51	DE000A1CRCB0	Hurricane Futures Florida 50bn 2011	FLEA Index
HG11	DE000A1CRCC8	Hurricane Futures Gulf 10bn 2011	HGSA Index
HG21	DE000A1CRCD6	Hurricane Futures Gulf 20bn 2011	HGYA Index
HU11	DE000A1CRB41	Hurricane Futures USA 10bn 2011	USAA Index
HU21	DE000A1CRB58	Hurricane Futures USA 20bn 2011	USBA Index
HU31	DE000A1CRB66	Hurricane Futures USA 30bn 2011	USDA Index
HU41	DE000A1CRB74	Hurricane Futures USA 40bn 2011	USIA Index
HU51	DE000A1CRB82	Hurricane Futures USA 50bn 2011	USLA Index

Thomson Reuters

Thomson Reuters will be using the following code roots to represent the regions:

- HFUS USA Hurricane Futures
- HFF Florida Hurricane Futures
- HFG Gulf Hurricane Futures

Each contract incorporates the respective Trigger Level and Contract Risk Period in the chain.

Thomson Reuters Product Codes for Contract Risk Period 2011

Eurex Product Code	Product ISIN	Product Name	TR Chain
HF31	DE000A1CRB90	Hurricane Futures Florida 30bn 2011	<0#HFF31:>
HF41	DE000A1CRCA2	Hurricane Futures Florida 40bn 2011	<0#HFF41:>
HF51	DE000A1CRCB0	Hurricane Futures Florida 50bn 2011	<0#HFF51:>
HG11	DE000A1CRCC8	Hurricane Futures Gulf 10bn 2011	<0#HFG11:>
HG21	DE000A1CRCD6	Hurricane Futures Gulf 20bn 2011	<0#HFG21:>
HU11	DE000A1CRB41	Hurricane Futures USA 10bn 2011	<0#HFUS11:>
HU21	DE000A1CRB58	Hurricane Futures USA 20bn 2011	<0#HFUS21:>
HU31	DE000A1CRB66	Hurricane Futures USA 30bn 2011	<0#HFUS31:>
HU41	DE000A1CRB74	Hurricane Futures USA 40bn 2011	<0#HFUS41:>
HU51	DE000A1CRB82	Hurricane Futures USA 50bn 2011	<0#HFUS51:>

Vendor codes for the new products will be available on our website under the path:

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

Frankfurt, December 23, 2009