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Wholesale Trading Services Eurex Flexible Options – Custom-Made Terms and Conditions

eurex

Now also available for
Fixed Income Options

Custom-Made Terms and Conditions – Bringing More Flexibility to Your Trading

The Flexible Options facility was originally introduced in November 2005 for all equity and equity index options traded on Eurex. One year later – with Eurex Release 9.0 – the product range was completed by Options on Euro Fixed Income Futures. In this way, you benefit from the flexibility of customized OTC contracts, combined with the efficiency and security of standardized clearing and settlement processes for all option products traded on Eurex.

As a major advantage of this OTC facility, Flexible Options allow members, and through them their wholesale clients, to customize key contract terms to suit their individual requirements:

- **Exercise Price:**
Set the exercise price of Flexible Options within the range set by the exercise prices available for the standardized option series.
- **Expiration Date:**
Choose any exchange trading day between the first trading day after the trade date and the last expiration date of the standardized option series.
- **Exercise Style:**
Select American or European exercise style.

Flexible Options are available for Wholesale Trading only, with a minimum trade size equivalent to the minimum Block Trade size in regular series.

Comfortable and Straightforward Application – Providing a Great Variety of Benefits

Flexible Equity, Equity Index and Fixed Income Options are traded via a specially-designed window in the Eurex trading user interface that allows the user to modify, delete, inquire, ratify, give-up, take-up, transfer, close and exercise Flexible Options transactions. Three special reports provide a transparent overview of all trading activity in Flexible Options.

The new Flexible Options facility provides several benefits to you:

- Enhanced flexibility in implementing customized trading and hedging strategies
- Market anonymity
- Security of trading on a regulated exchange
- Elimination of the counterparty risk through the integrated Clearing House acting as central counterparty to the market
- Margin offsets between Flexible Options and standardized option contracts

Wide Range of Trading Applications – Supporting Your Hedging Strategies

Flexible Equity and Equity Index Options

are particularly useful for designing and implementing large-scale equity portfolio hedges with specific time horizons or performance objectives.

Some common applications are:

- Structuring zero-premium collars, where market participants are looking to limit the downside risk of their equity portfolios without significant premium payment, and without having to sell any shares. If the desired protection is for a relatively long period of time, users might want to use an expiration date which differs from that offered in the regular option series in order to precisely structure the investment.
- Establishing synthetic long/short equity positions by simultaneously selling (buying) customized puts and buying (selling) customized calls.
- Creating exit strategies with lower market impact.

Flexible Options on Fixed Income Futures

are your best choice when structuring and implementing comprehensive fixed income portfolio hedges designed with specific dates and performance objectives. In addition, Flexible Options with short expiration dates, for example the next day or a weekly option, allow investors to structure trades around upcoming events such as Fed meetings or economic releases that impact the European government bond markets. In contrast, if a hedge is required for a longer period of time, expiration dates differing from those of standard options may be used to implement such structures.

Overview of Specifications

	Flexible Options on Euro Fixed Income Futures	Flexible Equity Options	Flexible Equity Index Options
Option Type	Put or Call		
Contract Size	The same as the regular series		
Expiration Date	No later than latest expiry of regular series		
Exercise Style	American or European		
Exercise Settlement	Exercise results in position in Euro Fixed Income Futures	Exercise results in physical delivery of equity	All equity index options are cash-settled
Strike Price	Exercise price has to be within the boundary of highest and lowest exercise price of regular series. Strike prices can be defined with up to 2 digits, or 3 digits for OGBS.	Exercise price has to be within the boundary of highest and lowest exercise price of regular series (excluding LEPOs). Strike prices can be defined with up to 4 digits.	
Settlement Price Calculation	Theoretical price calculations for Flexible Options are required to determine settlement prices for margining purposes and to allow validation of proposed trade prices. The settlement prices of Flexible Options contracts are estimated using the volatility surface given by the volatilities of the standard contracts with upper and lower strike prices and succeeding and preceding expirations.		
Minimum Size	Flexible Options are only tradable OTC. The minimum size is analogous to the minimum block trade size.		
Position Limits	No position limits	Both Flexible Options and regular option series are taken into account for the purposes of monitoring compliance with position limits in a given underlying instrument	No position limits
Trading Hours	Trading hours as per the regular series for use of OTC Trade Entry facilities 08:00–19:00 CET	Trading hours as per the regular series for use of OTC Trade Entry facilities 09:00–19:00 CET	
Product Codes* European Style (7)	Third digit of product code replaced by "7" e.g. OGBL -> OG7L	Third digit of product code followed by "7" e.g. ALV -> ALV7	Third digit of product code replaced by "7" e.g. OESX -> OE7X
Product Codes* American Style (8)	Third digit of product code replaced by "8" e.g. OGBL -> OG8L	Third digit of product code followed by "8" e.g. ALV -> ALV8	Third digit of product code replaced by "8" e.g. OESX -> OE8X
OTC Entry Form	www.eurexchange.com > Documents > Forms > Trading Derivatives > OTC Trade Entry		

* In general product codes for Flexible Options contracts are derived from the product code of the regular contract. Please note that exceptions to the above rules are possible.