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partially been treated differently from their German counterparts. From the beginning of 2007 however, greater clarity and notably uniformity are to reign here as well.

From 2007, capital reductions effected by way of a lower nominal value will also be regarded as normal dividends, if – as it is often the case with Swiss companies – they are paid instead of a dividend or form part of it. Guaranteed cash payments to settle subscription rights will also be treated like dividends. In contrast, the contract size or exercise prices will be adjusted in cases where dividends are considered extraordinarily high, as well as for anniversary bonuses, special dividends and other payments that are not distributed within the scope of a company's regular dividend policy.

In addition to the various attempts to achieve clarity by way of definitions, European exchanges also seek to organize better dialogue among each other in order to avoid different interpretations of a company's payments (that is whether a payment represents a normal or extraordinary dividend).

Harmonized: Cash Settlement Methods

Another standardization effort refers to the way in which corporate actions should be dealt with in the future, specifically in the event of a change in contract size. For example, if the contract size increases from 100 to 103.45 owing to a subscription right, the uniform way to act from 2007 will be to settle the fractional figure in cash. Currently, alongside this method, it is still also possible to settle the entire excess amount (that is, in excess of the standard contract size) in cash, even though de facto this corresponds to non-participation in the capital increase.

The above-mentioned changes to the Rules and Regulations are only relevant to corporate actions that are announced and/or implemented after January 1, 2007. Until then, you will have the opportunity to prepare yourself for these changes and to inform your customers accordingly.

Further Information

You will find a user manual containing a detailed account of all changes to the Rules and Regulations and illustrative examples on our website **www.eurexchange.com > Trading > Products > Equity Derivatives > Corporate Actions Procedures**.

In case of questions about the changes, please feel free to contact Ralf Huesmann on
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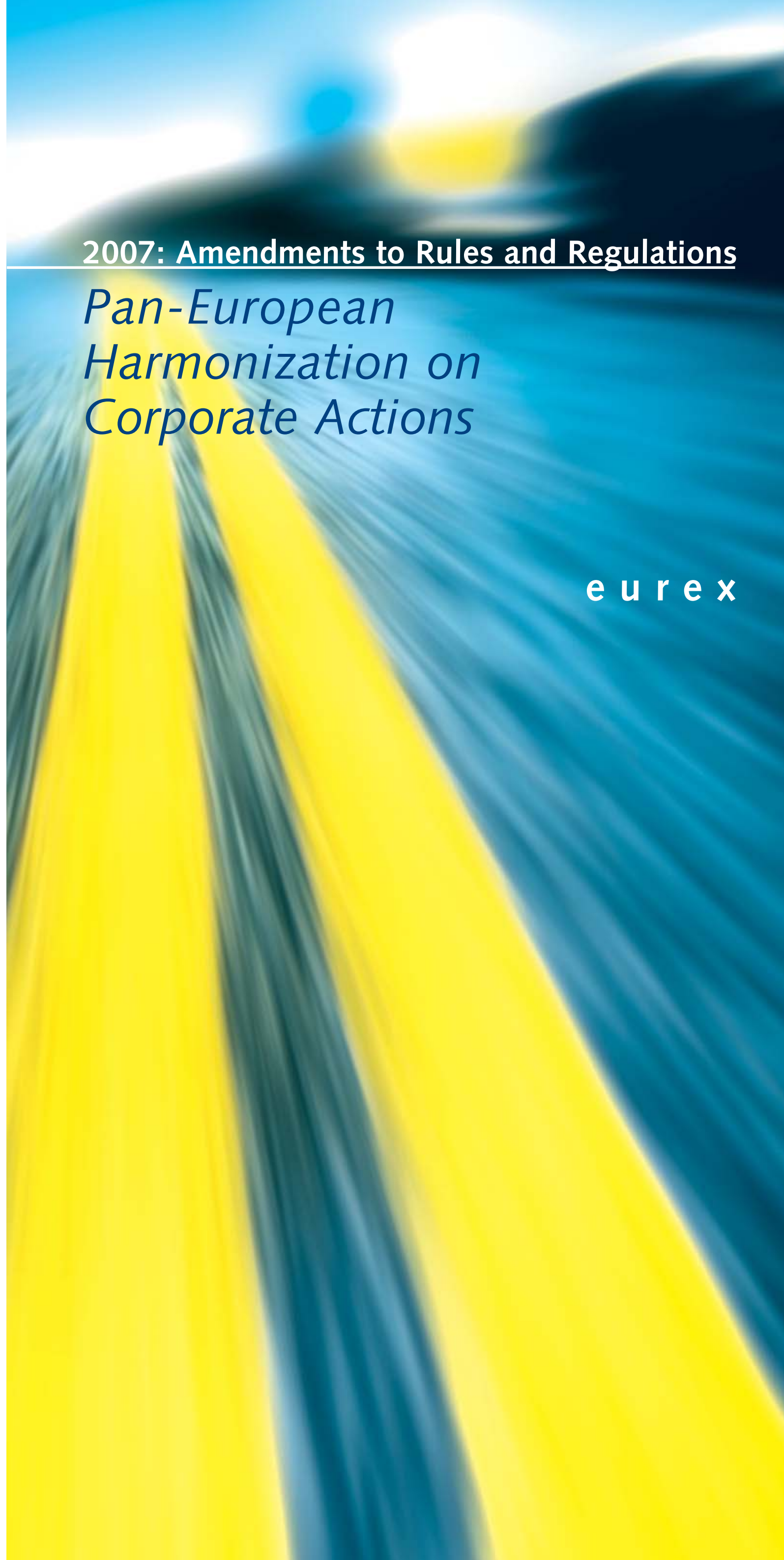


2007: Amendments to Rules and Regulations

Pan-European Harmonization on Corporate Actions

Eurex Expedites Pan-European Harmonization on Corporate Actions

At the beginning of 2007, changes with respect to the treatment of mergers and acquisitions, the definition of special dividends and related cash settlement methods will take effect at Eurex. These measures will ultimately result in the uniform treatment of all products that can be traded on Eurex and, as such, represent an important step towards the harmonization with other European marketplaces.

Our range of equity derivatives has been growing constantly in recent years. As a consequence, the products have become increasingly international: Equity options include contracts on Dutch, French, Italian, Spanish, Finnish and Swedish shares, in addition to shares from our home markets Germany and Switzerland. Meanwhile, with 14 different countries already represented, the range of tradable Single Stock Futures on Eurex is even more international.

Uniform Procedure for Corporate Actions Requested

With the increasing internationalization of the product portfolio, the degree of overlap with other exchanges (on which many Eurex participants also trade) increases as well. As a result, customers have requested that corporate actions of companies from different origins be treated along the same lines, wich has triggered a harmonization process across exchanges. We aim to actively drive this process forward, removing obstacles that currently still prevent (for example) ABN Amro options on Eurex from being handled the same way as a corresponding contract on Euronext.liffe. A lack of harmonization implies greater need for explanation vis-à-vis customers, fewer arbitrage opportunities and higher market risks.

Issues discussed with Eurex participants in this context, and for which amendments have been made to the Eurex Rules and Regulations, basically concern the following three topics:

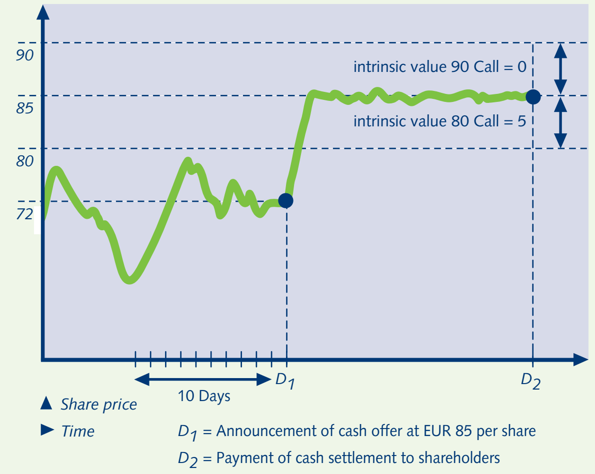
- Treatment of mergers and acquisitions (M&A)
- Definition of special dividends
- Related cash settlement methods

New: Fair Value Method for Cash Settlement Owing to Mergers and Acquisitions

In the event a company is taken over, whose shares are underlying instruments for Eurex options and/or futures, a definition is needed as to what happens to these products from a certain point in time. If the company is acquired by way of a (majority) share offer, the current underlying will be replaced by the proposed underlying in accordance with the relevant exchange ratio, and trading in the option and/or futures contracts on the new underlying instrument will typically be continued.

In the case of a cash offer or a combined share/cash offer, where it is planned that at least 67 percent of the acquisition amount is paid in cash, the relevant derivatives will be subject to cash settlement, and the lifetimes of existing series may end considerably earlier compared to the orginal expiration or maturity dates. In the past, the method used for equity options in such instances was driven by their intrinsic value. From January 1, 2007, settlement will be effected using the concept of "fair value" instead.

Example:
After the announcement of a takeover, the price of the target company usually rises very quickly to a level which is roughly equivalent to the value of the takeover bid; it will remain there, provided that the offer is not increased or withdrawn, and no other bidder comes along. Volatility therefore moves towards zero. In the past, for bids in cash, Eurex has only determined the intrinsic value of the relevant option. In particular, long-dated out-of-the-money options could therefore lose their entire value almost immediately after the announcement of a bid and the subsequent share price appreciation. In future, option contracts will be settled on the basis of their respective fair value, using implied volatility based on the settlement prices of the last ten days prior to the bid announcement. Once the orginal lifetime, the respective prevailing risk-free interest rate and the dividends expected to accumulate until the orginal expiration date have been taken into account on the day of the cash bid, the theoretical value of each option series will be calculated, serving as the basis for contract settlement.



The fair value method for M&A-driven cash settlements to be used by Eurex from 2007 is along the same lines as the one which has been gradually introduced by Euronext.liffe for its respective home markets. Hence, from 2007, the major European markets will act along the same lines with respect to this important issue. Other exchanges are expected to follow suit.

More Straightforward: Definition of Special Dividends

With derivatives on single stocks, contract sizes or exercise prices are usually only adjusted for special dividends and not for "normal" dividend distributions. But a clear distinction between the two is rather difficult, and even within the scope of the Eurex Rules and Regulations, Swiss shares have