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Volatility Derivatives

Eurex Vola Futures – Riding the Risk

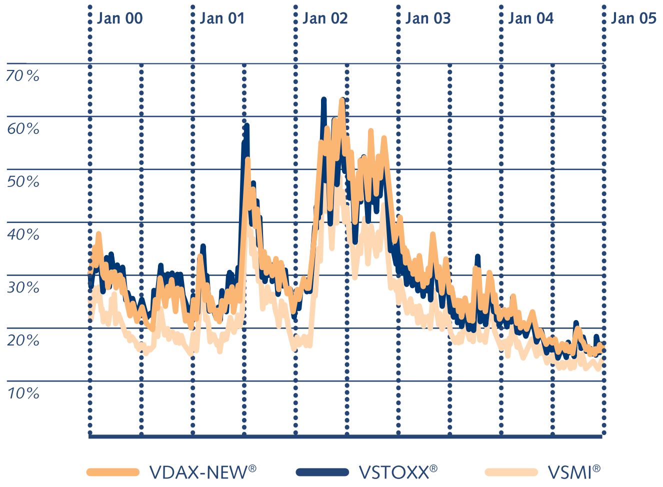
eurex

The Simpler Way to Gain Volatility Exposure

Eurex launches the first European volatility futures on September 19, 2005. The three new products are based on volatility indexes launched in April 2005, incorporating price data for options on the Dow Jones EURO STOXX 50® (VSTOXX®), the DAX® (VDAX-NEW®), and the SMI® (VSMI®) benchmark indexes.

Making volatility tradable as an independent asset class, the new contracts will enable you to gain pure volatility exposure, to make a bet on future volatility changes, to trade the spread between different volatility indexes, and to hedge the volatility exposure of your portfolio.

Historical Time Series of the 30-day Rolling Volatility Indexes VSTOXX®, VDAX-NEW®, and VSMI®

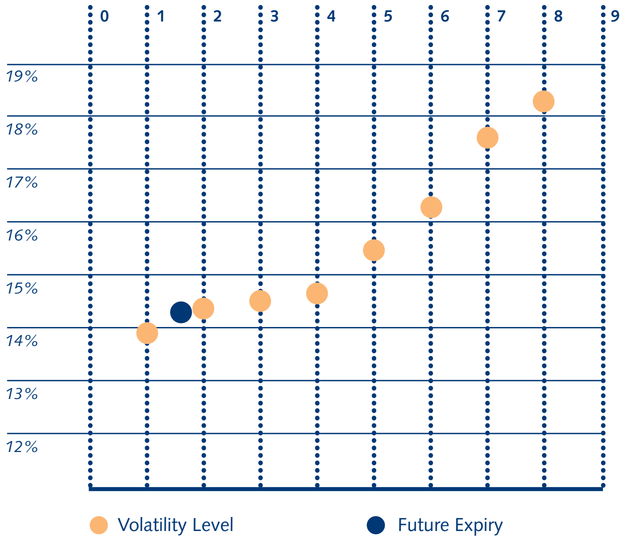


How the new Volatility Indexes are Constructed

The new indexes represent an average implied volatility level of the underlying index options.

- The design closely follows procedures used to evaluate OTC variance swaps.
- The average implied volatility level corresponds to the square root of implied variance.
- The volatility level is evaluated as the sum over the strip of OTM index options of a given expiration date.
- Implied volatility level for each index option expiration out to two years is calculated and updated each minute.
- These "sub-indexes" are then used to build the implied volatility term structure.
- The rolling index at 30 days to expiration is constructed via linear interpolation of the two nearest sub-indexes to expiration.

Volatility Term Structure of VSTOXX® on September 6, 2005



Sub-indexes are orange circles, with the rolling 30-day index shown as a blue circle. Each sub-index represents the implied volatility level of an index option expiration. The expirations follow Eurex standard: number one is a 1-month expiration, number eight a 2-year expiration.

Benefits of the Index Methodology

The index calculation methodology adopted by Eurex offers you certain advantages.

- Easier to replicate: The index levels can be evaluated directly by using the option prices. With this, the index is more transparent and easier to rebuild.
- "Clipping of wings": Worthless options at the end of the OTM option strip (that is smaller than five ticks) are discarded as they show big bid/ask spreads and contain less information about the volatility level.

Designated Market-Making

Market Makers will continuously provide tight markets, thus ensuring liquidity in the new products:

- Quoting all maturities during at least 85 percent of trading hours;
- with ten contracts per side and subject to a maximum bid/ask spread.

The following Market Makers will provide liquidity:

Company	Contact Person	Telephone Number
Optiver VOF	Jeroen Plooster	+31-20-557-11 40
Merrill Lynch	Alex Ypsilanti	+44-20-79 96-07 92

Contract Specifications

Underlying	VDAX-NEW® Index, VSTOXX® Index and VSMI® Index
Contract Value	EUR 1,000 per volatility index point (CHF 1,000 for the VSMI® Index)
Settlement	Cash settled
Minimum Price Change	0.05 of a point
Contract Months	Three nearest calendar months, then the next quarterly month within the February, May, August and November cycle
Trading Hours	VDAX-NEW® and VSTOXX® Futures 08:50 – 17:30 CET, VSMI® Futures 08:50 – 17:20 CET
Last Trading Day (LTD)	Wednesday prior to second-last Friday of contract month (exactly 30 days before next index option expiration – therefore no interpolation between sub-indexes needed).
Final Settlement Price	Average over the index ticks of last 30 minutes before expiration (VSTOXX® 12:00 CET and VDAX-NEW® 13:00 CET on the Last Trading Day); VSMI®: last 60 minutes (10:00 CET on the Last Trading Day).
Minimum Block Trade Size	500 contracts

Eurex offers the first truly accessible opportunity to take advantage of volatility discrepancies within the European equity markets – with the trading support, transparency and flexibility you need.