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Eurex Expands European Stock Options Segment

As part of its initiative to enhance trading opportunities in pan-European stock options, Eurex has expanded its Italian Stock Option segment to include twelve underlying instruments as of February 23. Eurex participants can now trade options on 44 of the 50 constituents of the Dow Jones EURO STOXX 50 Index. The exchange has thus further boosted its global leadership in stock options markets.

With the implementation of its latest initiative, Eurex now offers complete coverage of all seven Italian blue chips in the benchmark Euro STOXX 50 Index. Previously, only three of these products (Telecom Italia, Generali and Eni) had been available for trading – these were re-listed, with optimized contract specifications. In addition, following numerous requests from market participants, options on Autostrade, Banca Intesa, Fiat, Mediaset and Telecom Italia RNC were also listed. By extending its product offer in Italian Stock Options Eurex responds to growing interest in this segment as financial institutions increasingly look to focus on the most liquid blue chip stocks in the Eurozone.

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Changes and New Features

In terms of specification, the new Italian Stock Options at Eurex have the same design as the home market with an even wider range of contract months up to a maximum of 24 months. The Last Trading Day for the newly introduced stock options is the day preceding the third Friday of the month, as opposed to the third Friday, as is currently the case for the three existing Italian Stock Options. Due to the fact that many Italian stocks fall into the low nominal value bracket, the minimum price movement (tick size) has been changed from EUR 0.01 to EUR 0.0005, offering more flexible pricing and enhancing hedging precision. Furthermore, the OTC Block Trading facility with a minimum size of 250 contracts allows for the execution of large orders between the highest and lowest underlying price of the trading day.

Incentives for Eurex Participants

To further enhance and expand its European stock option offering, Eurex has implemented a comprehensive series of liquidity-enhancing measures and incentives. One of these measures is a fee holiday that will apply for Italian Stock Options until May 23, 2004. Liquidity is provided by Market Makers who can either opt for Eurex's regular market making model by responding to requests for quotation or quote on a permanent basis. Permanent quotation requires Market Makers to quote for six hours and 40 minutes of the trading day in the respective option series.

Those permanent Market Makers meeting their obligations will be entitled to a full refund of their trading and clearing fees until the end of 2005. Additionally, over the same period, Eurex distributes 50 percent of all gross revenues earned from the Italian segment. Two ranking reports will be established (one for agency and one for proprietary and market making business) and revenues will be distributed to the top ten firms from each ranking report.

Rising Market Share in Other European Segments

The significant expansion of the Italian Stock Option segment builds on the success of the Dutch and French Stock Option initiatives, which have seen a considerable boost to trading since the beginning of 2004. Overall, more than 312,000 option contracts on French stocks changed hands in January – more than five times the volumes seen in January 2003. Eurex clearly gained market share, capturing an average 13 percent of total market volume in French Stock Options (in terms of nominal value). With approximately 870,000 option contracts on Dutch stocks traded in January, the Dutch segment was also very successful. With a year-on-year increase of almost 70 percent, the Eurex market share in this segment also reached 14 percent.

For more information on Italian Stock Options and Eurex products in general, feel free to contact Tobias Ehinger on T+49-69-211-1 47 84, e-mail: Tobias.Ehinger@eurexchange.com.

New, Simplified Exchange Eurex Trader Examination

At the beginning of 2004, Eurex introduced the so-called Partial Exam, offering prospective traders the opportunity to be admitted upon passing a simplified version of the Exchange Trader Examination.

As one of the requirements for the Eurex trader license, the Partial Exam – which lasts one-and-a-half hours, and whose curriculum of 62 questions focuses on the Eurex Rules and Regulations and market model – offers an attractive alternative to the existing Complete Exam. Achieving 75 percent of the maximum score is required to pass the exam. The Partial Exam can be repeated twice upon initial failure and is held in both the English as well as the German language. The fee for the Partial Exam is EUR 100. During the first two months of the year, more than 400 candidates registered for the Partial Exam.

Requirements

To be eligible for the Eurex Partial Exam, candidates must either furnish proof of a six-month FSA registration, or have to submit evidence of their admission as exchange traders at MATIF, AEX, MEFF, CBOT, OTÖB, ADEX – or at the derivatives markets of HKEx, ASX, Stockholmsbörsen or HEX – for at least six months during the last three years.

Alternatively, candidates can also qualify for participation by either having passed or graduated from one of the following examinations or training programs, respectively: National Commodity Futures Examination (NCFE or “Series 3”) in the US; Chartered Financial Analyst (CFA by DVFA, the German Association for Financial Analysis and Asset Management); International Fixed Income and Derivatives Certificate (IFID) or General Certificate Programme (GCP) of the Zurich-based International Securities Market Association (ISMA).

Another option to be eligible for the Partial Exam is to provide evidence of professional experience in derivatives trading of at least twelve months within the last three years (e.g. in the capacity as a trader assistant), to be confirmed by the respective employer. A form, which could be used as template is provided at <https://trainingscenter.deutsche-boerse.com> > Look&Book > Catalog > Reference materials > Eurex > Preparatory material Eurex Trader Exam > Eurex PE prof experience.

Early registration for the Partial Exam is recommended, given that admission as trader assistant has been abolished with effect from January 2, 2004, and increased demand for examination dates is envisaged as a consequence.

Candidates already registered as trader assistants must seek registration as traders or traders with preliminary admission by July 1, 2004. Trader assistants who fail to pass either the Complete or Partial Exam within the set deadline will not be admitted as traders. These candidates may, however, apply for the status of "trader with preliminary admission". This is granted with the proviso that either the Complete or Partial Exam is successfully passed within nine months from the time of preliminary admission. On passing the examination, the status is automatically set to exchange trader; otherwise, the preliminary admission will lapse.

Tutorial and Examination Dates

Preparation for the Partial Exam is facilitated by a tutorial, which can be downloaded, free of charge, from the Deutsche Börse Training Center's Learning Portal at <https://trainingscenter.deutsche-boerse.com> > Look&Book > Reference Materials > Eurex > Preparation Eurex Complete/ Partial Exam. The relevant examination dates are also shown on the Learning Portal and be booked online from there. Please note that firm bookings are subject to submission of evidence that the various prerequisites for taking part in the examination have been fulfilled.

The Training Center will also be happy to coordinate individual examination dates at the participants' site, against payment of a flat fee, for a minimum number of five candidates.

Please find the relevant examination dates and our Online Booking System at <https://trainingscenter.deutsche-boerse.com> > Look&Book > Examinations and Preparation > Eurex > Eurex Partial Exam. In order to book online and download the tutorial, it is requested to register as user of our Training Center first. Of course, the registration is free of charge.

For individual, on-site examination dates, please contact our Training Center team directly, T+49-69-211-1 37 67.

For questions related to admission, please feel free to contact our Customer Support Team, T+49-69-211-1 17 00.

Academic Research on Eurex Derivatives

A number of academic studies by renowned international “think tanks” have proven the relative advantages of Eurex derivatives when looking for alternative investment opportunities.

A key reason for the continued growth in international derivatives is in their increasing application as a complementary, or alternative, asset class, on top of traditional asset classes such as stocks or bonds. With up to EUR 1,000 billion in assets under management worldwide, hedge funds have developed into a very popular form of alternative investment.

The three studies, which are available on the Eurex website www.eurexchange.com, all illustrate the various benefits when using Eurex derivatives, each from a different perspective:

Managed Futures

“Eurex Derivative Products in Alternative Investments – The Case for Managed Futures” – This study conducted by Thomas Schneeweis, Michael and Cheryl Philipp Professor of Finance at the University of Massachusetts (www.cisdms.org) identifies benefits for commodity trading advisors (CTAs) or managers of futures funds when using Eurex futures contracts for certain investment strategies. The study shows that these Eurex products can be used to significantly enhance the overall performance of dynamically managed portfolios. The Eurex DAX[®] and Dow Jones EURO STOXXSM Futures, as well as the range of fixed income futures traded at Eurex, turned out to be particularly suitable for this purpose.

Hedge Funds

“Eurex Derivative Products in Alternative Investments – The Case for Hedge Funds” – In another study, Thomas Schneeweis analyzes the use of various futures and option contracts traded on Eurex and several other European futures and options exchanges for replicating the risk/return profiles of various hedge fund strategies focused on European investments. Results show that comparatively simple European futures and option strategies can be used either as part of a multi-factor hedge fund replication model to describe the return process of many Europe-focused hedge fund strategies, or as part of a set of passive systematic strategy-based trading programs that reflect the return processes of these strategies.

Portable Alpha /Portable Beta Strategies in the Eurozone

“Portable Alpha and Portable Beta Strategies in the Eurozone – Implementing Active Asset Allocation Decisions using Equity Index Options and Futures”, a paper provided by Noël Amenc, Professor of Finance from EDHEC Business School (www.edhec-risk.com), shows how long/short managers in the Eurozone can use derivatives markets to help actively implement their asset and sector allocation decisions in a systematic manner so as to enhance the overall performance of their portfolio. The benefits of active asset allocation decisions reported in this paper originate from the combination of a robust econometric and portfolio process with the efficient trading of low-cost investible products such as Eurex equity index futures and options. This strongly suggests that most long/short managers

could use a similar methodology to enhance the performance of their portfolios on two levels: first, using an overlay portfolio designed to capture excess and factor allocation decisions on the European markets (an effect referred to as “portable alpha”) and secondly, using option strategies designed to consistently add value during calm markets (“portable beta”).

These studies are available, in English, for free on the Eurex website (www.eurexchange.com > Investors > Institutional Investors). Please send an e-mail to investors@eurexchange.com if you have any questions.

Your feedback is important to us.

Do you have feedback about our newsletter? Please send an e-mail to:

Xpand.feedback@eurexchange.com

EVENTS

Events and Conferences March/April

	Location	Date
World Cup of Investment Management	Hotel Arts, Barcelona	March 01-02
FOW's 2004 Derivatives & Securities World Frankfurt	Congress Center, Frankfurt	March 02-03
Funds World Taiwan 2004	The Westin, Taipei	March 03-05
Invest 2004	Messe Stuttgart, Stuttgart	March 05-07
Australian Financial Markets 2004	The Westin, Sydney	March 10-11
Hedge Funds World Australia 2004	The Westin, Sydney	March 17-19
NAPF Investment Conference 2004	Edinburgh International Conference Center, Edinburgh	March 17-19
FIA 28th Annual International Futures Industry Conference	Boca Raton Resort and Club, Boca Raton, FL	March 17-20
Alternative Investment Summit 2004	Royal Lancaster Hotel, London	March 22-23
Hedge Funds World 2004	Grand Hyatt, New York City, NY	March 29-31
Hedge Funds World Germany	Arabella Sheraton, Am Büsing Palais, Frankfurt Offenbach	March 29-31
5th European Asset Management Congress	Hotel Intercontinental, Frankfurt	April 19
Hedge Funds World Scandinavia	Grand Hotel, Stockholm	April 20
Risk 2004	The Brewery, London	April 27-28

Reduced Post-Trading Full Period – OTC Block Trade Entry Time Shortened for Equity and Equity Index Options

Following requests received from numerous market participants, Eurex has reduced its Post-Trading Full Period, as well as the time window available for entering OTC Block Trades after the close of trading.

With effect from February 23, 2004 the Post-Trading Full Period for Eurex Deutschland and Eurex Zürich ends at 19:00 CET (previously 20:30 CET), for all equity options and the equity index options on SMI Index. The end of the Post-Trading Full Periods for all other equity index options will remain unchanged at 20:30 CET. On the Last Trading Day the end of the Post-Trading Full Period for all equity and equity index options will remain unchanged at 21:00 CET.

Also with effect from February 23, 2004, availability of the OTC Block Trade facility during the Post-Trading Full Period after the close of trading is limited to 18:30 CET (previously 20:00 CET), again consistently for all equity options and equity index products.

For any further information, please feel free to contact Holger Stürtz, T+49-69-211-17251, e-mail: Holger.Stuertz@eurexchange.com.

Limited Ratification Period for OTC Trade Entry

With effect from January 30, 2004 Eurex has limited the ratification period for OTC trade entries to 30 minutes. This means that the counterparty of an OTC trade must approve the trade within 30 minutes after the transaction has been entered by the initiating participant into the Eurex Clearing system. This modification applies consistently to all OTC functionalities and the various products admitted for this purpose.

The purpose of expediting the entry of OTC trades combined with a limited 30-minute ratification period is to ensure the efficient communication of these trades to all market participants.

For any further information, please feel free to contact Nadja Urban, T+49-69-211-15105, e-mail: Nadja.Urban@eurexchange.com.

Eurex Presents Trader Jackets for Breaking One Billion Contract Barrier

On December, 17, Eurex broke the one billion contract barrier, when the one billionth contract in a single year was traded on the exchange. Both parties involved in the trade which contained the 1,000,000,000 contract were getting presented a trader jacket on February, 2.



Hartmut Klein, Head of Deutsche Börse Representative Office UK, presenting the trader jacket to Chris Siepman, C.E.O. of London based market making firm Liquid Capital Ltd. (left).



James Brown, Eurex Sales Manager, presenting the trader jacket to Rory Hill, Vice President with JP Morgan in London (left).

Eurex closed out the year 2003 with record turnover of 1,014 billion contracts traded, some 27 percent higher than the previous year's figure (2002: 801 million contracts).

Further Initiatives in the Dutch Stock Option Segment

Starting January 2, 2004 Eurex has extended the initiatives introduced in 2002/2003 and has also implemented new measures in order to further develop and strengthen the Dutch Stock Option segment.

The following incentives will continue to be available for Eurex members in 2004:

- Zero fees for Permanent Market Makers until the end of 2004.
- 50 percent of the monthly transactions fees for trading and clearing Dutch Stock Options will be distributed amongst the top ten players in two pools, one for proprietary trading and market making and one for agency business based on pre-Give-up volumes.

Additionally, Eurex offers attractive entry packages for new Market Makers and Introducing Brokers in Dutch Stock Options who are not yet Eurex members.

In order to be eligible for the access package new Market Makers must commit themselves to either quote at least one Dutch Stock Option on a permanent basis or at least two Dutch Stock Options on a regular basis. New Introducing Brokers will be eligible if a minimum of 45,000 contracts per quarter in OTC Block Trades in Dutch Stock Options can be facilitated.

Introducing Brokers who are already Eurex members can take advantage of being relieved from off-setting the minimum transaction fee per quarter if they prove that at least 45,000 contracts per quarter have been facilitated in OTC Block Trades in Dutch Stock Options.

Following on from the launch of the Dutch initiative in July 2002, Eurex has now delivered a recognized pool of liquidity for the trading of Dutch Stock Options. Open interest increased from 250,000 contracts and pushed through the 2,200,000 mark. Market share has continuously grown, starting from 5.9 percent on average in the second half of 2002 to meanwhile 14 percent on average while at the same time the number of active participants has increased steadily.

For more information on the incentive package for Dutch Stock Options and Eurex products in general please contact:

Mehtap Dinc: T+49-69-211-1 72 84,
e-mail:
Mehtap.Dinc@eurexchange.com,

Marco Inzerillo: T+49-69-211-1 72 91,
e-mail:

Marco.Inzerillo@eurexchange.com,
Laurent Ortiz: T+33-1-55 27-67 72,
e-mail:
Laurent.Ortiz@eurexchange.com.

Closing Auction for Fixed Income and Equity Index Futures

With effect from March 1, 2004 Eurex has introduced a closing auction for all fixed income and equity index futures. An auction phase starts at the end of continuous trading (e.g. at 19:00 CET for the fixed income futures) where orders and quotes that were not executed during the continuous trading are automatically carried over into the closing auction. The closing auction lasts for at least three minutes. The daily settlement price for the above mentioned futures corresponds, in principle, to the closing price determined in the closing auction.

For further information please contact Tobias Spröhnle, e-mail:
Tobias.Sproehnle@eurexchange.com or
Rüdiger Vietze, e-mail:
Ruediger.Vietze@eurexchange.com.

New: Free Video Workshops for German-speaking Individual Investors

Eurex, the world's leading futures and options exchange, launched a unique video-based seminar at the beginning of March. Called Xpand your Horizon, the workshop allows interested private investors to gain an insight into the characteristics and basic concepts of derivatives trading. In the course of interviews with various experts from Eurex, BÖRSE ONLINE's Bernhard Jünemann guides participants through a set of ten short video clips illustrating the basics and concepts of exchange-traded derivatives. In these videos,

several supporting charts as well as information are also made available, via a special info box. Even newcomers or users with little previous knowledge will find this introduction to the world of futures and options easy enough to follow.

Interested investors can access this workshop via Internet, at www.eurexchange.com/video-seminar. BÖRSE ONLINE readers get pleased with a very special gift: along with the issue of March 4, 2004 each one of 70,000 subscribers will receive a free copy of the seminar on CD-ROM.

For any questions, comments or suggestions, please contact Harald Patt, e-mail: Harald.Patt@eurexchange.com.

