

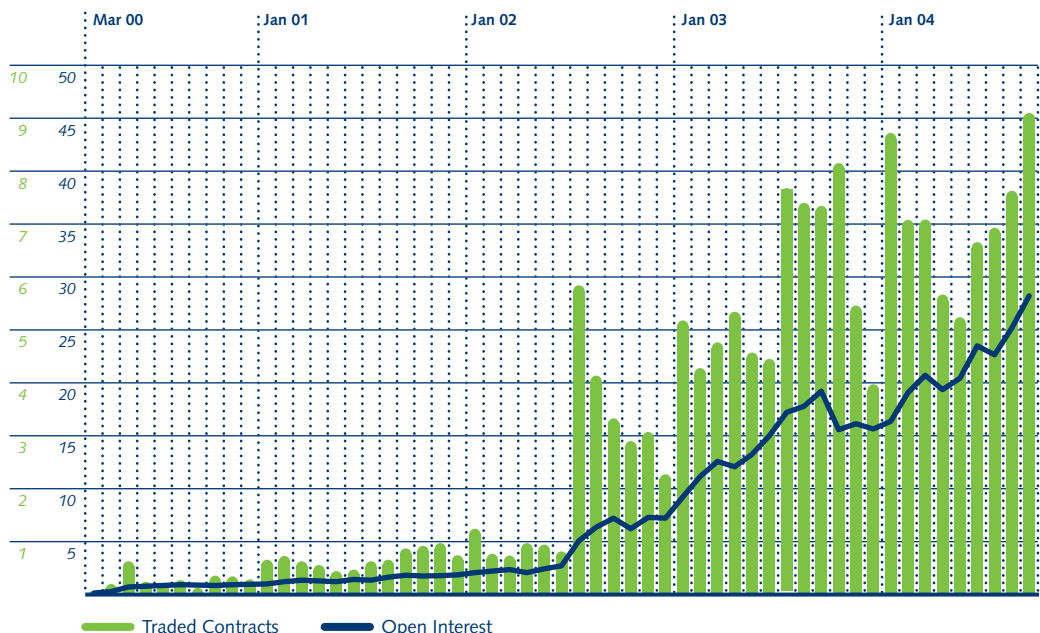
Continued Success for European Stock Options at Eurex: New Records for Open Interest

Eurex continues to strengthen its position as the largest and most liquid market for European stock options, posting new open interest records in both its Dutch and French stock options segment. Currently, options on 44 of the 50 Dow Jones EURO STOXXSM 50 Index constituents are available for trading at Eurex.

On October 8, 2004, open interest in Dutch stock options reached an all-time high by exceeding three million contracts for the first time; this corresponds to a share of twelve percent of the overall open interest in exchange-traded Dutch stock options. The rise in open interest follows record trading levels in Dutch options contracts on September 29. On this day, Eurex attained a market share of 39 percent for the first time ever. On the same day, the options contracts traded at Eurex on the various Dutch component issues of the Dow Jones EURO STOXX 50SM Index even reached an overall market share of 62 percent. Trading volume in the entire Dutch stock segment in September accounted for a market share of 19 percent.

Overall, Eurex trading volumes in the Dutch stock options segment have developed strongly during the last few months: In the first three quarters of 2004, a total of 6.4 million options contracts on Dutch underlying instruments changed hands, up by 25 percent compared to the same period of last year.

Dutch Stock Options: Traded Contracts & Open Interest (in Hundreds of Thousands)



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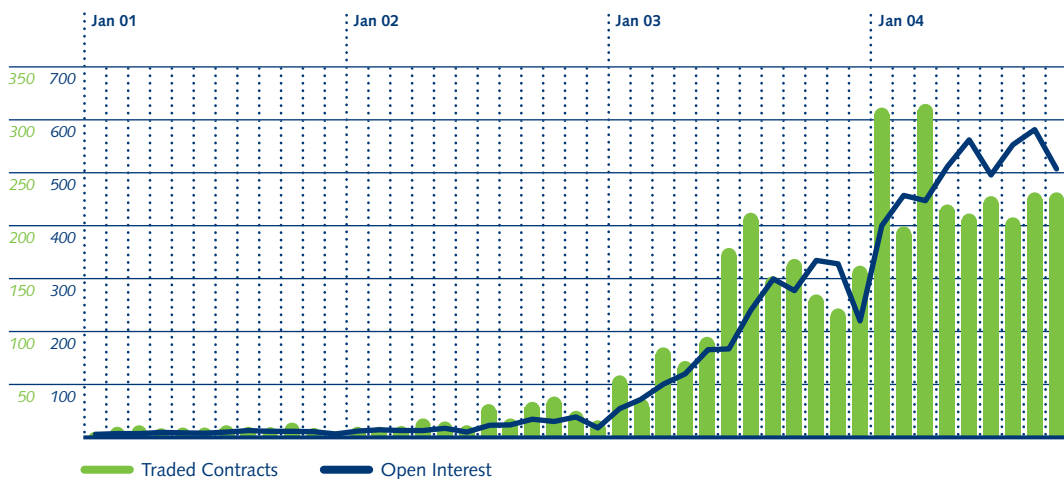
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With a total of 2.1 million options contracts traded on French underlying stocks, volumes in the French stock options segment more than doubled in the first three quarters over the same period of last year. Open interest as per October 8, 2004, exceeded 550,000 contracts – exceeding ten percent of all open positions in exchange-traded French stock options for the first time. In March 2003, when the French segment was launched at Eurex, this share amounted to a mere two percent. A particularly strong increase in open interest was registered for French and Dutch issues that are included in the pan-European Dow Jones EURO STOXXSM 50 benchmark index.

French Stock Options: Traded Contracts & Open Interest (in Thousands)



For any further information, please feel free to contact Mehtap Dinc on T +49-69-211-1 7284, e-mail: Mehtap.Dinc@eurexchange.com.

EQUITY DERIVATIVES

Longer Lifetimes for German Stock Options

With effect from October 18, 2004, Eurex has extended the lifetimes for options on four German stocks from previously 24 to a maximum of 60 months. The change affects options contracts on the shares of BASF AG, E.ON AG, Münchener Rückversicherung AG (Munich Re), and RWE AG.

With the recent extension, Eurex continues to respond to the growing demand from market participants for stock options products with longer lifetimes. Eurex now offers contracts with lifetimes of up to 60 months for all German stock options based on component issues of the Dow Jones EURO STOXX 50SM Index.

By continuously adapting and expanding its range of services and products, Eurex underscores its position as the world's leading service provider for exchange-traded derivatives, and as the largest and most liquid market for European stock options.

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EQUITY INDEX DERIVATIVES

Sector-Based Strategies: Efficient Tools for Diversification and Risk Management

A few years ago, cross-border investments were the traditional strategy applied to mitigate portfolio risk by way of diversification. Nowadays, sector derivatives have become at least just as important, adding value for tactical asset allocation.

For quite some time, equity asset allocation was primarily focused on individual countries. For instance, fund managers chose to invest in the U.S., underweighting Germany, or vice versa, often making the decision based on factors such as the macro-economic outlook or political climate. In the late nineties, events which – ten years earlier – could well have triggered a more or less pronounced market reaction, such as a change of government or disappointing economic figures, were simply shrugged off. This led to fundamental changes in investment styles.

The introduction of the euro in 1999, which further increased the freedom of capital flows, was a catalyst for this process. Back in the 1970s, some European equity markets were still negatively correlated with each other. Given the marked reduction in this effect, new diversification tools became necessary.

New Ways to Diversify

Sector derivatives are an excellent tool to achieve the degree of diversification sought after by many fund managers. In contrast to the traditional approach of constructing a portfolio by buying stocks from a certain industry, sector derivatives can be used to build or reduce exposure to a given sector much faster – at lower transaction cost and execution risk. Efficiently managing the portfolio weighting in a specific sector is not the only benefit of sector derivatives. Because they are specifically designed to capture the risk characteristics of a specific market segment through the grouping together of companies with similar primary revenue sources, they also help facilitate more efficient portfolio and risk management.

How Sector Derivatives Work

The following basic examples are designed to explain the easy application of sector derivatives. Let us assume an investor holds a basket of stocks belonging to one specific sector, such as telecommunications. Although the investor is temporarily bearish for this sector, he does not want to liquidate the portfolio holding entirely. Sector derivatives offer the solution: Using sector futures, the investor may hedge either the entire portfolio or just a portion, while options allow to lock-in the value above or within a certain range.

As another example, an investment manager may take the view that a certain stock within a sector is about to outperform its peer group in the short term. Sector futures are the perfect tool for risk management and hedging strategies. Using Nokia as an example, the manager could, instead of tying up his capital by buying the underlying cash stock, purchase a Nokia call option on Eurex. To maintain the overall benchmark weighting of the portfolio, he would need to either sell futures on the Dow Jones STOXXSM 600 Telecommunication (FSTT) sector or buy a put option (OSTT) on the same index. If the portfolio is restricted to European telecommunications issues, Dow Jones EURO STOXXSM Telecommunications Index Futures (FEST) or Options (OEST) would need to be used.

Sector Derivatives and Overlay Strategies

The previous example clearly illustrates the role that sector derivatives can play in so-called “overlay strategies”, where the risk/return characteristics of an underlying portfolio are modified using derivatives. Let us consider another example: A fund manager who has a EUR 50 million portfolio benchmarked against the Dow Jones EURO STOXXSM 50 Index is bearish on the overall market. His view is that the pace of economic growth is about to slow significantly, with a resulting drag on technology investment and spending. He decides to establish a sector overlay that will reduce his exposure to this market segment from its current 8.78 percent portfolio weighting to just three percent. At the same time, he chooses to increase his exposure to Food & Beverage, which he considers safer in the current environment. He thus decides to boost the sector weighting in his portfolio from 4.5 percent to 10.08 percent.

To do this, the fund manager needs to sell Dow Jones EURO STOXXSM Technology Index Futures (FESY) with a notional value of EUR 2.89 million and to buy Dow Jones EURO STOXXSM Food & Beverage Index Futures (FESO) worth the same amount. Therefore, he sells 174 Technology futures (EUR 2.89 million/contract value of EUR 16,600) and buys 298 Food & Beverage futures (EUR 2.89 million/contract value of EUR 9,700). The overlay strategy, involving trades worth EUR 5.78 million and covering 36 different stocks, has only required two transactions at Eurex. The portfolio now reflects the manager's sector views. If the fund manager's view on technology is so bearish that he actually decides to go short of the sector, Eurex's liquid derivatives are perfectly suited for the purpose. In addition to the benefits shown already, they also remove issues such as stock borrowing from the equation.

In conclusion, sector derivatives enable the fund manager to adjust his portfolio to match his current sector views swiftly, efficiently and with less execution risk than if he had only access to the underlying cash instruments. Using futures has given him the option of further fine-tuning his views by selling or buying the individual constituents of the sectors.

The range of sector futures and options traded at Eurex are ideal index replication tools. As liquidity builds further, the potential for cash-and-carry arbitrage strategies between either the underlying stocks or other sector products, such as exchange-traded funds, will certainly grow.

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e-mail: Daniel.Koller@eurexchange.com.

Fee Holiday for Dow Jones Italy Titans 30SM Index Futures

Eurex is extending its fee holiday for trading in futures on the Dow Jones Italy Titans 30SM Index until the end of this year. The fee holiday had originally been scheduled for the period from September 1 to September 17.

"Italy is an important growth market for Eurex", said Rudolf Ferscha, Eurex CEO: "We want to acquire new target customer groups in Italy, both for our new Italian products and for our range of global benchmark products."

The high level of interest in Italian derivatives is reflected in the rising number of Eurex market makers, including Italian as well as international institutions. The following member firms are currently active as market makers:

Designated Market Makers in the Dow Jones Italy Titans 30SM Index Futures		
Timber Hill (Europe) AG	Alain Perregeaux	+41-41-7 26-95 94
Banca IMI	Paolo Guilianini	+39-02-77 51-53 02
HypoVereinsbank	Martin Velten	+49-89-37 81-83 16
BNP PARIBAS	Guillaume Pietruschi	+33-1-40 22-89 67
Permanent Market Makers in the Dow Jones Italy Titans 30SM Index Options		
Timber Hill (Europe) AG	Alain Perregeaux	+41-41-7 26-95 94
Permanent Market Makers in Italian Stock Options		
Timber Hill (Europe) AG	Alain Perregeaux	+41-41-7 26-95 94
Banca Akros	Alberto Poretti	+39-02-43 44-54 57
CABOTO	Massimo Vitali	+39-02-80 21-57 71

The volume of futures and options traded on Italian stocks and indexes almost tripled year-on-year during the first nine months of the year. Traded volumes in the Italian segment totaled 132,000 contracts from January to September 2004, up from just 48,000 contracts during the same period in 2003.

Further information, such as detailed contract specifications, vendor product codes, index composition data or an index guideline, is available from our website, at www.eurexchange.com > **Products**. In case of questions, please feel free to contact Tobias Ehinger on T+49-69-211-1 47 84, e-mail: Tobias.Ehinger@eurexchange.com.

Clearing Services for Eurex Bonds and Eurex Repo to Migrate to CCP Platform

Eurex Clearing AG will transfer all clearing services for Eurex Bonds and Eurex Repo to its central counterparty (CCP) platform next year. The transition – scheduled for the first quarter of 2005 – will coincide with the launch of the new software version CCP Release 3.0. The migration will contribute significantly to the harmonization of the clearing and settlement processes for stocks and fixed income products.

At present, all transactions concluded on Eurex, Eurex Bonds or Eurex Repo are settled via the Integrated Clearer (IC) infrastructure, with Eurex Clearing AG assuming the function of central counterparty, entering into the relationship between the two parties to each trade. The benefits to market participants are obvious: reduced counterparty risk, post-trade anonymity and the advantages of a central risk management process.

With the introduction of CCP Release 3.0, Eurex Clearing AG will extend the scope of the CCP platform to also cover the fixed income markets. In line with the various CCP functions already available for equities, Eurex Bonds and Eurex Repo participants will thus be able to benefit from a range of additional delivery management and netting facilities. For equity trading on both Xetra® and the floor of the Frankfurt Stock Exchange (FWB), CCP was already introduced on March 27, 2003.

With the forthcoming transition, Eurex Clearing AG will be harmonizing the various processes and established infrastructure for the stock market on the one hand and the market for fixed income products on the other hand. With the migration to CCP Release 3.0 in 2005, Eurex Bonds and Eurex Repo participants will also gain access to the Gross Delivery Management functionality, which allows for the entry of settlement instructions on an individual trade level. Above all, however, the transition to the CCP platform will allow participants to use settlement/CSD netting. Within this framework, trades are automatically netted against each other, provided that the respective participant has released them for this purpose. The number of delivery instructions would thus be reduced. With the subsequent netting of positions that are due for delivery, performed by the respective central depositories involved, the number of cross-border deliveries is also reduced to a minimum.

In case of questions, please feel free to contact our FI CCP Change Management Team directly on T +49-69-211-1 16 60, e-mail: fi.ccp@eurexchange.com.

Your feedback is important to us.

Do you have feedback about our newsletter? Please send an e-mail to:
Xpand.feedback@eurexchange.com

Euro GC Pooling® Starts in March 2005

Eurex Repo has announced the launch of its new product, Euro GC Pooling® for March 2005. Euro GC Pooling® offers short term collateralized funding and collateral management. With the new product, Eurex Repo, together with Eurex Clearing AG, and Clearstream Banking AG, offers cash-driven, international trading of a general collateral basket with over 9,000 ECB eligible securities. With Euro GC Pooling®, Eurex Repo will raise efficiency in the trading and collateral management of secured money market transactions, and help participants optimize in terms of collateral management.

Euro GC Pooling® is a fully-integrated trading, clearing, settlement and collateral process, executing secured liquidity management with same-day payment and delivery (OverNight), for the first time on the repo market. Moreover, a new type of Euro GC Pooling® contract, tailored to the specific settlement terms for the weekly open market tenders of the European Central Bank, will provide efficient management of collaterals and liquidity.

For more detailed information, please refer to www.eurexrepo.com. In case of questions, please feel free to contact Gabriele Ristau, T +49-69-211-1 57 41, e-mail: Gabriele.Ristau@eurexchange.com.

EVENTS

Events and Conferences November/December

	Location	Date
Hedge Funds World	The Park Hyatt Hotel, Zurich	November 07 -10
IMN Big Apple Institutional Investing Summit	Puck Building, New York	November 15 -16
GARP 3rd Hedge Fund and Asset Management Forum	London	November 15 -18
FOW's Derivatives & Securities Forum	Madrid	November 16 -17
IAM 2004	Düsseldorf	December 01
Hedge Funds World Japan 2004	Hotel Four Seasons, Tokyo	December 01 -03
IMN Fixed Income Summit	Ritz Carlton, Palm Beach, Florida	December 01 -03
Opal Financial Group Alternative Investing Summit	Ritz Carlton, Laguna Niguel, California	December 05 -07
IMN Superbowl of Indexing	The Arizona Biltmore Resort & Spa, Phoenix	December 05 -08
Wealth Management Forum	Hotel President Wilson, Genf	December 07 -08

NEW MEMBERS

New Eurex Members September

Name	Clearing Type	Country
Effective Traders Amsterdam B.V.	NCM	Netherlands
ICAP Securities Limited	DCM	United Kingdom
Spear, Leeds & Kellogg, L.P.	NCM	USA
Total Number of Eurex Participants: 405		

Trainingscenter Derivatives Market November/December 2004

	Course	November	December
Special Courses	Preparatory Course for Eurex Trader Examination	09 Paris 10 London 22-23 Chicago	08 London 09 Paris 20-21 Chicago
	Preparatory Course for Eurex Partial Exam	09 Paris 10 London	08 London 09 Paris
System Training Courses	Eurex – System Training Trading	16 Paris (French) 24 London	14 Paris 21 London
	Eurex – System Training Clearing	15 Paris (French) 23 London	13 Paris 20 London
	Eurex – System Training Security		10 London
	Eurex – Technical Training	15 Chicago	02 London
	Eurex Repo – System Training CHF Repo Market	25 Zurich	
Examinations / Tests	Eurex Trader Examination	08 Chicago 16 London 19 Madrid 22 Paris 26 Amsterdam	06 Chicago 13 Helsinki 14 London 20 Paris
	Eurex Partial Exam	08 Chicago 16 London 19 Madrid 23 Paris 26 Amsterdam	06 Chicago 13 Helsinki 14 London 21 Paris
	Eurex Clearer Test	08 Chicago 17 London 19 Madrid 23 Paris 26 Amsterdam	06 Chicago 13 Helsinki 15 London 21 Paris

The Exchange's Learning Portal <https://trainingscenter.deutsche-boerse.com> gives you one-stop access to all Eurex training sessions and exams,

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