

Options on db x-trackers ETFs – The Relaunch of the Eurex ETF Segment

On May 17, 2010 Eurex launches options on Deutsche Bank Exchange Traded Funds. This marks the relaunch of the segment that was initially launched in 2002. Since then, the European ETF market has grown substantially so that now the time has come to establish options on ETFs in Europe.

The Success Story of ETFs in the U.S. and Europe

ETFs were initially developed in the U.S., before finding followers in Europe. The first exchange traded index funds were introduced by AMEX in 1993, ideal to track a broad index in a simple and cost efficient means. Today, assets managed in ETFs are in excess of USD 1 trillion.

ETFs on EURO STOXX 50® und STOXX® Europe 50 were first listed and traded in Europe on Xetra® in 2000. The assets under management of ETFs listed on Xetra® have grown by an average of 89 percent and currently lie at EUR 120 billion.

Deutsche Bank Launches ETFs Under db x-trackers Brand

Deutsche Bank launched its own European ETFs in January 2007 and now offers 120 different ETFs with its db x-trackers brand. Not only is Deutsche Bank among the Top 3 European ETF providers in terms of assets under management, but they are also one of the most successful in respect to trading volumes. Amounting to EUR 11 billion, roughly one third of monthly ETF turnover on Xetra® is in db x-trackers.

Options on db x-trackers

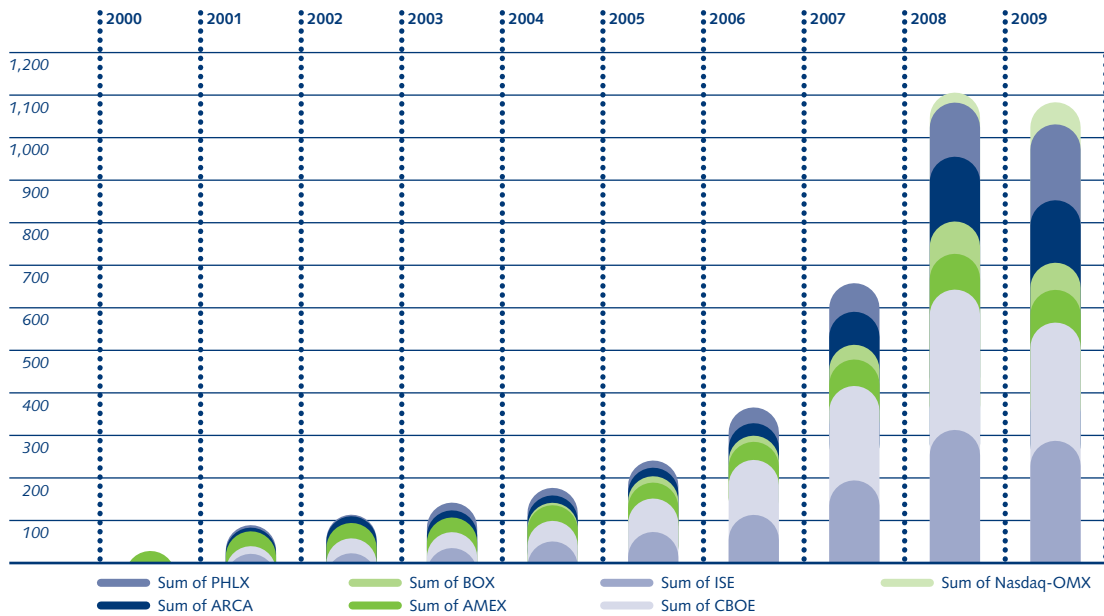
The majority of funds invested in broad stock based ETFs use MSCI indexes as their underlying. These indexes are commonly used by fund managers for benchmarking, and are often widely diversified and also include stocks covering a multitude of countries and currencies. Due to this, there are no exchange traded options available on these indexes to date; this situation could change dramatically in light of increased demand and trading activities in respective ETFs. While it appears more difficult to quote and trade cash settled options on these indexes, continuous trading of the ETFs on Xetra® can improve their tradability and ease hedging of physically delivered options on these ETFs.

Options on ETFs in the U.S.

A glance to the U.S. reveals the potential in Options on ETFs; there were more than 1 billion options on ETFs traded for the first time in 2008. Meanwhile, ETFs are traded at eight U.S. options exchanges. The impressive volume development has not negatively impacted turnover in cash settled index options.

Options on ETFs offer investors, especially those already invested in ETFs, an efficient tool to get optionality on their ETF investments in a transparent and reliable exchange environment.

ETF Options in the U.S. – Volume History (Traded Contracts in Millions)



Options on ETFs – Contract Specifications

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| Underlying & Eurex Product Code | db x-trackers MSCI Emerging Markets TRN (DBX1) db x-trackers MSCI World TRN (DBXW) db x-trackers MSCI Europe TRN (DBXA) |
| Currency | EUR |
| Contract Size | 100 index funds of the respective underlying |
| Contract Months | Up to 24 months: The three nearest successive calendar months, the three following quarterly months of the March, June, September and December cycle, and the two following semi-annual months of the June and December cycle thereafter |
| Last Trading Day | The third Friday of each expiration month |
| Final Settlement Day | The exchange day following the Last Trading Day |
| Settlement | Physical delivery, three exchange days after the Final Settlement Day |
| Minimum Price Change | EUR 0.01 |
| Exercise | European-style; an option can only be exercised on the Final Settlement Day. |
| Daily Settlement Price | Established by Eurex, determined through the binomial model of Cox/Ross/Rubinstein |
| Trading Hours | Order book: 08:50–17:30 CET OTC Block Trading: 09:00–19:00 CET |
| OTC Block Trade | The minimum OTC Block Trade size is 100 contracts |
| Vendor Codes Bloomberg | db x-trackers MSCI Emerging Markets TRN: XMEM GR Equity OMON db x-trackers MSCI World TRN: XMWO GR Equity OMON db x-trackers MSCI Europe TRN: XMEU GR Equity OMON |

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