

Options on Lyxor ETFs – Extended Access to Emerging Markets

After Eurex Exchange's ETF derivatives segment was re-launched in May 2010, with three options on Deutsche Bank's MSCI ETFs, followed by options on Optimised STOXX® Sector ETFs issued by Source in June 2010, this asset class grows further. On September 20, 2010, trading in five options on Lyxor ETFs has started, putting emerging markets into the spotlight.

Lyxor, the asset management part of Société Générale, is one of the most established and the second largest ETF provider in Europe. With assets under management above USD 40 billion, Lyxor currently ranks behind iShares, but in front of db x-trackers.

Especially in the area of emerging markets, Lyxor has positioned itself very well with a broad offering of country and regional equity indexes, often using the national benchmark.

With the launch of Lyxor ETF Options, Eurex now also covers countries like Russia and China (including Hong Kong), regions like the Eastern European and global emerging markets.

Options on Lyxor ETFs – Contract Specifications

Underlying & Eurex Product Code	Lyxor ETF DJ Russia Titans Lyxor ETF China Enterprise (HSCEI) Lyxor ETF Hong Kong (HSI) Lyxor ETF Eastern Europe (CECE EUR) Lyxor ETF MSCI Emerging Markets	LYYE L811 LYME L812 LYM7
Currency	EUR	
Contract Size	100 index funds of the respective underlying	
Settlement	Physical delivery, three exchange days after the Final Settlement Day.	
Minimum Price Change	EUR 0.01	
Contract Months	Up to 24 months: the next three successive calendar months, the three following quarterly months of the March, June, September and December cycle and the next two following semi-annual months of the June and December cycle thereafter.	
Last Trading Day/ Final Settlement Day	The third Friday of each expiration month. Last Trading Day is the Final Settlement Day.	
Daily Settlement Price	The Daily Settlement Price is established by Eurex, determined through the binomial model of Cox/Ross/Rubinstein.	
Exercise	American-style, that is exercise on any exchange day during the life-time of the option (with the exception of the day preceding the dividend payment, respectively the tax distribution).	
Trading Hours	Order book trading: 08:50–17:30 CET Block transactions: 07:50–19:00 CET	
Block Trade	The minimum block trade size is 100 contracts.	
Fees	Order book trading: EUR 0.30 (Non-MM)/EUR 0.15 (PMM)/EUR 0.08 (AMM) Off-exchange transactions: EUR 0.40 (Non-MM)/EUR 0.20 (PMM)/EUR 0.10 (AMM)	

Vendor Codes Bloomberg

Options on	Bloomberg	iNAV – Bloomberg
Lyxor ETF DJ Russia Titans	LYXRUS GY <Equity> OMON	INRUS <Index>
Lyxor ETF China Enterprise (HSCEI)	ASI GY <Equity> OMON	INASI <Index>
Lyxor ETF Hong Kong (HSI)	LYXHSI GY <Equity> OMON	INHSI <Index>
Lyxor ETF Eastern Europe (CECE EUR)	LYCE GY <Equity> OMON	INCEC <Index>
Lyxor ETF MSCI Emerging Markets	LYXLEM GY <Equity> OMON	INLEM <Index>

Lyxor ETFs – Performance of the Underlying



Volume Development at a Glance

Since May 2010 until mid-September 2010, the total number of traded ETF option contracts at Eurex exceeded the 100,000 mark. A big part of these trading volumes are provided by the ETF issuers themselves, as they have an interest in liquid options on their ETFs. Liquid options offer new trading alternatives around the ETFs and potentially also increase the amount of ETFs outstanding. That is why most of the investment banks behind the ETF issuers are active as Market Makers helping to create the initial liquidity and transparency necessary to develop successful option products.

In the case of options on Lyxor ETFs, Société Générale, will be acting as a Market Maker, both on screen with permanent quotes and with prices for off-exchange transactions.

In the U.S., ETF options are already available for more than ten years. In 2008, over one billion ETF options contracts were traded at U.S. options exchanges. For Europe, there is still a way to go to meet these volumes, but the first few weeks of trading and the interest shown by ETF issuers, banks and investors raise hopes for a positive development.

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