

Eurex Circular 035/19

ETF derivatives: A. Introduction of options on iShares Physical Silver ETC (ISLN); B. Liquidity measures for options on ETFS WTI Crude Oil ETC (OCRU); C. Amendment of position limit calculations

Summary

Effective **8 April 2019**, the Management Board of Eurex Deutschland and the Executive Board of Eurex Frankfurt AG took the following decisions:

- Introduce options on iShares Physical Silver ETC (product code: ISLN)
- Increase the contract size for ETFS WTI Crude Oil (product code: OCRU) to 1,000 lots (previously 100 lots)
- Include all ETC options in the existing LP scheme
- Amend the calculation of position limits for ETF/ETC derivatives

This circular provides information on the above measures and updated sections of the relevant Rules and Regulations of Eurex Deutschland.

The new ISLN options as well as existing ETC options will be included in the Liquidity Provider Scheme for Options on ETCs, as outlined in the attached Product Specific Supplement, with effect from 2 May 2019.

Attachments:

1. Updated sections of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland
2. Product Specific Supplement for Options on ETCs

Date: 21 March 2019

Recipients:

All Trading Participants of Eurex Deutschland and Vendors

Authorized by:

Michael Peters

Target group:

- All departments

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**ETF derivatives: A. Introduction of options on iShares Physical Silver ETC (ISLN);
B. Liquidity measures for options on ETFS WTI Crude Oil ETC (OCRU);
C. Amendment of position limit calculations**

A. Introduction of options on iShares Physical Silver ETC (ISLN)

1. Product overview, contract specifications and product parameters

Underlying information					Product parameters			
Name of ETF	Currency	ISIN	Ticker	Market	Eurex ID	Contract size	Tick size	Min. Block Trade Size
iShares Physical Silver ETC	USD	IE00B4NCWG09	ISLN LN	XLON	ISLN	100	0.01	500

Additional specifications	
Contract months	Up to 24 months
Settlement	Physical delivery of the respective ETF shares two exchange days after the Last Trading Day
Daily settlement price	The Daily Settlement Price is established by Eurex through the binomial model according to Cox/Ross/Rubinstein
Last trading day	The last trading day shall be the third Friday of each expiration month, if this is an exchange day, otherwise the exchange day immediately preceding that day
Reference price	Closing price determined within the electronic trading system of London Stock Exchange (XLON) on the last trading day
Exercise	American-style; an option can be exercised up to the end of the Post-Trading Full Period (20:00 CET) on any exchange day during the lifetime of the option
Matching principle	Price/Time

The trading hours match existing ETC options, details of which are recorded in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland (Contract Specifications).

On the introduction date of the new product, the updated Contract Specifications will be published on the Eurex website www.eurexchange.com as of start of trading under:

[Resources > Rules and Regulations > Contract specifications](#)

2. Risk parameters

As of start of trading, risk parameters of the new product will be published on the Eurex website under the link:

[Market data > Clearing data > Risk parameters and initial margins](#)

3. Mistrade ranges, position limits

Mistrade ranges and position limits for the new ETC options will be published as of start of trading on the Eurex website under the following link:

[Products > Product information > Product specifications](#)

4. Vendor codes

As of start of trading, data vendor codes for the new product will be published on the Eurex website under the following link:

Products > Vendor product codes

5. Trading calendar

The existing trading calendars for ETC options will apply. They can be found on the Eurex website under the link:

Trading > Trading calendar

6. Transaction fees

The same transaction fees apply as for the corresponding existing ETF options.

7. Eurex T7 Entry Services

The Flexible Options facility will be available upon acceptance of the General Conditions for Participation.

An overview of the Eurex T7 Entry Services available for the products as well as detailed information on single product basis with regard to availability, possibility of utilisation and minimum number of tradable contracts for the various Eurex T7 Entry Services is available on the Eurex website.

CSV file "Trading Parameters" contains product parameter "Block Volume Publication Limit" (see column "NonDisclosureLimit") which defines the limit for volumes up to which Eurex Block Trades in the various products are published. Aforementioned information as well as the CSV file can be found on the Eurex website under the link:

Trading > Eurex T7 Entry Services > T7 Entry Service parameters

8. Liquidity Provisioning

With effect from 8 April 2019, new ISLN options will be included in the Liquidity Provider Scheme for ETC options (Equity Index-38 Options). Please see the attached "Product Specific Supplement" to the Liquidity Provider Agreement (LPA) for further details.

B. Liquidity measures for options on ETFS WTI Crude Oil ETC

1. Product overview, contract specifications and product parameters

Underlying information					Product parameters		
Name of ETF	Currency	ISIN	Ticker	Market	Eurex ID	Contract size	Min. Block Trade Size
ETFS WTI Crude Oil	USD	GB00B15KXV33	CRUD LN	XLON	OCRU	1,000 (previously 100)	200 (previously 8,500)

2. Liquidity Provisioning

With effect from 8 April 2019, all existing ETC options will be included in the renamed Liquidity Provider Scheme for ETC options (Equity Index-38 Options). Please see the attached "Product Specific Supplement" to the Liquidity Provider Agreement (LPA) for further details.

C. Amendment of position limit calculations

With effect from 8 April 2019, new position limits for ETF/ETC derivatives apply. These will take into account the existing fund assets and will be determined based on the following schedule:

Total fund assets	Position limit rule
Below EUR 1 billion	100% of AuM
Between EUR 1 billion and 4 billion	EUR 1 billion
Above EUR 4 billion	25% of AuM

If you have any questions or need further information, please contact Derivatives Trading Operations via tel. +49-69-211-1 12 10 or send an e-mail to: eurextrading@eurexchange.com.

21 March 2019

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

[...]

Part 2 Contract Specifications for Options Contracts

[...]

Subpart 2.11 Contract Specifications for Options Contracts and Low Exercise Price Options on Exchange-Traded Commodities Securities

[...]

2.11.1 Subject Matter of Contract

Options Contracts on the following exchange-traded commodities securities are available at Eurex Deutschland. Reference market is, in each case, the electronic trading system of London Stock Exchange ("LSE"):

- ETFS Physical Gold (Product ID: OPHA)
- ETFS WTI Crude Oil (Product ID: OCRU)
- iShares Physical Gold (Product ID: IGLN)
- iShares Physical Silver (Product ID: ISLN)

ETC Options shall, in each case, refer to 100 shares (OCRU refers to 1,000 shares) of the underlying exchange-traded commodities securities. Options Contracts on the ETFS Physical Gold cover 10 shares.

[...]

2.11.6 Exercise Prices

Options series of ETC Contracts shall have the following exercise prices:

- ETFS Physical Gold with price gradations in the amount of USD 2.00
- ETFS WTI Crude Oil with price gradations in the amount of USD 0.50
- iShares Physical Gold with price gradations in the amount of USD 0.50
- iShares Physical Silver with price gradations in the amount of USD 0.50

The exercise price of a LEPO represents the smallest exercise price of an options series available in the EDP system of Eurex Deutschland.

[...]

2.11.10 Exercise

The owner of an ETC Options Contract may exercise such Contract only on the final settlement day (Number 2.12.5) of the options series until the end of the post-trading full period (European-style). Options Contracts on the iShares Physical Gold may be exercised by the owner on any exchange day until the end of the Post-Trading Full Period (American-style).

[...]

Part 3 Contracts Off-Book

[...]

Subpart 3.2 Contracts Admitted for Off-Book Trading

The following Futures and Options Contracts admitted for trading at Eurex Deutschland may be entered using the Eurex T7 Entry Service for the trade types specified below.

3.2.1 Block trades

[...]

Product		Minimum number of contracts traded
Standard	Additional contract versions Y/N	
[...]		
Options on Commodities		
Options Contracts on the Bloomberg Commodity Index (OCCO)	N	50
ETC Options Contracts (OPHA)	Y	500
ETC Options Contracts (OCRU)	Y	200 500
ETC Options Contracts (IGLN)	Y	2,000
ETC Options Contracts (ISLN)	Y	500
Xetra-Gold® Options Contracts (OXGL)	Y	250
[...]		

[...]

Annex C in relation to Contract Specifications:

Trading Hours for Futures Contracts

[...]

Commodity Index Futures Contracts and ETC-Futures-Contracts

Product	Product ID	Pre-Trading Period	Continuous Trading	Post-Trading Period Until	Off-book Trading Period	Off-book Post-Trading Period until	Last Trading Day
							Trading Until
Futures on Bloomberg Indices		07:30-09:00	09:00-18:00	21:30	09:00-21:30	21:30	18:00
ETC-Futures-Contracts	FPHA; FCRU	07:30-09:00	09:00-17:30	20:00	09:00-21:30	21:15	17:30

All times CET

[...]

Trading Hours for Options Contracts

[...]

Commodity Index Options Contracts and ETC-Options Contracts

Product	Product ID	Pre-Trading Period	Continuous Trading	Post-Trading Period Until	Off-book Trading Period	Off-book Post-Trading Period until	Last Trading Day	
							Trading Until	Exercise until
Options on Bloomberg Indices	OCCO	07:30-08:59	09:00-18:00	20:30	09:00-20:30	20:30		
ETC-Options Contract	OPHA; OCRU; IGLN; ISLN	07:30-09:00	09:00-17:30	20:00	09:00-19:00	19.15	17:30	20:00

All times CET

[...]

Product Specific Supplement Liquidity Provider Scheme for Options on Exchange-Traded Commodities iShares Physical Gold ETC

Validity: From 2 May 2019

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Preamble

This Product Specific Supplement for Options on Exchange Traded Commodities iShares Physical Gold ETC (hereinafter referred to as "Product Specific Supplement") forms an integral part of the Liquidity Provider Agreement (LPA). ~~For the avoidance of doubt, Sec. 1 of the LPA applies.~~

~~As of 8 April 2019/22 May 2018, a Liquidity Provider scheme for Options on Exchange Traded Commodities iShares Physical Gold ETC will be offered until further notice. The schemes differ in requirements for the minimum quote size, maximum spread as well as in the quotation period.~~

1. Applicable Building Blocks

Pursuant to Sec. 2.3 of the General Supplement to the LPA, the granting of rebates and the concrete rebate levels to be applied on the respective transaction fees are dependent on the fulfilment of Building Blocks. For this Product Specific Supplement, the following Building Blocks are applicable:

Scheme	Product ID	Basis BBB	Package PBB	Strategy CBB	Larger Size LBB	Tighter Spread TBB	Stress Presence SBB	Eurex EnLight EBB	Revenue Sharing
Non-Package iG LN	All Options on ETCs not in Packages i GLN	✓							

The requirements for Strategy Building Block, Larger Size Building Block, Tighter Spread Building Block, Stress Presence Building Block and Eurex EnLight Building Block are product group specific and can be found in section 2.3 of the General Supplement to the LPA.

2. Liquidity Provider Rebates

Upon fulfilment of the Building Block requirements of one product, Liquidity Providers shall receive a fee rebate as specified in section 3 of the General Supplement to the LPA in accordance with the table below. The evaluation takes place on a monthly basis.

Execution type	Building Block	Upon fulfilment of requirements
Order book	Basis	50%
	Package	-
	Strategy	-
	Larger Size	-
	Tighter Spread	-
	Stress Presence	-
	Total	50%
<u>Eurex EnLight</u>	<u>Basis</u>	∓
	<u>Package</u>	∓
	<u>Strategy</u>	∓
	<u>Eurex EnLight</u>	∓
	Total	∓
Off-book [*] <u>TES</u>	Basis	50%
	Package	-
	Strategy	-
	<u>Eurex EnLight</u>	∓
	Total	50%

* Only off-book block and multilateral transactions are eligible
– for off-book rebates for Liquidity Provisioning

3. Basis Building Block Requirements

3.1. Basis Block Requirements

In order to receive the Liquidity Provider rebates pursuant to Sec. 2 above, the following quotation requirements shall apply:

	<u>Exchange Traded Commodities</u> <u>IGLN</u> <u>ISLN</u> <u>OPHA</u> <u>OCRU</u>
Product ID:	IGLN, ISLN, OPHA, OCRU
Validity:	As of 8 April 2019
Quotation Period/Time:	09:00 – 17:30 CET
Required Coverage:	85%
Maturity Range:	The first six expirations need to be quoted
Strike Price Window:	10 out of 15
Response to Quote Requests:	Quote requests do not have to be answered
Minimum Quote Size:	See quotation parameters table below (cp. Sec. 4.2) 400 contracts on the bid and ask side 100 contracts on the bid and ask side 150 contracts on the bid and ask side 20 contracts on the bid and ask side
Maximum Spread:	See quotation parameters table below (cp. Sec. 4.2) Spread Class "OXGLCO ETF 1" (cp. Sec. 4.1) Spread Class "CO-ETF 1" (cp. Sec. 4.1) Spread Class "CO-ETF 2" (cp. Sec. 4.1) Spread Class "CO-ETF 1" (cp. Sec. 4.1)

4. Quotation Requirements

4.1. Available Spread Classes

Spread Class	Bid up to	Maximum Spread	Unit
CO-ETF 1 OXGL	2.0	0.2	Index Points Tick
	20.0	10%	Percent
		2	Index Points Tick
CO-ETF 2	<u>5.0</u>	<u>0.5</u>	Tick
	<u>50.0</u>	<u>10%</u>	Percent
		<u>5</u>	Tick

4.2. Quotation Parameters

The following quotation parameters apply for the quotation requirements pursuant to Sec. 3 above and the revenue sharing scheme pursuant to Sec. 4 above.

<u>Options on</u>	<u>Product ID</u>	<u>Spread Class</u>	<u>Basis Minimum Quote Size (contracts)</u>
<u>iShares Physical Gold ETC</u>	<u>IGLN</u>	<u>CO-ETF 1</u>	<u>100</u>
<u>iShares Physical Silver ETC</u>	<u>ISLN</u>	<u>CO-ETF 1</u>	<u>100</u>
<u>ETFS Physical Gold ETC</u>	<u>OPHA</u>	<u>CO-ETF 2</u>	<u>150</u>
<u>ETFS WTI Crude Oil ETC</u>	<u>OCRU</u>	<u>CO-ETF 1</u>	<u>20</u>