X-pand into the Future

e u r e x *circular 121/08*

Date: Frankfurt, May 20, 2008
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Thomas Lenz

High priority

Migration to TARGET2 Payment System

Related Eurex Circulars: 171/07

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Content may be most important for:

Ü All departments

Attachments:

1. Form 2002
2. Form: Usage of securities and/or cash accounts
3. Migration steps to TARGET2

Summary:

Following the introduction of TARGET2 by the European Central Bank this circular provides information on the planned migration of Eurex euro payments to the TARGET2 platform at the end of 2008.

The circular describes related consequences for Clearing Members and settlement institutes of Eurex Clearing AG. It also gives set-up information and information on the required registration process as well as the necessary migration steps of Eurex Clearing AG.

Migration to TARGET2 Payment System

Following the introduction of TARGET2 by the European Central Bank this circular provides information on the planned migration of Eurex euro payments to the TARGET2 platform at the end of 2008.

In Eurex circular 171/07 we informed about the phased migrations to TARGET2 in the different euro countries. As Ancillary Systems (AS-) participant Eurex Clearing AG planned migration to TARGET2 to take place mid 2008. In the context of the implementation of Eurex Release 11.0 the planned TARGET2 migration will be postponed to December 1, 2008.

In the future, Eurex Clearing AG will settle cash payments in euro with its Clearing Members/settlement institutes via the TARGET2 platform using the Ancillary System Interface (ASI). Within the scope of TARGET2, Eurex Clearing AG will be able to access also TARGET2 accounts (RTGS accounts) at central banks other than the German Central Bank (cross-border payment transactions). Accordingly, Clearing Members/settlement institutes may use the RTGS account at their respective central bank also for payment instructions to Eurex Clearing AG.

Along with the TARGET2 migration of euro clearing accounts, Eurex Clearing AG will also migrate payments in the CCP system to the TARGET2 platform. Up to the migration date, euro payments via Eurex Clearing AG (including CCP) will continue to be booked via the electronic securities clearing system (EWV) of the German Central Bank by means of the link between Eurex and the German Central Bank.

Impact for Clearing Members/Correspondent Banks

Due to the fact that Eurex Clearing AG will only be able to address Direct Participants of TARGET2 via the Single Shared Platform (SSP), existing domestic accounts at the German Central Bank will have to be replaced in the systems of Eurex Clearing by RTGS accounts by the migration date. These RTGS accounts may be held either at the German Central Bank or at any other central bank participating in TARGET2. Clearing Members/settlement institutes which are not registered as Direct Participants in TARGET2 will have to involve a correspondent bank which is Direct Participant in TARGET2.

Because of EU directive 2000, banks domiciled in Switzerland may not be admitted to TARGET2 as Direct Participant. Swiss Clearing Members with Swiss francs clearing currency, which will neither participate in TARGET2 payment transactions via correspondent bank procedure may settle euro payments with Eurex Clearing AG via SECB Swiss Euro Clearing Bank GmbH by means of euroSIC.

It is mandatory for Clearing Members to nominate at least one RTGS account or euroSIC account before the migration to replace their present euro cash account. Irrespective of the clearing licence, all Eurex Clearing Members will receive in the next few days a detailed overview of all euro cash accounts they use which are registered at Eurex Clearing AG to support the new registration process. All present euro cash accounts will have to be replaced.

TARGET2 – Set-up Information and Registration Process

Upon migration of Eurex Clearing AG to TARGET2, all cash accounts at the German Central Bank will be replaced by RTGS accounts. Presently, technical adjustments to the Ancillary System and as to the set-up information on the Single Shared Platform (SSP) are taking place. On the side of Eurex, these modifications comprise changes to the settlement procedure – in the future, procedure 2000 will be used instead of procedure 3000. Modifications will also comprise the future use of BIC address “EUXCDEFFASI“ (RTG account) for mass payment transactions proceeding from Eurex Clearing AG. This BIC address will be applicable for both sender BIC and account BIC.

Eurex Clearing Members who are TARGET2 Direct Participants at the German Central Bank are requested to fill in form 2002 (attachment 1). Eurex Clearing Members who are registered at another European central bank as TARGET2 Direct Participants can download the appropriate form from the website of their respective central bank.

Eurex members who currently use a correspondent bank or wish to use one in the future, are requested to consult their correspondent bank as TARGET2 Direct Participant with regard to form 2002 or to have the form filled in und signed by their correspondent bank. In such a case, a complementary authorization of the TARGET2 account owner (correspondent bank) has to be filled in and signed in favor of the respective Clearing Member (Eurex form "Securities and/or Cash Accounts" – see attachment 2).

Should you require any further details, in particular with regard to potential correspondent bank solutions, please feel free to contact your Key Account Manager of Eurex Clearing AG. All forms in this regard will have to be submitted to Eurex Clearing AG by June 30, 2008.

The necessary set-ups in the Eurex® systems will be made in due time upon migration to TARGET2 so that euro payments will be made via the RTGS accounts (BIC: EUXCDEFFASI) as of production start on December 1, 2008.

euroSIC – Set-up Information and Registration Process

Upon migration of Eurex Clearing AG to TARGET2 all cash accounts at the German Central Bank will be replaced. For Swiss Clearing Members the euroSIC payment system of SECB – Swiss Euro Clearing Bank – will be made available. For Swiss Clearing Members existing euroSIC accounts can be used (as well as to the SIC accounts in Swiss francs).

Within the next few days, Swiss Clearing Members with euroSIC account will receive the corresponding debit order of euroSIC which they are requested to fill in and submit to Eurex Clearing AG. The necessary set-ups in the Eurex® systems will be made in due time so that euro payments will be made via the euroSIC accounts as of production start on November 24, 2008.

A correspondent bank solution with regard to the euroSIC payment system of SECB will not be available.

Member Simulation – Test of Payment Files

Production introduction of Eurex Release 11.0 is scheduled for November 10, 2008. The Eurex simulation environment will be made available to participants between September 15 and October 31, 2008. It is not envisaged to establish a permanent simulation between Eurex host, AS interface and Single Shared Platform (SSP). Clearing Members who wish to receive payment files in SSP simulation or on RTGS accounts, respectively, must fill in the application form of their respective central bank (form 2002) and register for SSP simulation. After consultation with the German Central Bank regarding SSP simulation days, corresponding payment files can be transferred to the RTGS accounts set up in SSP simulation between September and October 2008.

It is not envisaged to establish a permanent simulation between Eurex host, Swiss interface and euroSIC. Clearing Members who wish to receive payment files on the euroSIC accounts, must send a written notification to their responible Key Account Manager at Eurex Clearing AG. Then, corresponding payment files can be transferred to the euroSIC simulation between September and October 2008.

Amendment to Clearing Conditions for Eurex Clearing AG

The existing Clearing Conditions will be amended in the context of the TARGET2 project due to the replacement of the existing cash accounts at the German Central Bank by RTGS accounts in TARGET2 and the execution of euro payment by Swiss Clearing Members via the euroSIC platform. The amended Clearing Conditions will be made available to Eurex Clearing Members in due time.

For more details about the most important migration steps of Eurex Clearing AG with regard to the impact on Eurex Release 11.0, the introduction of euroSIC and the introduction of TARGET2 please see attachment 4.

Frankfurt, May 20, 2008

TARGET2 form for collection of Static Data
- Debit mandate for AS settlement -

C,D,E	☐ **New**	☐ **Modify**	☐ **Delete**
F,G,H	◯ **Production**	◯ **Test & Training**	**Date:**
I,J	**Ref:**	**rel. Ref:**	
K,L	**Activation date:**		

This mandate is should be used by both parties involved in the settlement of transactions via the Ancillary System Interface, namely the Ancillary System and the Settlement banks. This form should be signed by the Ancillary System and by each of its settlement banks as declared in the Form No 2001 "Settlement Banks for AS".

	Definition of parties involved	*For use by Central Bank*
	1. Settlement Bank	
10	Participant BIC	
11	Name of Participant _____ _____ _____	
12	Responsible Central Bank - Select one Entry -	

	2. Ancillary System	
20	Ancillary System BIC	
21	Ancillary System Name _____ _____ _____	
22	Responsible Central Bank - Select one Entry -	

Form No 2002

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CRM Payment Services and Account-keeping
Postfach 10 06 02, 60006 Frankfurt am Main, Germany
Tel: +49 69 9566 8866, Fax: +49 69 9566 508866
E-mail: crm.paymentservices@bundesbank.de
Web: www.target2.bundesbank.de

☐ New ☐ Modify ☐ Delete

Both parties confirm that they agree on the assignment of the TARGET2 participant (1) as Settlement Bank of the Ancillary System (2) settling payment instructions via the Ancillary System Interface of the Single Shared platform.

The Settlement Bank acknowledges that if Settlement Procedure 6 would be used by an interfaced Ancillary System the Settlement Bank shall be responsible for opening a sub account dedicated to the Ancillary System using the relevant "TARGET2 form for collection of static data" (1014 - Sub Account).

The Settlement Bank hereby authorises the Ancillary System to submit debit instructions, as a consequence of which the Settlement Bank's PM account may be debited upon instruction by the Ancillary System. The Settlement Bank hereby instructs the Deutsche Bundesbank to debit the Settlement Banks PM account / sub-account as a result of Ancillary System debit instructions.

The Undersigned declare to have the full capacity and authority to execute the TARGET2 form for and on behalf of the Participant requesting activation.

Settlement Bank

Date, Name(s) Signature(s)

Ancillary System

Date, Name(s) Signature(s)

Form No 2002

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CRM Payment Services and Account-keeping
Postfach 10 06 02, 60006 Frankfurt am Main, Germany
Tel: +49 69 9566 8866, Fax: +49 69 9566 508866
E-mail: crm.paymentservices@bundesbank.de
Web: www.target2.bundesbank.de

Attachment 2 to Eurex circular 121/08

Securities and/or Cash Accounts

Eurex Clearing AG
Member Services & Admission
60485 Frankfurt am Main

Fax Chicago: +1-312-544 11 45
Fax Frankfurt am Main: +49-69-211-1 16 41
Fax London: +44-207-862 72 97

Fax Zürich: +41-58 854 24 66

Name of account holder

Address

Name, surname of contact person

Phone no. Fax no.

E-mail address

Security and/or Cash Accounts

We, the account holder of the following securities and/or cash accounts, allow Eurex Clearing AG for the Clearing Member(s) stated below, in accordance with power of attorney and debit orders granted from our side, to issue transfer and payment orders with regard to the following securities and/or cash accounts, as far as these result from the Eurex clearing procedure.

Account number / BIC	For Clearing Member (name and company ID)	Gross delivery manager	Limitation (if applicable)

The account holder has the right to orderly revoke this agreement with one month's notice effective the end of month. Any compensation for damages and expenditures of the account holder towards Eurex Clearing AG for whatever legal reasons, especially concerning neglect of duty arising from contractual obligations and tortious acts, will be excluded. This will not apply in case of compulsory liability.

Place and date

Company stamp and account holder's signature
(Name in printed characters)

ARBN 101 013 361

Eurex Release 11.0 – Introduction scheduled for November 10, 2008

In the scope of Eurex Release 11.0, amongst others, new cash processing will be introduced, which will centralize cash flow of Eurex transactions and, thus, will make processing more efficient. For details please see Eurex circular 059/08. However, implementation of the new cash processing will have no impact on today's procedures and payment runs. Eurex Clearing processes will continue to exist of daily netting of payments resulting from premium, variation margin or margin calls, respectively, from cash payment for cash-settled contracts and transaction fees. Also CCP clearing processes will continue to exist of the daily netting of cash payments resulting from the offsetting block.

euroSIC Migration – Introduction scheduled for November 24, 2008

Eurex Clearing AG will implement the complementary payment system euroSIC for euro payments in parallel to Swiss franc payments. Besides, Eurex Clearing AG will be able to use the same reporting formats for direct debits from or direct credits to Swiss Clearing Members. As of production date, November 24, 2008, Swiss Clearing Members are requested to directly use their euroSIC account for their euro cash management. Compared to today's process, cash management will thus be easier for these participants. Existing payment terms of Eurex Clearing AG will remain unchanged, i.e. debits from Eurex (cash calls / premium and variation margin) must be settled by 08:00 CET before start of trading. After 08:00 CET credits will be transferred and credited to participants' euroSIC accounts.

Also the determination of the different cash amounts from Eurex and CCP overnight processing to be netted will remain unchanged. Net amounts will be transferred to the existing interface by means of file transfer and from the interface to euroSIC. Also both payment runs from Eurex batch processing will continue to exist, whereby the second payment file contains the amounts resulting from "cash from position transfer".

euroSIC Payment Times (CET)

	Eurex		CCP		
	First payment file	Second payment file	STD	SDS1	SDS2
Transfer	02:30	11:00	02:30	10:15	13:15
Settlement	08:00	11:00 – 11:45	08:00	10:15 – 11:00	13:15 – 14:00

TARGET2 Migration - Introduction scheduled for December 1, 2008

Determination of the different cash amounts from Eurex and CCP overnight processing to be netted will remain unchanged. Net amounts will be transferred to the "Ancillary System" (AS) by means of file transfer. From there, debit balances will be passed on automatically to the "Single Shared Plattform" (SSP) in the morning (07:00 CET). Existing payment terms of Eurex Clearing AG will remain unchanged. Cash settlement will be made on the RTGS accounts of Clearing Members or correspondent banks, whereby the collection of debit balances (margin-/cash calls) must be accomplished by 08:00 CET). As of 08:00 CET credit notes will be transferred to the "Single Shared Platform" (SSP) and booked to the RTGS accounts of Clearing Members or correspondent banks. Also in this case, both payment runs from Eurex batch processing will continue to exist, whereby the second payment file contains the amounts resulting from "cash from position transfer".

TARGET2 Payment Times (CET)

	Eurex		CCP		
	First payment file	Second payment file	STD	SDS1	SDS2
Transfer	02:30	11:00	07:00	10:15	13:15
Settlement	08:00	11:00 – 11:45	08:00	10:15 – 11:00	13:15 – 14:00