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High priority

CCP: Extension of Product Scope by selected British Stocks

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Content may be most important for:	**Attachments:**
➲ All departments	1. Service Description 2. UK Products - Functional Notes 3. Customer Roadmap - CCP Release 4.2 Release Notes

Summary:

In conjunction with the extension of CCP services offered by Eurex Clearing for products of the British market we are providing further information today.

The extension of the product scope by options on selected British stocks and their inclusion in the group of CCP eligible products that are physically deliverable will take place at **January 18, 2010**.

Processing of physical deliveries of these products, traded at the Eurex Exchanges (Eurex Deutschland and Eurex Zürich) or entered into the Eurex® system by Members as bilateral transactions takes place via the Central Counterparty (CCP) of Eurex Clearing.

Eurex Clearing intends to carry out clearing and settlement services for physical deliveries in the products mentioned above in the home country and thereby provide them in the CREST system.

For further information, please refer to the attached „Service Description“.

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Amtsgericht Frankfurt/Main

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The list of options on selected British stocks (CCP-eligible products that are physically deliverable) contained in the scope will be published at a later point in time.

Members who will trade UK products need to have in place the following infrastructure for settlement of British stocks:

- A Non-Clearing Member needs to have an agreement with a Clearing Member who can settle UK stock options via Euroclear UK & Ireland.
- A Clearing Member needs to have a direct connection to Euroclear UK & Ireland or a contract with a settlement services provider (Settlement Participant) for Euroclear UK & Ireland.
- Cash transactions are settled in British Pound via the Clearing Members' accounts at one of the previously defined payment banks (i.e. Barclays Bank plc, Deutsche Bank AG, The Royal Bank of Scotland plc, HSBC Bank plc, Citibank N.A., London and J.P. Morgan Chase Bank, N.A, London).

Information on the products settled via Euroclear UK & Ireland will be made available by means of the following CCP reports:

- Daily Gross Delivery Mgmt
- Daily Clearing Fees
- Daily Service Fees
- Pending Delivery
- Pending Delivery before NTP
- Settled Delivery
- Eurex Deliveries

Please note that Gross Delivery Management (GDM) for Eurex deliveries of UK products will only be available in a limited way. Deliveries are always marked as "gross" and will be processed gross only in the entire settlement process (no settlement netting in Euroclear UK & Ireland).

Further details, such as forms necessary for setup and information on the Stamp Duty process will be made available at a later point in time.

The introduction of the new products will take place at January 18, 2010. Member setup in both simulation and production can be done effective immediately.

Frankfurt, July 17, 2009

Eurex Clearing AG / Euroclear UK & Ireland
Expansion of ECAG Product Scope into UK Products

Service Description

July 17, 2009

Important note
This document sets out the current position regarding the expansion of the Eurex Clearing AG product scope to selected UK products, which is, as is the nature of development projects, subject to change.

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Copies of this document can be downloaded in PDF format from the websites at:

- www.eurexclearing.com/index.html (in the Member Section Area); and
- www.euroclear.com.

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1 Executive summary

1.1 Background

Eurex Clearing AG (ECAG) is a subsidiary of Eurex Frankfurt which is a 100% subsidiary of Eurex Zurich, which is owned by SWX and DBAG. ECAG is the Clearing House (Central Counterparty (CCP)) of Eurex Deutschland and Eurex Zürich (Eurex Exchanges), the Frankfurter Wertpapierbörse (FWB), Eurex Bonds, Eurex Repo, and the Irish Stock Exchange (ISE).

Euroclear UK & Ireland, part of the Euroclear group, has been the provider of settlement services to the UK market since 1996.

ECAG and Euroclear UK & Ireland together currently provide clearing and settlement services for products traded on the Irish Stock Exchange (ISE).

ECAG plans to further expand the product range of physically deliverable products by options on selected UK equities. These derivative products are originally traded on Eurex Deutschland and Eurex Zürich (Eurex Exchanges) or entered as bilateral transactions by participants in the Eurex system. ECAG and Euroclear UK & Ireland intend to provide clearing and settlement services for physical deliveries out of those products with home market settlement in Euroclear UK & Ireland.

In general it is assumed that the new link between ECAG and Euroclear UK & Ireland established for processing of ECAG transactions resulting from physical deliveries in derivatives can be reused for further product expansions. Subsequent product expansions are subject to agreement between ECAG, Euroclear UK & Ireland and the participating members.

This document explains how the new CCP service is embedded into the existing market infrastructure which will be enhanced by a new link from ECAG to Euroclear UK & Ireland. Moreover it describes the impact the introduction of UK products and provision of CCP services for those products will have on the members of ECAG and Euroclear UK & Ireland. Further information will be provided by ECAG and Euroclear UK & Ireland in additional documents in due course.

This document addresses Clearing Members of ECAG and Clearing Members Undertaking of Euroclear UK & Ireland as well as Settlement Institutes of ECAG and Settlement Participants in Euroclear UK & Ireland. Moreover this document can also be used by Eurex Exchanges Trading Members to receive an overview of the offered service.

1.2 Benefits

The key advantages of introducing UK products for home market settlement are:

- the usage of the existing infrastructure and settlement processing already in place for UK securities settled in Euroclear UK & Ireland;
- the avoidance of split settlement liquidity in UK securities due to offering settlement in the home Central Securities Depositary (CSD) for the UK; and
- the avoidance of realignment effort for the clearing/settlement agents.

2 Approach

The provision of a CCP service for UK products is being managed as a joint project between Eurex Clearing AG and Euroclear UK & Ireland using the respective expertise of these parties in straight-through processing, e.g. settlement, risk management and the operation of markets.

It is intended that the implementation of this service will utilise existing market infrastructure as much as possible in order to minimise:

- the cost to participants in the market; and
- the operational impact upon market participants.

2.1 Project timeline

Throughout the project life cycle, members will be supported by documents provided by each party, and, if necessary, also bilateral meetings between ECAG and members will take place.

Various elements for introducing UK products and providing CCP services for those products are being developed by ECAG and Euroclear UK & Ireland.

EUI and ECAG will generally be ready to launch the new service in June 2009. Nevertheless members will be given some time to prepare their setup. Therefore the product launch will announced in due course after market consultation.

The CCP permanent simulation can be used for testing without Euroclear UK & Ireland participation.

3 Service overview

3.1 Product scope

ECAG plans to introduce products for UK home market settlement. Initially, equity options (American Style) with UK equities as underlying are traded on the Eurex Exchanges or are entered in the Eurex system as bilaterally agreed transactions. The service will cover the resulting physical transactions provided for settlement in Euroclear UK & Ireland, e.g. transactions resulting from exercises & assignments for equities or equity-style products, which are denominated in GBP.

3.2 The clearing and settlement model

The following diagram shows the processing for trading, clearing and settlement of UK Products agreed between ECAG and Euroclear UK & Ireland.

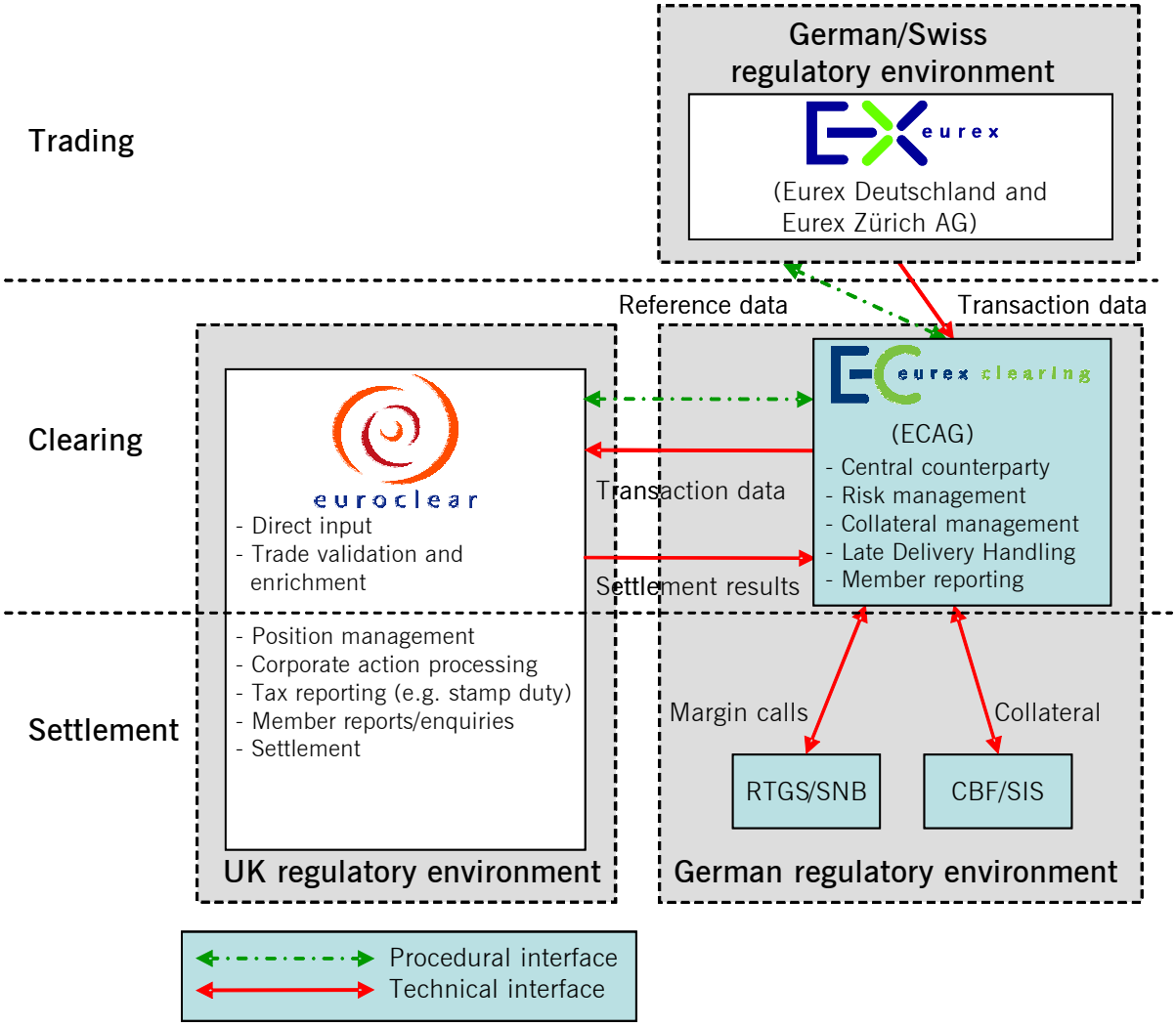


Figure 1: Trading, clearing and settlement model

3.3 Life cycle of a transaction

The following figure shows the life cycle of a transaction settling physical deliveries with the introduction of the new service. It illustrates the processing of a transaction starting with exercise & assignment of the corresponding option/future position.

Transactions in UK equities have a standard settlement period of t+4 (assuming the trade is sent to CREST on t+1).

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Business day	t	t+1	t+2	t+3	t+4
Trading					
ECAG Clearing	• Exercise / Assignment for equity options • Customer reporting • End of day margin calculation • Margin call if required	• Sending trades to CREST • Customer reporting • Intra-day and end-of-day margin calculation • Margin call if required	• Customer reporting • Intra-day and end-of-day margin calculation • Margin call if required	• Customer reporting • Intra-day and end-of-day margin calculation • Margin call if required	• Customer reporting • Intra-day and end-of-day margin calculation • Margin call if required
		• Direct Input • Validation • Enrichment • Matching			• Settlement for UK equities

Table 1: Life cycle of a transaction

3.3.1 Trading

For the launch of the new service, UK equity options are traded on the Eurex Exchanges or are entered as bilateral transactions in the Eurex system by participants.

3.3.2 Clearing

The launch of the new service results in the following lifecycle:

- As long as an equity option is traded on the Eurex Exchanges or entered as a bilaterally agreed transaction, positions in UK equity options are considered as derivatives positions in ECAG.
- Depending on the option style, American or European, the exercise can occur during or at the end of the life cycle.
- On T – the exercise date of the option or expiration date of the future, the ECAG CCP system receives transactions from exercises and assignments in the physical deliverable securities. These transactions are registered as gross transactions within the ECAG CCP system. Within the ECAG risk calculation, derivatives positions are then replaced by cash market positions.
- On T+1, the transactions are sent by ECAG to Euroclear UK & Ireland for settlement. Within Euroclear UK & Ireland, these transactions are considered as gross transactions. Euroclear UK & Ireland participants may opt into direct input for these transactions, meaning that they may no longer need to input a settlement instruction to Euroclear UK & Ireland for the transaction. Note that settlement netting is not available in this service.

- After input, update information regarding corporate actions, settlement information is sent by Euroclear UK & Ireland to the ECAG CCP System, where delivery and risk information is reflected.
- Within the ECAG CCP system, the transactions are subject to CCP trade management. This enables members to view transactions via the CCP member Graphical User Interface (GUI). Other gross delivery management functions, e.g. blocking/releasing, are not available within the ECAG CCP system for these transactions. Moreover information regarding these transactions is transferred to members in the ECAG reporting which includes pending and settled delivery reports (created during the lifetime of a transaction).

In addition to the cash payment resulting from the corporate action and the settlement process in Euroclear UK & Ireland, the ECAG CCP system initiates cash payments for the following reasons settled via payment bank:

- Compensation payments due to exercise/assignment of capital adjusted option series in the Eurex system (i.e. fractional units per lot)
- Cash payments to clearing members related to a buy-in.

3.3.3 Settlement

The basic process of settlement will operate essentially unchanged from the current process.

3.3.4 Settlement management

Settlement efficiency will remain important in this service. Managing settlement fails will be achieved by a combination of the following methods.

- Euroclear UK & Ireland permits unilateral splitting by either of the Euroclear UK & Ireland members who are party to a delivery. To further maximise settlement performance, an automated splitting functionality is available to CCP participants. ECAG, as CCP participant for this service, will utilise this functionality. Consequently all transactions that include a securities delivery from the CCP participant will be eligible for auto splitting.
- Euroclear UK & Ireland currently operates a settlement discipline regime that fines participants with matching and settlement records below certain thresholds. The regime provides incentives for members to meet an acceptable level of settlement performance.
- ECAG will use a late delivery regime to ensure the timely settlement of specific fails. For equities, the late delivery process will allow ECAG to request buy-in for transactions which have not settled a certain period after the intended settlement date. If, after a certain period, the buy-in attempts for a transaction have been unsuccessful, a cash settlement is performed by ECAG. Failed settlements will continue to be margined throughout the late delivery process. The exact timings for the late delivery regime will be published in due course..

3.3.5 Corporate actions

The existing corporate action functionality within Euroclear UK & Ireland will remain unchanged by the introduction of the service.

All risk positions resulting from, and updated due to, corporate action events will be made available to ECAG for risk management purposes. ECAG will base its margining on the adapted positions provided by Euroclear UK & Ireland.

Members should however familiarise themselves with the Euroclear UK & Ireland white book, *Corporate Actions: Central Counterparty for gross and net settlement* available on www.euroclear.com. It explains how corporate actions will be processed in the new service.

3.3.6 Stamp Duty Reserve Tax (SDRT)

A Stamp Duty Reserve Tax (SDRT) charge for UK equities arises on the underlying purchase of UK equities in line with existing market practices.

The process and possible relieves will be published separately.

3.4 Risk management

By becoming counterparty to CCP eligible transactions, ECAG fulfils all obligations in relation to those transactions. ECAG protects itself and its members against default risk by members, through its risk management procedures.

The main objective of ECAG risk management is to calculate margin for the identified risk positions of eligible securities (or derivatives) resulting from pending transactions (or derivatives positions) and corporate actions as well as cash risk positions resulting from income payments. The resulting margin requirements have to be covered by collateral.

ECAG supports GBP as the settlement currency for the newly introduced UK products. However, a margin call (i.e. the clearing currency) is according to the “Clearing Conditions of Eurex Clearing AG”..

The following figure shows the general process flow for risk-based margining:

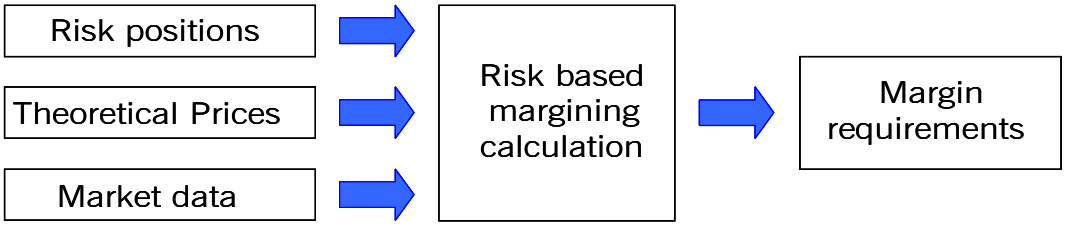


Figure 2: Risk-based margining process flow

For more information please refer to the *Eurex Clearing Risk Based Margining* brochure which is available at www.eurexclearing.com/download/documents/publications/rbm_final_en.pdf. Complete descriptions of the risk-based margining algorithms are available to Eurex members and on request to other relevant parties.

In the following paragraphs, the description focuses on risk management related to transactions in physical deliverable securities.

3.4.1 Theoretical price calculation

In an effort to cover the risk of extreme price fluctuations, margin parameters for each individual underlying security are fixed based on its volatility and various current market estimates. Based on these margin parameters minimum and maximum potential prices of the underlying security are determined.

3.4.2 Risk position determination

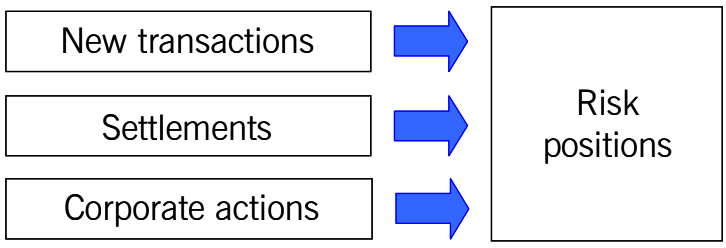


Figure 3: Determination of the risk positions

The risk positions are generated and changed based on the incoming transactions from the cash markets and the derivatives market, settlements in the respective transactions and corporate actions.

The determination of risk positions forms the basis for margining. The level of margin required from each member is recalculated on a daily basis by adding any transactions made during the day and taking into account settlements. ECAG calculates the margin at frequent intervals during the day and reserves the right to make intra-day margin calls if necessary due to position or price changes.

3.4.3 Margin calculation

The margin requirements are calculated per member (General Clearing Member (GCM), Direct Clearing Member (DCM), Non Clearing Member (NCM)) and account type (proprietary, agent). The daily margin requirement of a clearing member per currency is calculated by adding all margin requirements of all the corresponding accounts and account types.

The margin requirements are determined on the basis of the total risk exposure of the clearing member. The total risk exposure is determined from the price risk of the derivative and cash positions held in the account. The risk reducing effect of opposite risks within the account are offset against each other.

ECAG provides daily margining reports. The margin calculation requirements are shown in detail with information on risk positions, the current liquidating margin, and the additional margin. Clearing members are provided with relevant information including settlement prices, margin parameters, and risk reports based on expected future market prices.

3.4.4 Eurex margin calculator

ECAG provides the Eurex Margin Calculator, a computer-based simulation program designed to calculate ECAG margin requirements (available at www.eurexclearing.com/customer_service/training/margin_calculator_en.html). The program is based on the 'Eurex Risk-Based Margining' model and simulates the margin calculation for existing or new positions for all products cleared by ECAG.

3.4.5 Layers of protection

To protect against the risk of default by any of its members, ECAG has established a hierarchy of preventive measures. In the event of default by a Clearing Member (CM), ECAG may use the layers of protection described below to fulfil the obligations of a defaulting CM:

- If a market participant, as a CM of ECAG, is no longer able to fulfill its obligations, ECAG may liquidate all its open positions. All liquidation gains or losses will be offset against each other, and any remaining debit balance will be covered from the cash and security collateral which has been deposited.

- If thereafter an uncovered debit balance still exists, a claim will be made against the clearing default fund contribution of that CM. If any surplus remains it will be paid out.

- If any uncovered debit balances still exist, ECAG reserves will be used.

- The next level of protection provides for a pro-rata claim to be made against the clearing fund parental guarantee deposited in the guarantee fund by those institutions that are not in default.

This procedure guarantees that the fulfilment of all transactions via ECAG can be assured.

3.4.6 Regulations in case of a default

In the event of default by a CM with ECAG, it is assumed that the relevant default rules will be those that apply under German law, i.e. the default rules of ECAG will govern the ECAG-CM contract. In relation to a default of any individual member firm with a CM, it is assumed that it will be the law of the jurisdiction governing the agreement.

According to ECAG default rules, the following rules will always apply:

- A CM is always principal, i.e. fully responsible, to the CCP.
- A NCM is always principal to its CM.

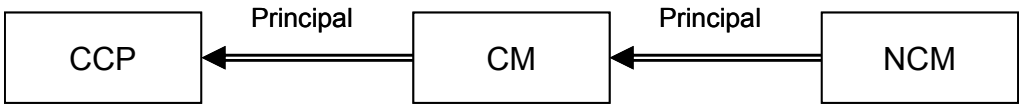


Figure 4: Participant relationships

3.5 Collateral management

In order to cover their margin requirements, CMs can either pledge their own securities to ECAG or pay the amount in cash. CMs are therefore obliged to have a sub-account with Clearstream Banking Frankfurt (CBF) or SegaInterSettle (SIX SIS AG) pledged to Eurex Clearing AG, and a Real Time Gross Settlement (RTGS) (TARGET2), Swiss National Bank (SNB) account or to use a correspondent bank with such an account. ECAG is entitled to directly debit/credit the abovementioned (respective) accounts.

ECAG accepts the following collateral:

- Cash in CHF and EUR.
- Selection of fixed income products, e.g. government bonds.
- Selection of equities.
- Selection of exchange traded funds.

For more information please refer to the *Eurex Clearing Risk Based Margining* brochure, which is also available at www.eurexchange.com/knowledgecenter/brochures.html.

3.5.1 Collateral evaluation

The collateral on the security deposit account of each CM is evaluated daily in the ECAG system. This is done by means of settlement prices. Different haircuts are used depending on the security pledged as collateral, e.g. when evaluating equities, a haircut is applied to reflect potential market impact in case of the default of a member.

3.5.2 Operate collateral book

Each business day, the margin requirement is set against the deposited and evaluated securities. If these are not sufficient, the deficit is debited from the RTGS/SNB account of the CM. In case the amount of pledged securities is increased or the margin requirement is reduced, ECAG will automatically transfer the debited cash amount back to the CM the next day or intraday on request.

ECAG pays interest for cash collateral. The cash deposit rate is specified in the Clearing Conditions of Eurex Clearing AG on the Eurex website at www.eurexclearing.com/documents/regulations/clearing_conditions_en.html.

3.5.3 Reporting on collateral

ECAG provides collateral reports in order to enable participants to manage their collateral effectively. Reports show collateral balances, the movements of securities and information about the use of cover, the expiration of securities and interest paid on a detailed and aggregate level.

4 Market participant roles in trading, clearing and settlement

Member firms trading on the trading platform Eurex Exchanges have access to Eurex Exchanges. ECAG Clearing Members have access to ECAG, i.e. either the derivatives clearing system, the cash clearing system, or both.

The introduction of Euroclear UK & Ireland as settlement location results in the requirement that ECAG Clearing Members need to establish a link to Euroclear UK & Ireland or to a settlement participant in Euroclear UK & Ireland via a custodian agreement. The contractual agreements, i.e. clearing documents and legal documentation, are to some extent effected and will be adapted accordingly.

The various roles played by a participant can be different depending on whether they are active in trading, clearing or settlement. These are explained in this chapter.

4.1 Trading

A member has to be set up on the Eurex Exchanges.

4.2 Clearing

Eurex Clearing AG differentiates between the following participant roles:

- Non Clearing Members (NCMs) – Trading Members (TMs):
  An exchange participant that does not hold a clearing license. Such a participant must have a clearing agreement in effect with a General Clearing Member or a company-affiliated Direct Clearing Member.

- Clearing Member (CM):
  A CM is entitled to perform the clearing of securities and derivatives market transactions. In addition, CMs are responsible for the timely fulfilment of all payment and delivery obligations resulting from securities transactions. ECAG makes a distinction between clearing membership types: the GCM (General Clearing Member) and the DCM (Direct Clearing Member). Unlike GCMs, DCMs may only clear principal transactions, agent transactions and transactions of affiliated group companies as NCMs.

- CCP Settlement Institute (SI):
  The CCP Settlement Institute is connected to the ECAG CCP system. Each settlement account which is used at the settlement location supported for the respective market or product needs to be setup in the CCP and needs to be assigned to a CCP SI, e.g. Euroclear UK & Ireland settlement participants for UK products. For each of the assigned Euroclear UK & Ireland settlement participants, the CCP SI can then receive settlement information via settlement reports or by using the Member GUI.

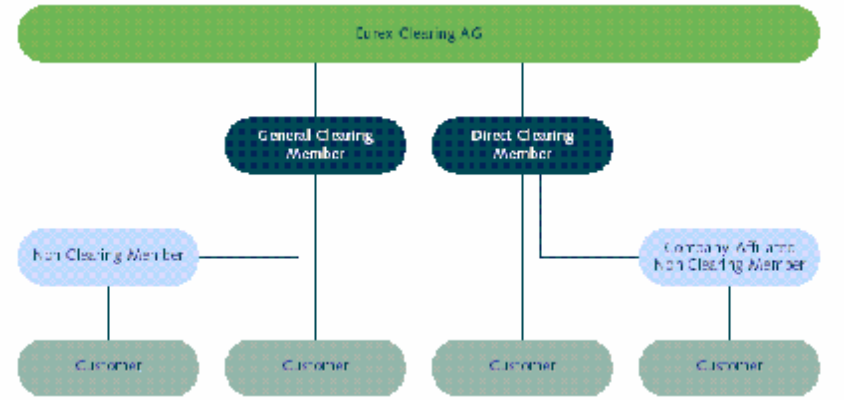


Figure 5: Eurex Clearing member setup

4.3 Settlement

For settlement purposes, Euroclear UK & Ireland differentiates between:

- A settlement participant, which has access to both securities and cash functionality. In the context of this service, a settlement participant will be either a Euroclear UK & Ireland member or a CCP participant. ECAG will be admitted into Euroclear UK & Ireland as a CCP participant and the settlement agent acting on behalf of the NCM and/or CM will be admitted as a Euroclear UK & Ireland member; and
- A (Sponsored) CM Undertaking. Euroclear UK & Ireland requires an ECAG CM to become a CM Undertaking or to authorise a Sponsored CM Undertaking to view open positions in the Euroclear UK & Ireland system. A (Sponsored) CM Undertaking will not be permitted to input, amend or delete settlement instructions.

4.4 Interaction of the different roles

The following provides an overview of the interaction between the different roles involved in the securities and derivatives market infrastructure. Participants can perform functions associated with one or more of these roles.

A trading member enters orders in the order book of the Eurex Exchanges or enters bilateral transactions agreed with another market participant, which, when executed respectively accepted, become trades. On the derivatives market these trades are aggregated to respective derivatives positions. After exercise & assignment of such a position, the resulting physical deliveries are transferred to the ECAG CCP platform.

The trading member is either acting as NCM/TM only or as CM, i.e. also admitted to clearing.

Each ECAG CM has to be a dedicated CM Undertaking at Euroclear UK & Ireland or use a sponsored CM Undertaking. A CM Undertaking is, or uses a, settlement participant to operate the settlement at Euroclear UK & Ireland.

An ECAG Settlement institute and Euroclear UK & Ireland Settlement Participant can be the same legal entity. In case these are different legal entities, the relationship between ECAG Settlement Institute and Euroclear UK & Ireland Settlement Participant is as follows. Each Euroclear UK & Ireland participant needs to be set up in the CCP and needs to be assigned to an ECAG Settlement Institute. The ECAG Settlement Institute informs the Euroclear UK & Ireland Settlement Participant when a transaction for the UK market occurs. After settlement takes place in Euroclear UK & Ireland, the Euroclear UK & Ireland Settlement Participant informs the ECAG Settlement Institute.

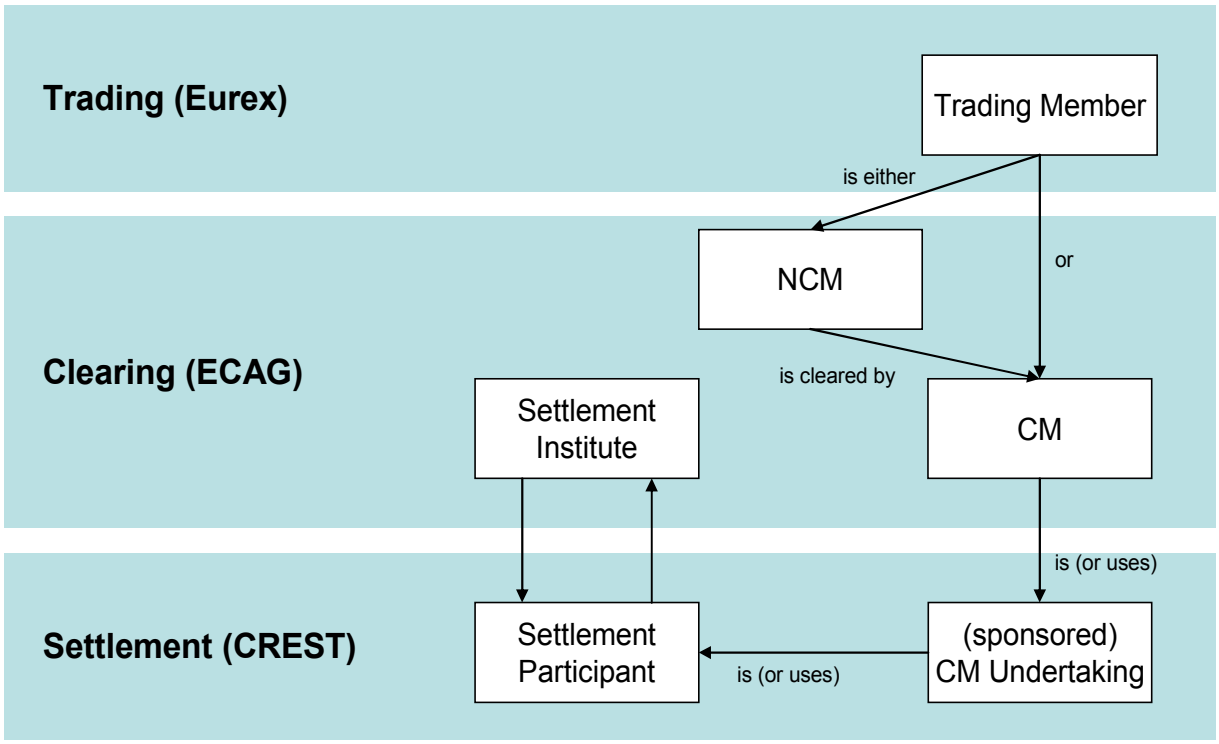


Figure 6: Interaction of different roles

5 Tariff

Euroclear UK & Ireland will apply its standard tariff to the Exchange's CCP service. Details of the Euroclear UK & Ireland tariff payable by members can be found on www.euroclear.com.

ECAG will charge CMs for the provision of all clearing services. ECAG plans to apply a clearing fee which is in line with the current UK clearing fee structure. Fees will be charged to each transaction entering the clearing and settlement process.

6 Market participant tasks for admission

6.1 Eurex Exchanges trading admission

Eurex Exchanges trading members must conclude a clearing agreement with either a GCM or a group-affiliated DCM for derivatives trading on Eurex Exchanges in order to have a contractual relationship with ECAG. Transactions are essentially concluded between ECAG and the given CM, and in turn between that CM and the specific trading member on Eurex Exchanges being the NCM of the given CM.

All trading participants will need to ensure that ECAG is advised of changes to their clearing or settlement arrangements.

6.2 Eurex Clearing AG clearing admission

Participation as a GCM or DCM requires issuance of the appropriate licence for which the following requirements need to be fulfilled.

Clearing membership
Financial institutions located within the European Union or Switzerland authorised to operate custody business, credit operations and receipt of margin by customers in the form of securities and cash are eligible for a Eurex Clearing Membership. Applicants must meet the minimum capital requirements and contribute a specific amount to the Eurex Clearing AG clearing fund.

Contribution to the clearing fund
Irrespective of the provision of other margin, each CM is obliged to pay a contribution to the Clearing Fund. This contribution is not required in the event that the applicant has already paid a contribution to the Clearing Fund for another clearing membership of ECAG with the same clearing status. The contribution can be provided by bank guarantees and/or cash or security collateral.

The initial contribution to the Clearing Fund varies by the status of the CM. It amounts to EUR 5 million for a GCM and EUR 1 million for a DCM.

A reassessment of the contributions is carried out quarterly, with the new contribution being the maximum of:

- the member's initial contribution;
- 2% of the member's 30-day average of total margin requirements across all markets; and
- 2% of the member's 250-day average of total margin requirements across all markets.

Minimum Capital Requirements

The minimum amount of liable equity capital to be provided is:

Clearing Licence	GCM Liable Equity Capital	DCM Liable Equity Capital
Derivatives	EUR 125 million	EUR 12.5 million

Table 2: Minimum capital requirements

Irrespective of the minimum amounts of liable equity capital specified above, the actual amount of liable equity capital to be evidenced and maintained shall be the maximum of:

- the clearing licence minimum amount;
- 10% of the member's 30-day average of the total margin requirements across all markets; and
- 10% of the member's 250-day average of the total margin requirements across all markets.

Clearing agreement

Both ECAG and the applicant will agree to, and sign, a general or direct clearing agreement.

Settlement account

The CM must provide at least one settlement agent in Euroclear UK & Ireland (directly or indirectly) through which it will settle its transaction in UK products.

Cash clearing accounts

The CM settlement agent must hold an account in GBP with a Euroclear UK & Ireland settlement bank in order to debit/credit cash arising out of the settlement process of CCP eligible transactions.

Moreover, each ECAG CM needs to hold an account in GBP with a payment bank in order to settle cash payments created by the ECAG CCP system. The list of supported payment banks is as follows:

- Barclays Bank plc
- Citibank N.A.
- Deutsche Bank AG
- HSBC Bank plc
- J.P. Morgan Chase Bank, N.A., London
- The Royal Bank of Scotland (RBS)

Furthermore an RTGS/SNB (direct or via a correspondent bank) account is required to establish ECAG margin credit and respond to ECAG margin calls.

Pledged securities account

In order to provide margin, the CM can pledge securities in a pledged securities account maintained exclusively for ECAG by the CM at CBF or SIS. For the purpose of such a pledge, the CM has to assign its rights to claim these securities from the account to the CCP.

In order to meet the admission requirements, a GCM or DCM must also have sufficiently qualified staff for the orderly fulfilment of the clearing obligations, and appropriate back-office facilities.

6.3 Euroclear UK & Ireland clearing and settlement admission

Please note that a Euroclear UK & Ireland member may be both a CM (GCM or DCM) and a settlement participant.

Clearing Members

CMs are required to become a CM Undertaking with Euroclear UK & Ireland or use a sponsored CM Undertaking. This is fulfilled through the completion of the appropriate CM Undertaking agreement. This will allow the CM to view open positions throughout the day.

Settlement Participants
Settlement participants will inform Euroclear UK & Ireland of their Eurex Exchanges member reference, default account ID and CM's ID via a static data form. Furthermore, each settlement member will inform Euroclear UK & Ireland of the direct input options they wish to elect.

7 Abbreviations and glossary of terms

7.1 Abbreviations

Abbreviation	Long Name
CBF	Clearstream Banking Frankfurt
CCP	Central Counterparty
CHF	Swiss Francs
CM	Clearing Member
DCM	Direct Clearing Member
ECAG	Eurex Clearing AG
EUR	Euro
GBP	Great Britain Pounds
GCM	General Clearing Member
ISD	Intended Settlement Date (Contractual Settlement Date in ECAG terminology)
NCM	Non-Clearing Member
RTGS	Real Time Gross Settlement
SIS	SegaInterSettle
SNB	Swiss National Bank
TARGET2	Trans-European Automated Real-time Gross settlement Express Transfer System

7.2 Glossary of terms

CCP participant	A participant with full membership in Euroclear UK & Ireland, that has Clearing Member and certain automated management functionalities
Clearing Member (CM)	CMs are members entitled to perform the clearing of security resp. derivatives transactions. In addition, CMs are liable for the timely fulfilment of all payment and delivery obligations against ECAG that result from transactions. ECAG makes a distinction between clearing membership types i.e. Direct Clearing Member, General Clearing Member and Non Clearing Member. CMs can have several clearing licences which are granted by ECAG for clearing different markets, e.g. Eurex Exchanges, Frankfurter Wertpapierbörse (FWB)
CM Undertaking	Euroclear UK & Ireland requires an ECAG CM to become a CM Undertaking to view open positions in Euroclear UK & Ireland. This membership entails 'read only' functions and does not permit such an entity to input, amend or delete transactions
Direct Clearing Member (DCM)	A member of ECAG that only clears its own proprietary transactions, its own agency trades and trades of its own subsidiaries (affiliated NCMs)
Direct input	The ability to input transactions into Euroclear UK & Ireland on behalf of members, based on delivery data received from ECAG (or as a result of the settlement netting process)
Eligible transaction	A transaction is CCP eligible to the extent that it meets the following criteria: • it is a derivatives market transaction either from an order book transaction on Eurex Exchanges or from bilaterally entry; • it is the subsequent delivery (or payment) resulting from exercise & assignment or notification & allocation in ECAG; • it is a spot trade, i.e. a binding obligation to exchange a security for cash at a defined intended settlement date in the future; • the underlying trade is in a CCP eligible security; • both trading members have either a clearing relationship with ECAG or use a third party to have such a clearing relationship with ECAG; • it has a valid market price; and • it is executed on a valid business day and during valid business hours of the Clearing House
Eligible securities	All securities ECAG and Euroclear UK & Ireland agreed regarding their inclusion in the settlement service in Euroclear UK & Ireland starting with options on selected UK equities.
General Clearing Member	A GCM can clear own transactions, agent transactions and

(GCM)	transactions for affiliated and non-affiliated NCMs and otherwise perform all the functions of a DCM
Intended settlement date	Contractual Settlement Date in ECAG terminology
Non-Clearing Member (NCM)	NCMs are exchange member firms which trade in relevant CCP eligible products (derivatives and cash market products) on a market ECAG provides CCP functionality for and who choose not to clear directly with ECAG. They are entitled to execute proprietary trades and agency trades depending on their regulatory authorisation. For clearing purposes, each NCM is required to have a relationship with an ECAG General Clearing Member (GCM).
Principal	An entity fully responsible in all cases for its obligations
Settlement participant	Participant that operates the settlement account at Euroclear UK & Ireland and has access to the Euroclear UK & Ireland system

UK Products

Functional Notes

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1 Management Summary

ECAG plans to further expand the product range of physically deliverable products by options on selected UK equities. These derivative products are originally traded on Eurex Deutschland and Eurex Zürich (Eurex Exchanges) or entered as bilateral transactions by participants in the Eurex system.

After Exercise / Assignment, physical deliveries in UK instruments are transferred to the Central Counterparty Platform (CCP).

Subsequently, CCP transfers these deliveries to EUI for home market settlement. All pending deliveries are subject to corporate action processing executed by EUI, if applicable.

Key benefits of introducing home market settlement for UK products are:

- The usage of the existing infrastructure and settlement processing already in place for UK securities settled in EUI
- The avoidance of splitting of settlement liquidity across CSDs in UK securities due to offering settlement in the home CSD for UK
- The avoidance of realignment effort

EUI and ECAG will generally be ready to launch the new service in June 2009. Nevertheless members will be given some time to prepare their setup. Therefore the product launch will announced in due course after market consultation.

This document focuses on CCP functionality and addresses market participants involved in deliveries out of Eurex derivative transactions, particularly ECAG Clearing Members and ECAG Settlement Institutes. The document primarily aims at functional and operational staff of the Members' middle and back offices.

Additional information can be found in the following documents which have already been published by ECAG and EUI:

- Service Description 'Expansion of Eurex Product Scope into UK Products' (published with release notes)
- White Book 'Enhancing CREST: Q1/Q2 2007 - A central counterparty for Eurex Exchanges in CREST' (published at website http://www.crestco.co.uk)

2 Member Structure and Set-Up

2.1 Participant roles

Eurex Clearing AG differentiates between the following participant roles:

- Trading Member (TM)
- Clearing Member (CM) having one or more clearing licenses (for the clearing of physically deliverable products out of options on UK equities the derivatives clearing license is used)
- Settlement Institute (SI) has limited Trade Management possibilities for UK equities within CCP. SI provides the settlement account and the Custodian Service (Settlement Participant) within EUI

For settlement purposes, EUI differentiates between:

- CM Undertaking / Sponsored CM Undertaking
- Settlement Participant having access to securities and cash functionality in EUI

Each Settlement Participant ID used by an ECAG member needs to be setup in the CCP as settlement account and needs to be assigned to a CCP Settlement Institute.

More information about participant roles and their interaction can be found in the Service Description 'Expansion of Eurex Product Scope into UK Products', chapter 4.

2.2 Member Settings

The following accounts are required to process deliveries in UK instruments in GBP on the CCP platform:

- Securities settlement account at EUI, with related cash account in GBP
- Cash settlement account at a Payment Bank[1] for GBP payments

For UK instruments, only a default settlement account on the level of TM and currency/ account type can be set up for Eurex deliveries. No specific settings on ISIN level are possible. The CM has to decide on the default settlement account to be used and communicate it to Eurex Clearing AG.

3 Process Overview

Equity options (American and European style) with underlying UK equities are traded on the Eurex Exchanges or are entered in the Eurex system as bilaterally agreed transactions.

Resulting from Exercise/Assignment of Eurex positions, deliveries in UK instruments with settlement currency GBP are created. These deliveries are transmitted from Eurex to the CCP platform after Exercise/Assignment is executed on day T and are subsequently processed by the CCP platform.

On T+1, deliveries in UK instruments are sent to EUI for home market settlement. Deliveries in UK equities have a standard settlement period of T+4.

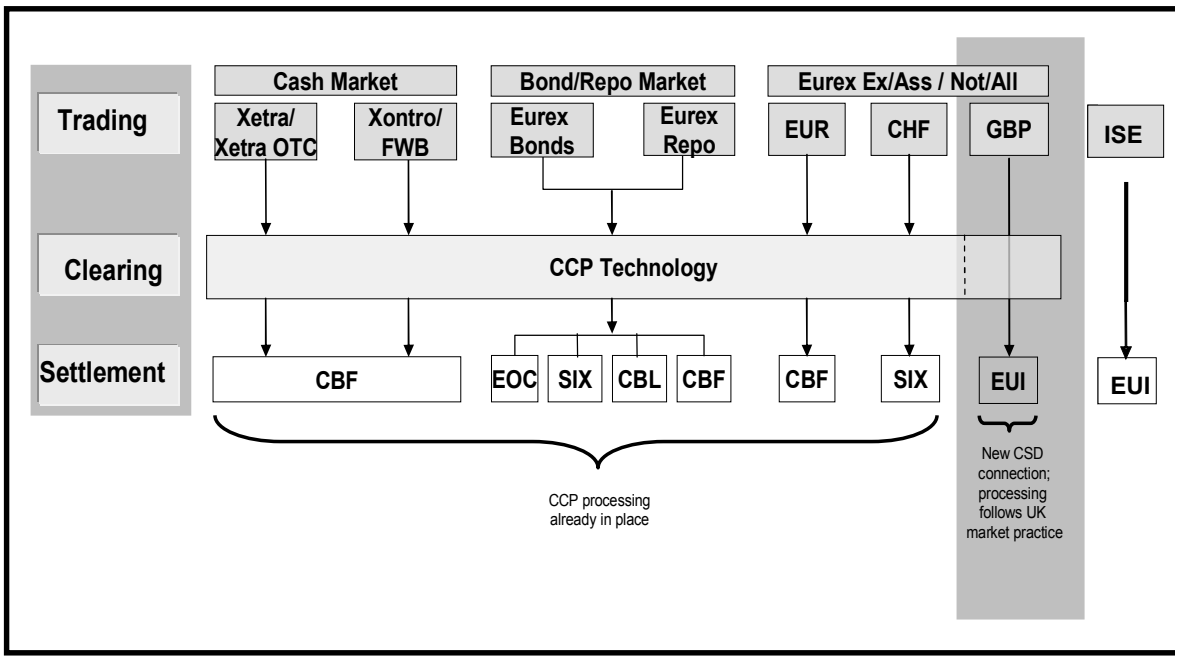


Figure: Inclusion of Eurex Deliveries in CCP

Due to the home market settlement at EUI, the processing of deliveries in UK instruments in settlement currency GBP follows UK market practice. Resulting from this fact, the following specific features of Eurex deliveries in UK instruments within CCP have to be considered:

- Eurex deliveries in UK instruments are always registered as gross and released within the CCP
- The only available gross delivery management function for UK instruments is inquiry of trades; no other gross delivery management functions are available
- Transactions will be settled in EUI as gross transactions
- Cash payments resulting from settlement processes and Corporate Action processing are initiated by EUI
- Corporate Actions processing will be provided by EUI
- EUI settlement information and EUI Corporate Actions information is reflected in CCP risk and trade reporting as far as possible

- No specific Corporate Action reporting is provided by CCP
- Payments Banks (GBP) are used for cash payments initiated by the CCP (e.g. due to buy-in).

In addition standard CCP services are provided:

- Settlement information and Corporate Action information received from EUI will be reflected in the continuous CCP Member Settlement Reporting as far as possible
- Risk based margining is available for all pending Eurex deliveries

Please refer to sections 4 - 6 for more information on the processing of these deliveries.

A full list of UK instruments available as Eurex Underlyings will be published in a separate circular at a later point in time.

4 Gross Delivery Management

For Eurex Deliveries in UK instruments, only limited Gross Delivery Management (GDM) functionality for Clearing Members and/or Settlement Institutions is available:

Eurex Deliveries in UK instruments are always registered as gross and released in CCP.

These deliveries can be inquired on the business day following Exercise/Assignment.

Besides inquiry of trades no other GDM functionality is available, i.e. **none** of the following actions can be performed on deliveries in UK instruments: Block, Release, Partial Release of Trade, Linking of Trades, Marking of Trades for gross/ net processing.

Inquiry of trades can be performed via the VALUES API interface or the @X-PERT CCP Member GUI.

4.1 Values API

Inquiry of trades and inquiry of external settlement results can be performed by using the existing Values Requests.

For further information, please refer to the VALUES API Member Front End Development Guide.

4.2 MSIF (Member Settlement Instruction File) / SWIFT Access

Block/ release functionality for deliveries in UK instruments to be settled at EUI is not supported.

4.3 CCP Member GUI

No new version of Member GUI will be provided, GUI version released with CCP 4.1 is still valid. For further information, please refer to the CCP 4.1 User Guide.

For deliveries in UK instruments the gross delivery management is limited to inquire the trade overview and the settlement results view.

For filtering deliveries in UK instruments, the settlement location EUI can be used.

5 Delivery Management

For the settlement of Eurex Deliveries in UK instruments, each EUI Settlement Participant ID used by an ECAG member needs to be setup in the CCP as settlement account and needs to be assigned to a CCP Settlement Institute.

Settlement account and settlement location of a Eurex delivery are determined according to the Trading Member's default setting maintained for UK instruments.

5.1 Settlement Locations

CCP supports the settlement location EUI for Eurex deliveries in UK instruments to be settled in GBP. These deliveries are always assigned for settlement against Eurex Clearing AG at EUI (settlement participant CCPEC in EUI).

Eurex Deliveries in UK instruments are received by CCP on T, the exercise date of the option. Deliveries in UK equities have a standard settlement period of T+4.

On T+1, these deliveries are sent to EUI for external settlement. Within EUI these deliveries are considered as gross transactions and are subject to EUI settlement processes. Settlement netting service is not provided.

After settlement has taken place in EUI, this information is reflected in the CCP.

5.2 Cash Settlement

5.2.1 Cash-only Instructions

In addition to the cash payments resulting from the corporate action and the settlement process in EUI, the CCP system initiates cash payments for the following reasons:

- Compensation payments due to exercise/ assignment of capital adjusted option series in the Eurex system (i.e. fractional units per lot):
  In case of settlement currency GBP, these payments are settled via a Payment Bank.
- Cash payments to Clearing Members related to a buy-in, fees and margin:
  In case of GBP payments, these payments are settled via a Payment Bank, in case of EUR payments, these payments are settled via TARGET2.

5.2.2 Cash Settlement Locations

For the settlement of cash only payments related to deliveries in UK instruments, the CCP provides interfaces to TARGET2 (for EUR payments) and to the following supported Payment Banks (for GBP payments):

- Barclay Bank plc (BAR)
- Citibank N.A. (CIT)

- Deutsche Bank AG (DEU)
- HSBC Bank plc (HSB)
- The Royal Bank of Scotland (RBS)
- J.P. Morgan Chase Bank, N.A, London (JPM)

Cash accounts serve to settle cash-only instructions at the supported payment locations. Each Clearing Member has to specify cash-only accounts (including the respective payment location) for EUR and GBP per settlement account for settling cash-only instructions as outlined above.

To facilitate the settlement process for customers and to improve settlement efficiency Eurex Clearing AG acts via 'Power of Attorney' (PoA) procedures. For each payment location, Members have to provide a Direct Debit Mandate to Eurex Clearing AG ('PoA' on cash accounts); this allows Eurex Clearing AG to directly instruct the Member's cash accounts.

6 Corporate Action Processing

Corporate Actions Processing will be performed in EUI according to UK market practice. EUI distinguishes between "transformations" and "claims". In CCP terms this can result in Income and Non-Income events.

Information about adapted/ new trades as well as cash payments is therefore accessible for EUI participants via EUI system.

The following information will be made available in CCP:

In case of non-income events, adapted/ new trades will be reflected in the CCP. These trades will be considered in Risk Management. Moreover, they can be inquired via CCP Member GUI/ Values API interface and are also included in the CCP Pending Delivery reports/ Settled Delivery reports. No Corporate Actions reporting via CA180 is offered.

In case of income events, cash payments are considered in Risk Management. Cash payments will not be included in CCP member reporting. In particular no Corporate Actions reporting via CA160 is offered.

7 Risk Management

Eurex Clearing AG provides central risk management by applying Eurex's Risk Based Margining method and reports risk positions to Clearing Members.

Risk management for Eurex Deliveries in UK instruments is in accordance to the principles valid for Eurex deliveries (for an overview please refers to the CCP 4.1 Final Release Notes).

For Eurex deliveries to be settled in GBP, the margin class currency will be GBP.

8 Member Reporting

Deliveries in UK instruments will be reported in the delivery reports resulting from continuous reporting (reporting stream CORPT).

As Corporate Actions are processed in EUI, the following has to be noted:

- In case of non-income events, adapted/ new trades will be reported by CCP in the reports CE260/ CE265/ CE270, but not in the report CA180
- In case of income events, no CCP member reporting takes place, i.e. cash payments related to UK instruments will not be reported in the report CA160

The following table highlights how deliveries in UK instruments are reported in the existing CCP member reports:

Report ID	Report Title	Contains deliveries in UK instruments	Comments	Report Generation
Common	Common		Additional possible values for currency: GBP EUI is set up as full settlement location Additional payment location BAR, CIT, DEU, HSB, RBS, JPM EUI settlement participant ID of ECAG is "CCPEC". On the delivery reports this is shown as "CSD account" (print report) and "Safekeeping account" of ECAG (raw reports).	Continuous reporting (CORPT) End-of day processing (EOD) Instrument type specific report (EXS)
RPTCA130 (CM) RAWCA130 (CM) RPTCA131 (SI) RAWCA131 (SI)	Compensation Partner	No		EOD
RPTCA160 (CM) RAWCA160 (CM) RPTCA161 (SI) RAWCA161 (SI)	Custody Payment Statement	No		EOD
RPTCA180 (CM) RAWCA180 (CM) RPTXA181 (SI) RAWCA181 (SI)	Capital Adjustments on Trades	No		EOD
RPTCB225 (CM) RAWCB225 (CM)	Daily EUREX Fines	No		EOD
RPTCB230 (CM) RAWCB230 (CM) RPTCN231 (SI) RAWCB231 (SI)	Daily Gross Delivery Mgmt	Yes		EOD
RPTCB320 (CM) RAWCB320 (CM)	Daily Clearing Fees	Yes (EXS)	Contains UK equities	EXS
RPTCB305 (CM) RAWCB305 (CM)	Daily Settlement Fees	No		EXS

Report ID	Report Title	Contains deliveries in UK instruments	Comments	Report Generation
RPTCB325 (CM) RAWCB325 (CM)	Daily Service Fees	Yes		EOD
RPTCD150 (CM) RAWCD150 (CM) RPTCD151 (SI) RAWCD151 (SI)	Cash Obligations	No		EOD
RPTCD250 (CM) RAWCD250 (CM) RPTCD251 (SI) RAWCD251 (SI)	Settled Cash Transactions	Yes		EOD
RPTCE260 (CM) RAWCE260 (CM) RPTCE261 (SI) RAWCE261 (SI) RPTCE262 (TM) RAWCE262 (TM)	Pending Delivery	No (BRP) Yes (COPRT)	Field Delivery ID: For deliveries to be settled at EUI filled with EUI transaction ID. Printable report: As long as a trade is not due, it is shown in section 'Open Trades'. In section 'Open Trade', for trades with settlement location EUI the label 'Delivery ID' is always shown. As soon as the EUI transaction ID is available in CCP, it will be indicated here. When the trade is due, it will be shown in section 'Deliveries marked for gross processing'. Raw report: For trades with settlement location EUI, the field 70E, subfield "/D" indicates the EUI transaction ID if available, else the value "TRADE" is shown.	BRP CORPT
RPTCE265 (CM) RAWCE265 (CM) RPTCE266 (SI) RAWCE266 (SI) RPTCE267 (TM) RAWCE267 (TM)	Pending Delivery before NTP	Yes	Field Delivery ID: For deliveries to be settled at EUI filled with EUI transaction ID. Printable report: As long as a trade is not due, it is shown in section 'Open Trades'. In section 'Open Trade', for trades with settlement location EUI the label 'Delivery ID' is always shown. As soon as the EUI transaction ID is available in CCP, it will be indicated here. When the trade is due, it will be shown in section 'Deliveries marked for gross processing'. Raw report: For trades with settlement location EUI, the field 70E, subfield "/D" indicates the EUI transaction ID if available, else the value "TRADE" is shown.	CORPT

Report ID	Report Title	Contains deliveries in UK instruments	Comments	Report Generation
RPTCE270 (CM) RAWCE270 (CM) RPTCE271 (SI) RAWCE271 (SI) RPTCE272 (TM) RAWCE272 (TM)	Settled Delivery	No (BRP) Yes (CORPT)	Field Delivery ID: For deliveries settled at EUI filled with EUI transaction ID.	BRP CORPT
RAWCE290	Eurex deliveries	Yes	82D counterparty filled with 7525	EOD

Please refer to the following documents for additional information: 'Member File Based & SWIFT Interface', 'Description Report Layouts', and 'Description of Report Raw Data'.

9 Late Delivery Handling

Settlement discipline for equities is ensured by a buy-in and cash settlement procedure. The process will be published in a separate document.

10 List of Abbreviations

Abbreviation	Stands for
BAR	Barclay Bank plc
BRP	Batch oriented reporting
CA	Corporate Action
CB	Central Bank
CCP	Central Counter Party
CIT	Citibank N.A
CM	Clearing Member
CORPT	Continuous Reporting
CSD	Central Securities Depository
DEU	Deutsche Bank AG
DTP	Day Time Processing
DvP	Delivery versus Payment
ECAG	Eurex Clearing AG
EOD	End of Day
EUI	Central Securities Depository for UK and Ireland
EUR	Euro
GBP	Great Britain Pound
GDM	Gross Delivery Management
HSB	HSBC Bank plc
NTP	Night Time Processing
PB	Payment Bank
PoA	Power of Attorney
RE	Risk Engine
RSB	The Royal Bank of Scotland
RvP	Receive versus Payment
SI	Settlement Institution
SLU	Settlement Locations Unit
SNA	System Network Architecture
TARGET2	Trans-European Automated Real-time Gross settlement Express Transfer System
TM	Trading Member

Customer Roadmap

CCP Release 4.2 - Release Notes

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1 Introduction

Eurex Deutschland and Eurex Zürich (Eurex Exchanges) plan to expand the product range into equity options (American and European Style) with UK equities as underlying. Subsequent physical deliveries out of those products will be processed via the central counterparty (CCP) service of Eurex Clearing AG. Settlement will take place in Euroclear UK & Ireland (EUI).

The key notes of the expansion are described in the following:

- The Clearing Member in his own right or an authorized Settlement Participant appointed by the Clearing Member needs to have a settlement account at EUI.
- The Clearing Member in his own right or its authorized correspondent bank needs to have a cash account in GBP at one of the Payment Banks. A list of Payment Banks and contact details are given in chapter 6.
- Deliveries out of UK products will be shown in the CCP-System for read-only purposes.
- Trade Management will be accomplished within the EUI infrastructure on gross basis according to the functionality provided by EUI.
- Corporate action processing is accomplished at EUI and reflected in the CCP-System.

For detailed information, please refer to the “Service Description”

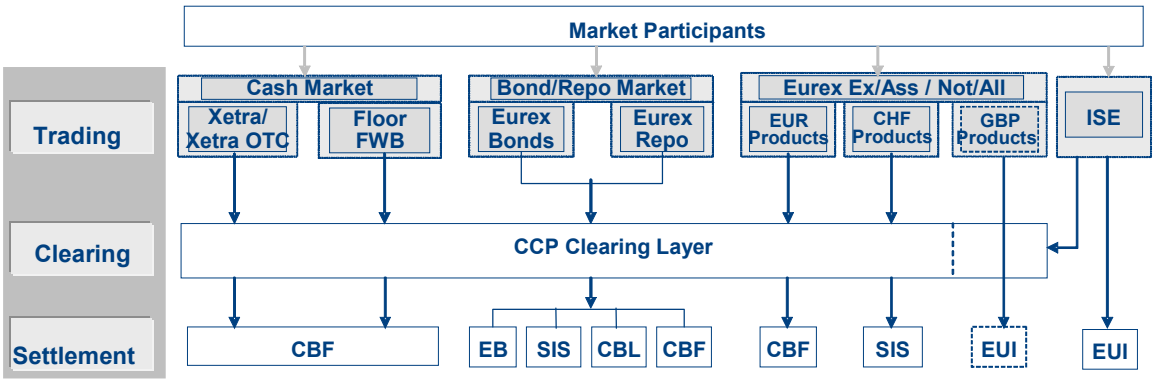
The purpose of this document is:

- To provide an overview of the functional enhancements (given in chap. 2 and 3).
- To provide an overview of the major member impacts (given in chap. 4).
- To provide a roadmap to the introduction of UK products in simulation and production (given in chap. 5).
- To announce the Helpdesks/ Teams this will provide intensive support for member during the introduction of UK products (given in chap. 7 and 8).

2 Overview and the Enhancement of the Product Scope

With CCP Release 3.1 deliveries resulting from exercise & assignment (Ex/Ass) of option contracts are included in the CCP settlement netting and delivery process. Additionally CCP 3.1 set the basis to include deliveries from UK products traded on the Eurex Exchanges or entered as bilateral transactions by participants in the Eurex system in the CCP processing with EUI as settlement location (CSD).[1]

The CCP Market Model for Delivery Harmonization can be summarized in the diagram below:



Picture 1: CCP Market Model

[1] Software adjustments were carried out with the introduction of CCP Release 3.1 on August 14, 2006.

3 Functional Changes within the Introduction of UK Products

An overview is provided in the subsequent chapters to describe the changes to the existing processing model and newly added processes within the introduction of UK Products.

For changes regarding Trade and Delivery Management Services, the Risk Management and the Corporate Action Processing please refer to the Service Description.

3.1 Instruments and Settlement Currencies

The current instruments will be expanded by UK equities listed in GBP.

3.2 Settlement Location/ CSD Assignment

For further expansion of the product scope into UK products, only EUI is accepted as the settlement location. In addition to Eurex Clearing AG, who will hold an account at EUI, the Clearing Member in his own right or its authorized Settlement Participant has to hold an account at EUI.

3.3 Account Setting

For the introduction of UK products the following accounts are necessary:

- Securities settlement account at EUI
- Cash settlement account for settlement related payments in GBP at a settlement bank
- Cash settlement account for cash only payments within ECAG at a payment bank for GBP-Payments

3.4 Market participant roles

The notation of the customer setup in the UK market is different to the one used at ECAG.

For settlement purposes, EUI differentiates between[2]:

- A settlement participant, which has access to both securities and cash functionality. In the context of this service, a settlement participant will be either solely a EUI member or a CCP participant, too. ECAG will be admitted into EUI as a CCP participant and the settlement agent acting on behalf of the NCM and / or CM will be admitted as a EUI member; and
- A (Sponsored) CM Undertaking: EUI requires an ECAG CM to become a CM Undertaking or to authorize a Sponsored CM Undertaking to view open positions in the EUI system. A (Sponsored) CM Undertaking will not be permitted to input, amend or delete settlement instructions.

For cash management, each Clearing Member needs to provide a cash account for

[2] For more information about the different roles, please refer to the guidance notes which are available on the website www.euroclear.com About > Becoming a client > Membership forms

- settlement related payments (GBP) at EUI: Cash payments resulting out of DvP/RvP settlements and out of corporate actions are directly debited/credited by EUI via a cash account in GBP. Each Eurex Clearing Member needs to have a cash account at a settlement bank (directly or via a cash correspondent) that is linked with the settlement account at EUI. A list of available payment banks is published by EUI (www.euroclear.com > Information Centre > Operational > Settlement Banks).

Eurex Clearing AG differentiates between the following participant roles[3]:

- Non Clearing Members (NCMs) – Trading Members (TMs): TMs are financial institutions, financial services institutions and banking organizations, which trade in CCP relevant instruments. A NCM must have a clearing agreement with a General Clearing Member.
- Clearing Member (CM): A clearing member is entitled to perform the clearing of securities and derivatives market transactions.
- CCP Settlement Institution (SI): The CCP Settlement Institution is connected to the ECAG CCP system. Each settlement account which is used at the settlement location supported for the respective market or product needs to be setup in the CCP and needs to be assigned to a CCP SI, e.g. EUI settlement participants for UK products. For each of the assigned EUI settlement participants, the CCP SI can then receive settlement information via settlement reports or by using the Member GUI.

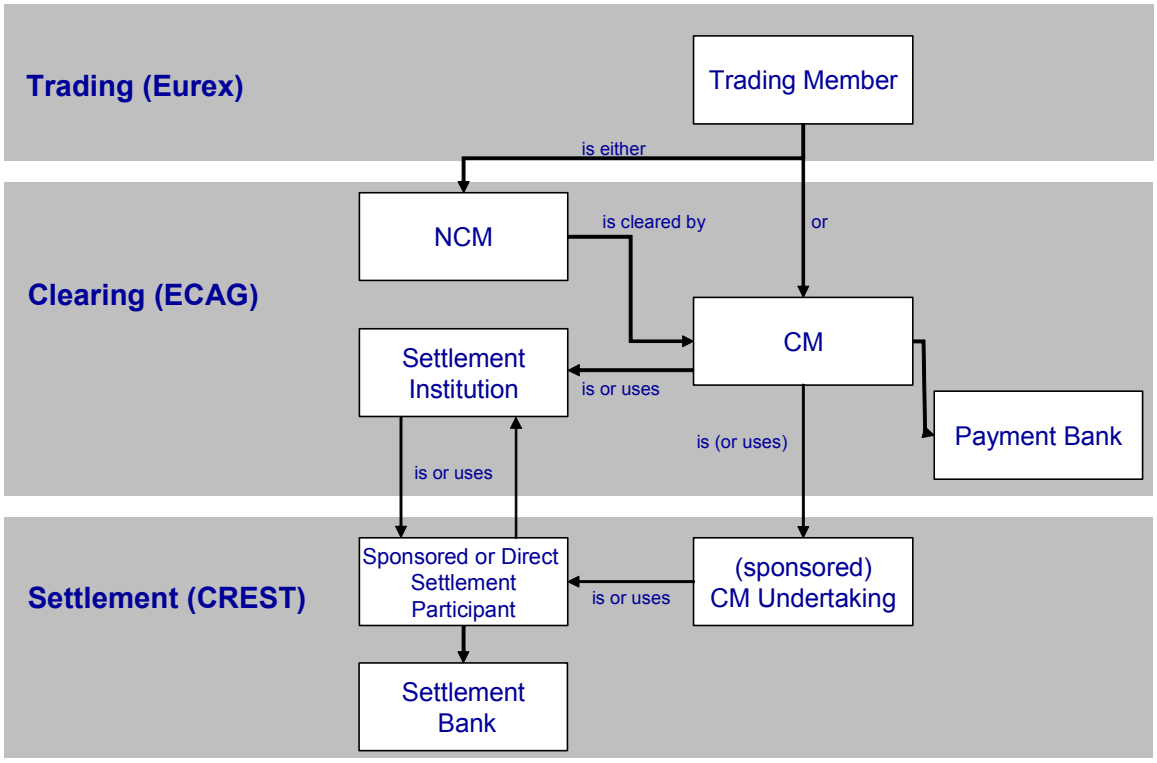
For cash only payments (GBP), each Clearing Member needs to provide a cash account at a payment bank to Eurex Clearing AG for

- Clearing related payments (Premiums, Buy-in, Fees)
- Cash payments from fractions resulting from adaptations of series

  ECAG requires a Power of Attorney for sending cash instructions to the payment banks. Cash only payments in GBP are debited via an account at a payment bank. Currently the following payment banks offer this service: Barclays Bank plc, Deutsche Bank AG, The Royal Bank of Scotland plc, HSBC Bank plc, Citibank N.A., London and J.P. Morgan Chase Bank, N.A, London (respective contact details are given in chapter 6).
- Optional use of GBP as cash margin deposit.

The above mentioned Payment Banks can be the same institutions.

[3] For more information about the different roles, please refer to the publications published on the website www.eurexchange.com About > Documents > Publications



Picture 2: Interaction of different roles

4 Impact on Customer Side

The above mentioned changes (chapter 3) have effects on

- Legal documentation
- Stamp Duty Reserve Tax
- Referencing for the delivery ID
- Training

4.1 Legal Documentation and Setup Forms

Required forms for the setup at Eurex Clearing AG are published on our website www.eurexclearing.com (Documents > Forms > Eurex Derivatives > Single Forms > Admission Forms). Their relevance depends on the existing individual customer setup. The relevant forms are shown on the following list. Nevertheless additional forms might be necessary and will be published in the future.

- ”Application for Set-up/Deletion/Change of Clearer Accounts”: Clearing Members must specify the cash account used for cash differences resulting from the Buy-in process, Eurex transaction fees, regulation of transactions in "Cash-Settled" Eurex products. It is to be signed by the Clearing Member.
- “Power of Attorney” for the debiting of the payment bank accounts or respectively agreement between the clearing member and a correspondence bank (forms can be requested at the payment banks). Only if the account is not already setup for cash settled products (UK Single Stock Future).
- ”Application for Setup/Deletion/Change of CCP Settlement Accounts”: Clearing Members must state separately the number(s) of securities settlement account(s) they are using (own accounts and/or accounts held by settlement institutions including linked cash accounts and accounts’ default settings). It is to be signed by the Settlement Participant and Clearing Member.
- ”Request for Settlement Account Settings for EUREX Derivatives Deliveries”: This form allows Clearing Members to define a default setup for the delivery of UK products. The setup is defined by the Clearing Member and its related NCM. It is to be signed by the Clearing Member.
- ”Request for Deletion/ Modification/ Password reset of User ID's in the CCP-System”: This form is used for the assignment of the EUI-Account to existing users. It is to be signed by the Clearing Member/Gross Delivery Manager.
- “Application for the Set-Up of a User in the CCP System (@X-PERT)”: This form is used to set up new Users for the EUI-Account. It is to be signed by the Clearing Member/Gross Delivery Manager.
- ”Application to Participate in auctions of Eurex Clearing AG and Terms”: This application needs to be submitted to Eurex Clearing AG if your institution intends to take part in the auction procedure for UK equities. It is to be signed by the auction participant and the account holder.

- Static Data Form – CCP for Equities Service of EUI: This form is an EUI form and used to set up new Users for the EUI-Account. It is to be signed by the Exchange Member and Clearer Manager.

Required forms for the setup at EUI are published on the website www.euroclear.com (About > Becoming a client > Membership forms). Their relevance depends on the individual customer setup.

4.2 Stamp Duty Reserve Tax

A Stamp Duty Reserve Tax (SDRT) charge for UK equities arises on the underlying purchase of UK equities in line with existing market practices. A Eurex member who is recognised as an options intermediary will be exempt from UK stamp duty and UK SDRT for each transaction in equities.

In order to qualify for relief, the member must be recognised by the UK tax authorities. The procedure for recognition adopted by the UK tax authorities is one of self-certification, in which the member satisfies himself that he falls within the statutory definition of an intermediary and then requests that the Eurex Exchanges recognised him as such.

The process and possible reliefs will be published separately.

4.3 Referencing for the delivery ID

EUI cannot provide Eurex Clearing AG with a specific number range for the delivery ID, therefore it must be prevented that numbers are sent twice from the market. Otherwise subsequent deliveries with the same number are rejected. Eurex Clearing AG will create transactions in EUI by using the following syntax for the sender's reference:

E	YYMMDD	1234567	00
Identifier Eurex Clearing AG	Trade Date	Eurex Delivery ID	Trade Suffix

UK custodians shall not use sender's reference starting with "E" for other settlement instructions!

4.4 Training

In order to give customers the opportunity to familiarize themselves with the new functionalities prior to simulation respectively production start, trainings will be offered. Eurex Clearing AG recommends the participation of CMs, SIs and BLMs employees in the trainings; this especially regards to those, who have not participated in any CCP training before.

On request, individual training courses can be organized. The course can be conducted in the "Trainingscenter" of Deutsche Börse or, if required, on the customers premises. The fees per in-house training will be calculated individually.

More information about the offered trainings will be distributed to participants timely.

5 Simulation and Production Roadmap

5.1 Simulation

In order to ensure a smooth implementation of the new products, the permanent simulation can be used to test the incorporation of the new instruments.

During the simulation UK equities settled in GBP will be available in the Eurex simulation environment. EUI will not be available during the simulation. Therefore, the CSD simulator tool will assume the EUI role. Please note that UK Options can only be traded when the Eurex simulation environment is available.

The required simulation setup is to be defined with the form "Application Setup/Deletion/Change of Settlement Accounts" at Eurex Clearing AG, Member & Services & Admission.

5.2 Production

EUI and ECAG will generally be ready to launch the new service in June 2009. Nevertheless members will be given some time to prepare their setup. Therefore the product launch will announced in due course after market consultation.

The following table describes all necessary legal activities in connection with the introduction of UK products into CCP production. The legal basis are the Rules and Regulations of Eurex Clearing AG. An updated version of the Rules and Regulations will be published during the preparation of the introduction.

The following checkpoints should be taken into consideration:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Define Production Setup	• Define setup for production and send form "Application Setup/ Deletion/Change of Settlement Accounts" to Eurex Clearing AG, Member Services & Admission Team	Eurex Clearing Member	3 months before Prod.-Start	
Sign and send off the relevant setup forms to EUI	• Complete relevant documents • Sign relevant documents • Return documents to EUI • proof of signature authorization has to be provided if not already available at EUI	Settlement Participant, CM Undertaker	2 months before Prod.-Start	
Sign and send off the relevant setup forms to Eurex Clearing AG	• Complete relevant documents • Sign relevant documents • Return documents to Eurex Clearing AG, Member Services &	Eurex Clearing Member, Settlement Institute, Payment Bank	2 month before Prod.-Start	

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
	Admission Team • proof of signature authorization has to be provided if not already available at Eurex Clearing AG • A copy of the EUI forms should be send to Eurex Clearing AG as well			
Sign and send off the relevant UK Tax forms to Eurex Clearing AG	• Complete relevant documents • Sign relevant documents • Return documents to Eurex Clearing AG, Member Services & Admission Team	Eurex Trading Member	1 month before Prod.-Start	

6 List of Payment Banks

Financial institution	Contact Person	Address	Phone #	Email
Barclays Bank plc	Helen Phillpotts (Relationship Support Manager) Andreas Jackisch (Head of Banks, Europe)	Financial Markets Team Level 28 1 Churchill Place Canary Wharf London E14 5HP United Kingdom	+44-207-116-4102 +49-69-7161-1201	helen.phillpotts@barclays.com andreas.jackish@barcap.com
HSBC Bank plc	Neil Aldrich (Relationship Manager) Customer Service	CIBM Level 19 8 Canada Square London E14 5HQ United Kingdom	+44-207-991-2973 +44-207-301-6464	neilaldrich@hsbc.com teamrsce@hsbc.com
The Royal Bank of Scotland plc	Martin Marshall	GBS Product Sales Corporate & Institutional Banking 7th Floor 135 Bishopsgate London EC2M 3UR United Kingdom	+44-207-085-5923	martin.marshall@rbs.co.uk
Citibank, N.A. London	Paul Salariya Hai Jade Fuan	Citigroup Centre 25 Canada Square Canary Wharf London E14 5LB United Kingdom	+44-207-500-5110 +44-207-500-2927	paul.salariya@citigroup.com hai.jade.fuan@citi.com
Deutsche Bank AG	Wolfgang Dummert CIB/GTB Global Cash Management	Taunusanlage 12 60325 Frankfurt Germany	+49-69-910-43721	wolfgang.dummert@db.com
J.P. Morgan Chase Bank, N.A, London	Covering Europe: Mr. Paul Joesph MR. Chris Stapledon,	London Wall 125 EC2Y5AJ London United Kingdom	+44-207-777-5931 +44-207-777-2704	paul.m.joseph@jpmorgan.com Christopher.Stapledon@jpmorgan.com

7 Eurex Clearing AG Support

Eurex Clearing AG will provide intensive support for customer preparations during the introduction of the new instruments. The following teams may be contacted concerning any questions related to the preparation and participation in the simulation and introduction.

Eurex Member Services & Admission Team

Telephone: ++49 (69) 21 1 – 1 17 00

Fax: ++49 (69) 21 1 – 1 17 01

Availability: 09:00 a.m. - 06:00 p.m. CET (on exchange trading days)

eMail: customer.support@deutsche-boerse.com

Eurex Clearing Functional Helpdesk CCP

Telephone: ++49 (69) 21 1 – 1 19 40

Fax: ++49 (69) 21 1 – 1 19 41

Availability: 08:00 a.m. - 06:00 p.m. CET (on exchange trading days)

eMail: ccp@deutsche-boerse.com

Eurex Clearing Technical Helpdesk CCP

Telephone: ++49 (69) 21 1 – 1 28 00

Fax: ++49 (69) 21 1 – 1 28 01

Availability: 08:00 a.m. - 06:00 p.m. CET (on exchange trading days)

Euroclear UK & Ireland Membership

Telephone: ++44 (0) 207 849 0595

eMail: Ashley.Herbert@euroclear.com

Telephone: ++44 (0) 208 418 6016

eMail: Stephen.Slocombe@euroclear.com

Availability: 05:00 a.m. – 08:00 p.m.

Internet pages: www.euroclear.com