Deutsche Börse

To the
Members of
DTB Deutsche Terminbörse

Deutsche Börse AG

Product Development

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Introduction of a Jumbo Pfandbrief (Mortgage Bond) Future at DTB

1. **Launch date**
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4. **Transaction fees**
5. **Product code**
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7. **Simulation**

Circular No. 23/98

Dear Sir or Madam,

At its meeting on April 28, 1998, the DTB General Management passed a resolution to introduce a medium-term Jumbo Pfandbrief (mortgage-bond) future for trading at DTB Deutsche Terminbörse, subject to approval by the DTB Exchange Council for the appropriate amendments in the Exchange Rules and Regulations.

The Jumbo Pfandbrief market has become established as an independent, internationally accepted market segment since its introduction in the spring of 1995. The launch of a futures contract on Jumbo mortgage bonds at DTB will give this segment an efficient product for hedging and trading, thus enabling flexible management of risk positions.

Geschäftsführer:
Dr. Werner G. Seifert
Jürgen Blitz
Dr. Reto Francioni
Dr. Jörg Franke
Paul Gerbecks

1. Launch date

The scheduled launch date is **Monday, July 6, 1998**. As of this date, the September and December 1998 contracts as well as the March 1999 contract will be available for trading.

2. Contract specifications

The design of the Jumbo Pfandbrief future is analogous to that of the BOBL futures contract. For details of the product specifications, please refer to the enclosed, tentative contract specifications (Enclosure 1).

3. Trading hours

Pre-Trading	7:30 a.m. to 8:00 a.m.
Trading	**8:00 a.m. to 5:30 p.m**.
Post-Trading	5:30 p.m. to 6:00 p.m.

4. Transaction fees

The transaction fees are DM 0.50 per contract.

5. Securities code number (WKN), ISIN number and DTB system codes

Product	System code	Sec.code no.	ISIN no.
Jumbo Pfandbrief Future	JUMB	965 274	DE0009652743

6. Designated Market Making and Broking

Deutsche Börse is offering interested DTB participants the opportunity to actively support and market the launch of the Jumbo Pfandbrief future at DTB as Designated Market Makers and/or Brokers. This is intended to ensure the necessary basis liquidity when the contract is launched and the corresponding level of support for the marketing activities of Deutsche Börse.

As a Designated Market Maker, the DTB participant has a binding obligation to quote bid and ask prices (quotes) on a continuous basis for a specified minimum number of contracts within maximum spreads and within the framework of a fixed period of time. In return, Deutsche Börse AG will refund in full the trading and clearing fees for the contracts traded by the Designated Market Makers on M accounts by January 8, 1999.

The following Designated Market Making model was devised in consultation with the relevant working committee:

Designated Market Making conditions

Contract Month	Number of contracts to be quoted	Bid/Ask spread	Quotation time*	Refund of transaction fees
Front month**	50	4 ticks	40%	100%

* as a percentage of the total trading period on a monthly average
** The front month is the nearest contract month. Three days before the last trading day of the nearest contract month, the second-nearest contract month is regarded as the front month.

As Designated Brokers, DTB participants with expertise in this market segments have an obligation to actively market the Jumbo Pfandbrief future. In return, to compensate for promotional expenses incurred, Deutsche Börse grants refunds of trading and clearing fees dependent upon fulfilment of the obligation entered into by the individual institution. It also publishes the names of the Designated Market Makers and Brokers in advertising and informative material.

Designated Broking conditions

The transaction fees for Designated Brokers are tied to a sales target of 3,500 contracts per Designated Broker a month. Designated Brokers who trade more than 3,500 Jumbo Pfandbrief futures per month on the A account receive on a monthly basis a refund of DM 0.30 of the trading and clearing fees for the sales in excess of 3,500 Jumbo Pfandbrief futures on the A account.

The Designated Market Making and Designated Broking will initially be valid up to and including January 8, 1998. We ask all DTB participants who wish to be admitted as Designated Market Makers or Designated Brokers in this product at DTB to fax the enclosed applications (Enclosures 2 and 3) to us by **May 15, 1998**, at the latest.

7. Simulation

The Jumbo Pfandbrief future will be available to all DTB participants in the simulation starting June 2, 1998. A detailed simulation plan will be sent to you shortly.

If you have any questions, please contact Ralf Dreyer (+49-69-2101-5705, e-mail: Ralf_Dreyer@exchange.de).

Yours sincerely

Jörg Franke Christian Klapproth

Enclosures

Enclosure 1

Deutsche Terminbörse

P r e l i m i n a r y S p e c i f i c a t i o n s

- Future on a Notional Medium-Term Jumbo Pfandbrief of Private Mortgage Banks or Financial Institutions under public law (Jumbo-Pfandbrief-Future) -

Contract Standard	Medium-term notional Jumbo Pfandbrief issued by Private Mortgage Banks (Hypothekenbanken) or Financial Institutions under public law (Öffentlich-rechtliche Emittenten) with a term of 3.5-5 years and an interest rate of 6%.
Settlement	A delivery obligation arising out of a short position in a Pfandbrief futures contract may only be performed by the delivery of Jumbo Pfandbriefe designated by DTB - specifically, Mortgage Pfandbriefe and Pfandbriefe under public law issued by Private Mortgage Banks (Hypothekenbanken) or Financial Institutions under public law (Öffentlich-rechtliche Emittenten) with a remaining term of 3.5 - 5 years. A fixed coupon bond format, a minimum issue amount of at least DM 1 billion and a AAA rating for each issue is required. With the issuance of Jumbo-Pfandbriefe there must have been named three institutes by the issuer as market makers in the cash market .
Delivery Basket	The final fixing of the basket of deliverable Jumbo Pfandbriefe will be carried out on the last exchange trading day of the calendar month prior to the delivery month. The first exchange trading day of a new Jumbo-Pfandbrief with a AAA rating must not be later than the last exchange trading day of the calendar month prior to the delivery month to be included in the delivery basket of the next delivery month. The value date of an increased tranche with a AAA rating of a Jumbo Pfandbrief must not be later than the last exchange trading day of the calendar month prior to the delivery month to be included in the delivery basket of the next delivery month. In case of an up-/downgrading of its rating before the final fixing of the delivery basket the respective Jumbo Pfandbrief will be immediately included in/excluded from the delivery basket of the next delivery month.

Enclosure 1

Deutsche Terminbörse

S p e c i f i c a t i o n s

- Future on a Notional Medium-Term Jumbo Pfandbrief of Private Mortgage Banks or Financial Institutions under public law (Jumbo-Pfandbrief Future) -

Pfandbrief will basket of the	In case of a downgrading of its rating after the final fixing of the delivery basket the respective Jumbo remain included in the delivery basket of the next delivery month but it will be excluded from the delivery following delivery months.
will not be	In case of an upgrading of its rating after the final fixing of the delivery basket the respective Jumbo Pfandbrief included in the delivery basket of the next delivery month but it will be included in the delivery basket of the following delivery months.
Contract Size	DM 250,000.
Quotation	In a percentage of the par value, with two decimal places.
Minimum Price Movement	0.01 percent, representing a value of DM 25.
Delivery Months	The three nearest quarter-end months in the cycle March, June, September, December.
Notification	Clearing Members with open short positions must notify DTB by the end of the Post-Trading Period on the last trading day in the delivery month of the futures contract which Jumbo Pfandbrief they will deliver.
Last Trading Day	Two exchange trading days prior to the delivery day of the relevant quarter-end month. Trading in the contract for this delivery month ends at 12:30 p.m. Frankfurt time.

Enclosure 1

Deutsche Terminbörse

P r e l i m i n a r y S p e c i f i c a t i o n s

- Future on a Notional Medium-Term Jumbo Pfandbrief of Private Mortgage Banks or Financial Institutions under public law (Jumbo-Pfandbrief-Future) -

Daily Settlement	For each contract, profits and losses arising out of open positions on any trading day will be determined at the end of the Post-Trading Period and credited to or debited from the internal cash clearing account. For open positions from the previous exchange trading day, the amount to be credited or debited is equal to the difference between the daily settlement prices of the contract on the relevant exchange trading day and the previous exchange trading day. For trades on the relevant trading day, the amount to be credited or debited is equal to the difference between the price at which the trade was concluded and the daily settlement price for this day.
Daily Settlement Price	The average of the prices of the five last trades, or if more than five trades have occurred during the final minute of trading, the average of the prices of all trades that occurred during this period. If it is not possible to determine a price under these conditions, or if the price so determined does not reflect the true market conditions, DTB will set the settlement price.
Delivery Day	The delivery day is the 10th calendar day of the respective quarter-end month if this day is an exchange trading day, otherwise the next succeeding exchange trading day. Delivery is made through Deutsche Börse Clearing AG.
Exchange Delivery Settlement Price (EDSP)	Calculated in the same manner as the "daily settlement price", but determined at 12:30 p.m. Frankfurt time on the last trading day.
Margin	DTB determines the daily margin requirement using its Risk-Based Margining method.

Deutsche Börse

FAX Return

Deutsche Börse AG
Product Development

60284 Frankfurt/Main

Fax + 49 - 69 - 2101 - 4461

Senders Address

Name:

Firm:

Phone: Fax:

Application for the Status of Designated Market Maker in the Jumbo-Pfandbrief-Future

1. We _____
(name of member)

apply herewith for the status of Designated Market Maker in the

Jumbo-Pfandbrief-Future

from the contract on July 6, 1998 until January 8, 1999 in accordance with the terms and conditions stated in the circular no. 23/98.

2. As a Designated Market Maker

   a) we will provide for the front month [1] of the Jumbo-Pfandbrief-Future bid and ask quotes on both sides of the market

      - for the minimum number of contracts (50 contracts on the bid and ask side, respectively)
      - in compliance with the Maximum Spreads (4 Ticks); and
      - for the period of time (40 percent of the total daily trading period on a monthly average; also and in particular on a daily basis at the beginning of trading and at the end of trading in the contract, in response to quote requests as well as after significant changes in prices of the underlying bonds)

   b) we will give you the name of a manager who has the authorization and expertise necessary to make decisions and, as the coordinator in our firm, will be available for Deutsche Börse with respect to this agreement;

   c) we will ensure that a DTB trading screen and a qualified trader are available for Designated Market Making; and

   d) we will inform Deutsche Börse within one business day in the event that we find ourselves no longer in a position to fulfill these obligations.

3. Deutsche Börse will

   a) mention the name of the DTB member with the Designated Market Maker status in advertising and informative material in connection with the launch of the contracts;

   b) refund all trading and clearing fees for the contracts traded by the Designated Market Makers on M accounts up to January 8, 1999. The refund for the respective month will be calculated at the beginning of the subsequent month. No refunds will be made if Jumbo-Pfandbrief-Futures are traded on A or P accounts.

[1] In this case front month is defined as the first delivery month. 3 days prior to the last trading of the first delivery month the second delivery month will be considered to be the front month.

4. a) Compliance with the obligations stated under No. 2 shall be monitored by Deutsche Börse.

   b) In the event that the obligations stated under No. 2 are not met by us, Deutsche Börse shall have the right

      - to terminate the agreement and to publicly disclose the termination of the Designated Market Maker status at Deutsche Börse's discretion. In this case, Deutsche Börse shall be released from its obligations pursuant to No. 3 with immediate effect.

5. In the event of a significant change in the Contract Specifications for the contract(s) or due to a revision of the law or rules with respect to the contract(s), we as well as Deutsche Börse have the right to terminate this agreement with immediate effect or to renegotiate the requirements indicated in para. 2 and/or in the Enclosure.

6. Deutsche Börse shall have the the right to amend or expand one or more of the conditions laid down in this agreement for limited periods of time at its sole discretion, with validity for all Designated Market Makers, if it deems this appropriate (for example, in circumstances which lead to high market volatility or if such amendments or expansion is not expected to have an adverse effect on market quality). In the event that Deutsche Börse amends or expands one or more conditions, the Designated Market Makers must, for their part, ensure that they can also be promptly advised that this situation has ceased to exist.

7. Other than the aforementioned measures, no special status at DTB shall be accorded to the participant in conjunction with the Designated Market Maker status, which expires on January 8, 1999. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Deutsche Börse.

Enclosure 2

Should be filled out by the person specified in paragragh 2. b)

_____

Place, date

_____ _____

Name Position

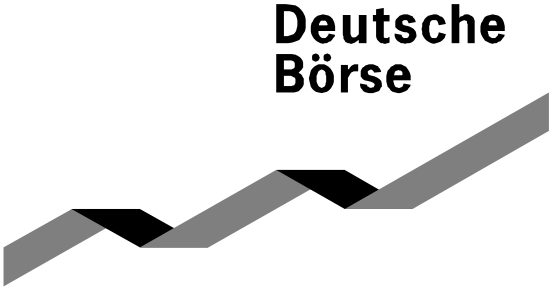
_____ _____

Phone Fax

_____

(Signature / Stamp of the firm)

Please send the completed application for the status of Designated Market Maker to the indicated address by fax no later than **May 15, 1998**.



FAX Return

Deutsche Börse AG
Product Development

60284 Frankfurt/Main

Fax + 49 - 69 - 2101 - 4461

Senders Address

Name:

Firm:

Phone: Fax:

Application for the Status of Designated Broker in the Jumbo-Pfandbrief-Future

1. We _____
(name of member)

apply herewith for the status of Designated Broker in the Jumbo-Pfandbrief-Future as of the contract launch from July 6, 1998 to January 8, 1999.

2. As a Designated Broker

a) we have expertise in the valuation of Jumbo-Pfandbrief-Futures and knowledge of the underlying Pfandbrief-market as well as in risk management, evidence of which can be furnished, for example, by indicating the systems applied and the corresponding qualification(s) and/or experience of the pertinent staff. We thereby ensure that we are in a position to offer our customers qualified advice with respect to the Jumbo-Pfandbrief-Future;

b) we are planning special marketing measures for the DTB Jumbo-Pfandbrief-Future, which are described in our attached marketing plan;

c) we are enclosing a separate list of credentials as proof of our firm's specialized expertise in accordance with Items a) and b).

3. Deutsche Börse will

a) mention the DTB member's name with the status of a Designated Broker and its coordinator in the advertising and informative material in connection with the launch of the contracts;

b) staff of DTB members with the status of a Designated Broker will be given preferential consideration as speakers at events related to the launch of the contracts, and make Deutsche Börse spokesmen and printed material available for seminars organized by the Designated Brokers regarding the Jumbo-Pfandbrief-Future; and

c) reimburse marketing costs to Designated Brokers on the basis of the turnover in the A1 account for the duration (in accordance with No. 1) of the Designated Broking agreement. The reimbursement of these costs shall be calculated on the basis of a fee rebate of DM 0.30 per contract as indicated below, in line with the contract volumes achieved in the A1 account for each month and Designated Broker:

up to 3,500 contracts	DM 0.50 per contract
as of the 3,501st contract	DM 0.20[1] per contract

The final calculation for the reimbursement will take place when the Designated Broking authorization expires on January 8, 1999. No reimbursement will be made if Jumbo-Pfandbrief-Futures are traded on M or P accounts.

4. Since the number of Designated Brokers for the Jumbo-Pfandbrief-Future is limited, we concede Deutsche Börse the right to make the final selection of Designated Brokers from among the applicants. Fulfillment of the prerequisites in accordance with No. 2 is the main decision-making basis.

[1] If, for example, a Designated Broker trades 10,000 contracts in the Jumbo-Pfandbrief-Future in month X, he will receive a fee refund of DM 1,950 for that month.

5. Other than the abovementioned measures, the participant's designation as a Designated Broker, which is limited to January 8, 1999, does not entitle the participant to any special status at DTB. After the aforementioned date, the title of Designated Broker may no longer be used unless otherwise agreed with Deutsche Börse.

Please publish the names and telephone numbers of the following person as the "Designated Broker" contact for our firm:

Name _____

Phone _____

_____
Place, date

_____ _____
Name Title

_____
(Signature / Stamp of the firm)

Please send the completed application for the status of Designated Broker to the indicated address by no later than **May 15, 1998** by fax.