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To: All Eurex members and vendors

Date: Frankfurt, 4th March 1999

Delivery Procedure in Interest Rate Futures Contracts for the March 99 Expiration

Dear Sir or Madam,

On the occasion of the imminent March expiry of the Eurex Interest Rate Futures Contracts we would like to stress once more, that every short position must be notified, because there is no off-set of opposite futures positions in parallel traded contracts (e.g. BUND / FGBL), either by the Member or by the exchange.

The Notification/Allocation process in each individual product will be carried out separately, such that the deliverable bonds notified in a product will be allocated to the Long positions in the same product. This does not guarantee that the securities allocated in a long position in a product will correspond to the securities notified for a parallel listed product.

In the case of opposing futures positions (e.g. Long BUND – Short FGBL) it can arise that a member has an obligation to take delivery as well as an obligation to deliver in the same security. **In this case, in order to minimise the number of delivery transactions Eurex will perform a netting on the external delivery instructions so that only one delivery for the resulting difference in this security will be necessary via CASCADE.**

With this procedure, Eurex avoids the theoretically possible technical delay to the delivery process through members having receipt and delivery obligations in the same security. In addition, the procedure minimises the number of executed delivery transactions, resulting in a reduction in transaction costs for the member.

A detailed description of the above-mentioned procedure can be found in the attached client information.

If you have any questions please contact either our Clearing Helpdesk on +49-(0)69-2101-1250, or Product Development, Stefan Brendgen, on +49-(0)69-2101-5743.

Yours sincerely,

Otto E. Nägeli

Hartmut Klein

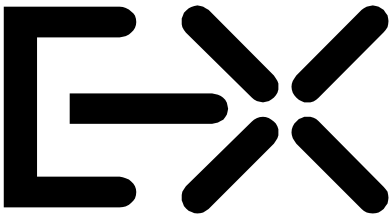
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X-pand into the **Future**



Inter-Product Netting of Delivery Instructions (CASCADE) on Interest Rate Futures with Physical Delivery

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Objective

This document describes the functional procedure for netting of the CASCADE delivery instructions associated with the Notification/Allocation process.

Background

With the March 1999 expiry of Interest Rate Futures, the same products in two currencies are available:

DEM	**EUR**
BUND	FGBL
BOBL	FGBM
SHAZ	FGBS
JUMB	FMBM

The DEM and EUR products have the same basket of deliverable bonds. The only difference is in the amount of the deliverable nominal values and the consequential counter-value.

By netting the delivery instructions, the number of clearing transaction generated will be minimised, so that in any single bond, a clearing member either delivers, or takes delivery.

1 PREREQUISITES FOR THE NETTING OF DELIVERY INSTRUCTIONS

The following prerequisites are necessary to carry out netting of the delivery instructions of the various products

- Conversion of the DEM denominated delivery instructions into EURO, per contract

The resultant delivery instructions in DEM denominated products will be converted to EURO

- No netting of opposing delivery instructions in different government bonds

no netting is possible when, for example, after the Notification/Allocation per product, for a single member with opposing DEM/Euro Future positions, the delivery obligations are in bond 1, and the obligation to take deliver is in bond 2.

2 PROCESS STEPS

2.1 Notification/Allocation

The member/Clearing member has until the end of the Post-trading phase on the last trading day, 8th March 1999 to send notification of which bonds will be delivered against their short positions in Interest rate futures. This also applies to members/Clearing members who hold opposing positions in products with deliverable bonds from the same basket.

In the following batch run, the allocation of the notified bonds will be made to the long positions. The results will be published in the report RPTCE075. The defined in-house deliveries as well as the bonds designated by the allocation remain valid.

The netting process will only be undertaken on the external deliveries from the allocation process, as explained below:

2.2 Conversion of Delivery Instructions from DEM to EURO

Prerequisite for the netting of delivery instructions in the above-mentioned case is the conversion of the resulting DEM contract delivery- and receipt- obligations into EURO:

XX0001030016 8,50 % BUND.ANL

			Nominal	Counter-value		
ABCFR A1	**10**	**10**	**2,500,000.00**	**2,756,588.10-**	**24419**	
ABCFR A1	**2**	**2**	**500,000.00**	**551,317.62-**	**24420**	
		12				
DE0001030013		**1**	**250,000.00**	**275,658.81-**		**/1,955 83 (Arithmetic Rounding)**
			127,822.97	**140,942.11-**		*** 12 (Contracts)**
			1,533,875.64	**1,691,305.32-**		

2.3 Netting of Delivery Instructions

Netting of the delivery instructions takes place when the EURO delivery obligations resulting from the conversion (example section 2.2) are opposite to those of the EURO products.

DE0001030013		**1,533,875.64**	**1,691,305.32-**		**(resulting from DEM)**
DE0001030013	**3-**	**300,000.00-**	**330,853.17**	**24225**	**(resulting from EURO)**
	8-	**800,000.00-**	**882,275.12**	**24226**	
	6-	**600,000.00-**	**661,706.34**	**24227**	
		166,124.36-	**183,529.31**		**(in EURO)**

The remaining part can no longer be associated with a particular contract or member because the nominal is different for the DEM and EURO products.

All members who have ordered the report RPTCE075, will also receive the report RPTCEO77. This contains the remaining delivery quantities and the resulting delivery instructions. A reference to notified/allocated contracts will no longer be given.

2.4 Generation of Delivery Instructions

Following this netting process, new delivery instructions will be generated. These new delivery instructions will also affect members who do not have opposite DEM and EURO delivery instructions in the same bond, because for the CASCADE clearing system direct delivery relationships must be provided.

By an algorithm which creates the new delivery instructions, the so-called allocation difference can be reached, e.g. remaining parts must be separated into multiple delivery instructions where:

- Multiple counterparties are involved
- The delivery instruction could exceed the maximum nominal value of 10.000.000 EURO

The combined nominal/countervalue of the delivery corresponds, however, to the sum of the amounts of the delivery instructions after the netting according to section 2.3.

Margining will be carried out until 10th March inclusive, on the basis of the notified/allocated contracts.