X-pand into the Future

e u r e x *circular 018/01*

Date: Frankfurt, 16 March 2001
Recipients: All Eurex members and vendors
Authorized by: Jürg Spillmann

⚠ **Action Required** ⚠ **High Priority**

1. **Extension of the OTC Block Trading Facility to Capital Market Futures**
2. **Change from Manual to Electronic Support for OTC Block Trading in Three-month Euribor Futures**
3. **Reduction in Minimum Block Trade Size on Options in the Dow Jones Euro STOXX® 50 (OESX)**

Related Eurex Circulars: 115/99, 081/00

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Content may be most important for:

- ➲ Front Office / Trading
- ➲ Middle + Back Office
- ➲ IT / System Administration
- ➲ Auditing / Security Administration

Attachments:

1. Conditions for Utilization of the Block Trading Facility (General Conditions for Participation)
2. Implementation Regulations Regarding the Conditions for Utilization of the Block Trading Facility
3. Acceptance of the "General Conditions" and Implementation Regulations for the Utilization of the Block Trading Facility
4. Declaration - Agreement of the General Clearer

Summary:

On 28 February, 2001, the Board of Management of Eurex Clearing AG made the decision to extend the OTC Block Trading Facility to Capital Market Futures (SCHATZ- , BOBL-, BUND- and BUXL Futures, with effect from 02 April, 2001. From the same time, the manual system for OTC Block Trading in Futures (introduced as a temporary solution on 22 November, 1999) will be replaced with an electronic facility. The use of the Block Trading Facility for the One-month Euribor Future has been cancelled.

Furthermore, the Board of Eurex Clearing AG has made the decision, also with effect from 02 April, 2001 to reduce the Minimum Block Trade Size in Options on the Dow Jones Euro STOXX® 50 (OESX) from 2,000 contracts to 1,000 contracts.

Associated with the changes above, we would ask all existing Participants in the Block Trading Facility to register their acceptance of the revised versions of the General Conditions for Participation (Attachment 1) and the associated Implementation Regulations(Attachment 2), by signing Attachment 3 and returning it to Eurex by **26 March, 2001**.

In addition, we would ask General Clearing Members, whose Non-Clearing Members participate in the Block Trading Facility, to sign and return the General Clearer's Acceptance form (Attachment 4) also by **26 March, 2001.**

1. Extension of the OTC Block Trading Facility to Capital Market Futures
2. Change from Manual to Electronic Support for OTC Block Trading in Three-month Euribor Futures
3. Reduction in Minimum Block Trade Size on Options in the Dow Jones Euro STOXX® 50 (OESX)

On 28 February, 2001, the Board of Management of Eurex Clearing AG made the decision to extend the OTC Block Trading Facility to Capital Market Futures (SCHATZ- , BOBL-, BUND- and BUXL Futures), with effect from 02 April, 2001.

From the same date, the manual system for OTC Block Trading in Futures (introduced as a temporary solution on 22 November, 1999 for trading Euribor Futures) will be replaced with an electronic facility. Previously, the OTC Block Trading facility was only available electronically for options. Consequently, the validity of the "Conditions for Utilisation of the Block Trade Facility for Futures – General Participation Conditions" and the associated Implementation Regulations and Acceptance forms, issued with Circular 115/99, will be terminated with effect from 02 April, 2001. The new combined regulations covering OTC Block Trading for Futures and Options are attached.

Due to insufficient demand, the use of the Block Trading Facility for the One-month Euribor Future has been cancelled.

The facility allows Eurex Members to enter bilaterally-agreed off-exchange Futures trades, which are greater than a certain minimum size, into the Eurex Clearing System and clear them through Eurex Clearing AG in a single block, i.e. at a single price, and without settlement risk.

By agreement with market participants the Minimum Block Trade Sizes for futures are defined as follows:

Contract	Minimum Block Trade Size in Contracts
Euro SCHATZ Future (FGBS)	4,000
Euro BOBL Future (FGBM)	3,000
Euro BUND Future (FGBL)	2,000
Euro BUXL Future (FGBX)	100
Three-month Euribor Future (FEU3)	100

With the new Eurex Java-based Trading Application (@X-ceed) now available in production, it is possible to use the OTC Block Trade Entry window for Futures Block Trades as well as Options. Please note that the OTC Block Trade Entry window in the Galaxy-based Eurex Trading application will not support entry of OTC Block Trades for Futures.

Furthermore, the Board of Eurex Clearing AG has made the decision, also with effect from 02 April, 2001, to reduce the Minimum Block Trade Size in Options on the Dow Jones Euro STOXX® 50 (OESX) from 2,000 contracts to 1,000 contracts.

Associated with the changes above, we would ask all existing participants in the Block Trading Facility to register their acceptance of the revised versions of the General Conditions for Participation (Attachment 1) and the associated Implementation Regulations (Attachment 2), by signing Attachment 3 and returning it to Eurex by **26 March, 2001**. In addition, we would ask General Clearing Members, whose Non-Clearing Members participate in the Block Trading Facility, to sign and return the General Clearer's Acceptance form (Attachment 4), also by **26 March, 2001.**

Frankfurt, 16 March, 2001

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Eurex Clearing AG

Conditions for Utilization of the Block Trading Facility (General Conditions for Participation)

1 Scope

Eurex Clearing AG provides a “Block Trading Facility”, pursuant to the conditions as set out below, to such companies admitted to trading on the Eurex Exchanges pursuant to the provisions of the Eurex Exchange Rules for the Eurex Exchanges and participating, directly or indirectly, in the clearing system for transactions on the Eurex Exchanges (“Participants”). Furthermore, in addition to these Conditions for Participation, the Implementation Regulations as determined by Eurex Clearing AG shall apply.

2 Subject Matter of Regulation

The Block Trading Facility provides Participants with the possibility to enter transactions in future and option contracts admitted to the Block Trading Facility pursuant to Section 8, which have been concluded off-exchange, into the clearing system of Eurex Clearing AG and to have them cleared, pursuant to the provisions as set out below. In the future, Eurex Clearing AG may include additional contracts in the Block Trading Facility, as well as exclude previously included contracts.

3 Clearing of Block Trades

3.1 A "Block Trade" within the meaning of these Conditions shall have occurred if Participants, or their customers, have agreed, off-exchange, on the purchase/sale of one or more of the products set out in Section 8, provided that the number of contracts is not less than the minimum number specified in Section 8, and provided further that the specifications of such contracts correspond to the Contract Specifications for these products pursuant to the Eurex Trading Conditions. Furthermore, the contract price of Block Trades must fulfil the requirements as set out in Section 4 of these Conditions.

3.2 Participants who have agreed, or whose customers have agreed, on a Block Trade may utilize the Block Trading Facility of Eurex Clearing AG for the processing, collateralisation and settlement (“Clearing”) of the futures or options contracts contained in such Block Trade, provided that the prerequisites of these General Conditions for Participation as well as the applicable valid Implementation Regulations have been complied with.

3.3 With the entry of a Block Trade into the clearing system of Eurex Clearing AG using the Block Trading Facility, the provisions regarding the conclusion of transactions pursuant to the Eurex Clearing Conditions shall apply with regard to the contractual relationships between Eurex Clearing AG and the Participants in a Block Trade or their clearing institutions, respectively. Therefore, in the case of each Block Trade,

Eurex Clearing AG shall be the contractual counterparty of the relevant Participants or their clearing institutions, respectively.

3.4 Should one of the products set forth under Section 8 be suspended from trading on the Eurex exchanges, the submission of a Block Trade by means of the Block Trading Facility to the Clearing system of the Eurex Clearing AG will not be possible for the duration of the suspension.

3.5 Furthermore, the Eurex Clearing Conditions in their then valid version shall apply accordingly for the clearing of any futures and options contracts entered using the Block Trading Facility.

3.6. If Block Trades do not correspond to the specifications and requirements as determined in these Conditions or in the Implementation Regulations, or if Participants do not comply with the other Conditions for Participation or the requirements pursuant to the Implementation Regulations, Eurex Clearing AG will not clear such Block Trades.

4 Contract Price of Block Trades

4.1 The contract price of Block Trades entered into the clearing system of Eurex Clearing AG, using the Block Trading Facility, must be within an interval determined by Eurex Clearing AG as set out below:

4.2 For Block Trades related to future contracts, the interval is determined on the basis of the daily highs and lows of the respective futures contracts established within the Eurex exchanges, as recorded up to the time of entry of a Block Trade.

4.3 For Block Trades related to option contracts, the interval is determined on the basis of the daily highs and lows of the respective underlying instrument, as recorded up to the time of entry of a Block Trade, as well as of the respective implied volatilities established within the options market of Eurex, theoretical maximum and minimum values for the option price of such Block Trade during the trading day are determined. The interval thus determined is extended by 50 per cent of the maximum Market Maker Quote Spread permissible for the respective product at its extreme values, resulting in the range of permissible option prices for Block Trades.

5 General Conditions of Utilization

5.1 The utilization of the Block Trading Facility requires that Participants have accepted, in writing, the General Conditions for Participation as well as the Implementation Regulations. In the case of Participants not admitted to clearing pursuant to the Eurex Clearing Conditions, such Participants must provide a declaration of their clearing institution by which such clearing institution guarantees to Eurex Clearing AG the fulfillment of Block Trades, pursuant to the Eurex Clearing Conditions, and to undertake any and all obligations for the collateralisation of transactions resulting therefrom.

5.2 Eurex Clearing AG may exclude Participants from the utilization of the Block Trading Facility if such Participants have not complied with their obligations pursuant to these Conditions for Participation or to the Implementation Regulations, or if the prerequisites for participation have not been fulfilled initially, or have subsequently ceased to exist. In this case, such Participants shall have no claims towards the refund of costs, charges or any other damages.

5.3 The general conditions for participation have been issued from Eurex Clearing AG. Eurex Clearing AG has the right to change and add to these conditions for participation from time to time to the extent that this may appear necessary in the light of market conditions. Participants of the Block Trading Facility shall be notified of any changes at least 10 trading days before they are to take effect unless special market conditions require Eurex Clearing AG to take action at short notice.

Eurex Clearing AG shall give notification of changes and additions to these conditions for participation by electronic means through circular via e-mail.

6 Liability

6.1 Eurex Clearing AG shall not be liable for any damages incurred as a result of failure of the clearing system caused by force majeure, riots, acts of war or Acts of God, or for other events outside its influence (e.g. industrial action, lockouts, traffic interruptions, restraints of princes and rulers domestic and abroad).

6.2 Eurex Clearing AG shall only be liable for damages incurred by Participants in connection with the utilization of the Block Trading Facility if it is proven that its bodies or vicarious agents have neglected, willfully or by gross fault, their duties, unless such damage is a result of the breach of important duties by Eurex Clearing AG. In this case, however, the liability of Eurex Clearing AG upon slight fault shall be limited to the damages, the occurrence of which could typically be foreseen upon acknowledgement of the Conditions for Participation or the Implementation Regulations, respectively.

7 General Provisions

7.1 The Block Trades entered by Participants into the clearing system of Eurex Clearing AG using the Block Trading Facility, are not made anonymous for the counterparties involved. In addition, Eurex participants are able to see all Block Trades entered into the system, without identification of the counterparties, by means of the Eurex “Online Time and Sales Sheet”

7.2 After the entry of Block Trades, Participants in the Block Trading Facility receive a "Printed Trade Confirmation", produced by the clearing system of Eurex Clearing AG. Block Trades are expressly shown as "OTC-TRADE" on such "Printed Trade Confirmation", since Block Trades are off-exchange transactions.

7.3 Block Trades are shown in the reports CB010 (Position Detail) and TC810 (Daily Trade Confirmation), produced by the clearing system of Eurex Clearing AG on a daily basis, and are marked as off-exchange transactions. In addition, a report recording all OTC transactions (TC545 OTC-Order Maintenance) is provided electronically.

7.4 Eurex Clearing AG will report all cleared Block Trades, marked as off-exchange transactions, to the Federal Securities Supervisory Authority (*Bundesaufsichtsamt für den Wertpapierhandel - "BAWe"*) on a daily basis, pursuant to Section 9 of the Securities Trading Act (*Wertpapierhandelsgesetz - "WpHG"*). Furthermore, each Participant will report its transactions cleared using the Block Trading Facility to the *BAWe* separately, marked accordingly, on a daily basis.

8. Admitted Products

Eurex Clearing AG has admitted the following products to the Block Trading Facility as of 02.04.2001:

Product	**Minimum number of contracts to trade**
Options Contracts on the DAX® (ODAX)	500
Options Contracts on the SMI® (OSMI)	500
Options Contracts on the FOX® (OFOX)	250
Options Contracts on the Dow Jones Euro STOXX® 50 (OESX)	1.000
Options Contracts on a Euro BUND Futures (OGBL)	50
Options Contracts on a Euro BOBL Futures (OGBM)	50
Options Contracts on a Euro SCHATZ Futures (OGBS)	50
Options Contracts on Stocks of German Stock Corporations (OSTK)*	250
* except: ALV, MUV2, SAP3	50
Options Contracts on Stocks of Swiss Stock Corporations (OSTK)	250
Options Contracts on Stocks of Finnish Stock Corporations (OSTK)	250
Options Contracts on Stocks of Dutch Stock Corporations (OSTK)	250

Options Contracts on Stocks of Italian Stock Corporations (OSTK)	250
Future Contracts on a Notional Long-Term Bond of the Federal Republic of Germany (Euro BUXL Futures; FGBX)	100
Futures Contracts on a Notional Long-Term Debt Security of the Federal Republic of Germany (Euro BUND Futures; FGBL)	2.000
Future Contracts on a Notional Medium-Term Debt Security of the Federal Republic of Germany or the Treuhandanstalt (Euro BOBL Futures; FGBM)	3.000
Future Contracts on a Notional Short-Term Debt Security of the Federal Republic of Germany or the Treuhandanstalt (Euro SCHATZ Futures; FGBS)	4.000
Futures Contracts on the Interest Rate for Three-Month Cash Deposits in Euro (Three-Month Euribor Future; FEU3)	100

Eurex Clearing AG
Implementation Regulations Regarding the Conditions for Utilization of the Block Trading Facility

For the utilization of the Block Trading Facility provided by Eurex Clearing AG, the following Implementation Regulations shall apply besides the Conditions for the Utilization of the Block Trading Facility (General Conditions for Participation):

1 General Conditions

1.1 The entry of a Block Trade into the clearing system of Eurex Clearing AG is carried out by the buyer of the Block Trade. The seller of such Block Trade must confirm the buyer's entries.

1.2 The entry of Block Trades is permissible on proprietary, agent and market maker position accounts.

1.3 The utilization of the Block Trading Facility will be provided to Participants during the applicable trading hours of Eurex for Future and Option contracts admitted to the Block Trading Facility.

2 Mandatory Data Entries to the Block Trading Facility (Eurex screen C075 / Block Trade Entry Window)

2.1 When entering a Block Trade into the clearing system of Eurex Clearing AG, using the Block Trading Facility, the buyer must enter the following data:

- the Action Code "A";
- the future contracts traded (Instrument, delivery month and year), respectively the option contracts traded (Instrument, expiration month and year, exercise price, C/P-flag and version number)
- the contract price;
- the number of contracts;
- his/her trader ID code;
- the open/close indicator;
- the position account; and
- the seller's Participant ID code.

2.2 After the buyer's data entry using the Block Trading Facility, pursuant to Section 2.1 above, the seller of a Block Trade must enter the following data in order to confirm such Block Trade:

- the Action Code "R";
- the OTC transaction reference number;
- his/her trader ID code;
- the open/close indicator; and
- the position account.

Eurex Clearing AG
Implementation Regulations Regarding the Conditions for Utilization of the Block Trading Facility

3 Participants' Other Duties

Participants must be accessible, by phone or fax, during the operating hours of the Block Trading Facility.

4 General Provisions

The Implementation Regulations regarding the Conditions for Utilization of the Block Trading Facility (hereinafter "Implementation Regulations“) have been issued by Eurex Clearing AG. Eurex Clearing AG has the right to change and add to the Implementation Regulations from time to time to the extent that this may appear necessary in the light of market conditions. Participants of the Block Trading Facility shall be notified of any changes at least 10 trading days before they are to take effect unless special market conditions require Eurex Clearing AG to take action at short notice.

Eurex Clearing AG shall give notification of changes and additions to the Implementation Regulations by electronic means through circular via e-mail.

Acceptance of the "General Conditions" and Implementation Regulations for the Utilization of the Block Trading Facility

Member's Details

Name of Member

Address

Name of contact

Phone No. Fax No.

Eurex
Product Development
To Nadja Urban

D-60485 Frankfurt am Main

Fax: +49 (0) 69 – 2101 4461

Participation in the Block Trading Facility

The Conditions for the Utilization of the Block Trading Facility as well as the corresponding Implementation Regulations are at our disposal in their version as of 02 April, 2001.

We herewith accept the Conditions for the Utilization of the Block Trading Facility as well as the corresponding Implementation Regulations in their version as of 02 April, 2001.

Date Company Stamp and Signature

Declaration - Agreement of the General Clearer

Sender

Name of the General Clearer

Address

Eurex
Product Development
To Nadja Urban

60485 Frankfurt am Main

Name of contact

Phone No. Fax No.

Fax: +49 (0) 69 – 2101 4461

Participation of our Non Clearing Member ("NCM") in the Block Trading Facility of Eurex Clearing AG

Name of the NCM

is a Participant in the Block Trading Facility of Eurex Clearing AG.

We, therefore, declare in our function as General Clearer for our NCM, and pursuant to Section 5.1 of the Conditions for the Utilisation of the Block Trading Facility, that we will guarantee to Eurex Clearing AG the fulfilment of obligations resulting from Block Trade transactions of the aforementioned NCM, pursuant to the Eurex Clearing Conditions at Eurex Deutschland, and will honour any and all obligations for the settlement and collateralization of transactions resulting therefrom.

The Conditions for the Utilisation of the Block Trading Facility as well as the corresponding Implementation Regulations are at our disposal in their versions as of 02 April, 2001.

Date Company stamp and authorised Signature