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To: All Eurex members and vendors

Date: Frankfurt, 18th February 1999

1. **Procedure for Delivery of DM Capital Market Products at the March 1999 Expiry**
2. **Management of Open Positions in DM/Euro Interest Rate Contracts**
3. **Use of the Roll-over Facility in DM/Euro Interest Rate Contracts**

Dear Sir or Madam,

We would like to draw your attention to the following important information:

1. Procedure for Delivery of DM Capital Market Products at the March 1999 Expiry

With the March 1999 expiry, delivery of DM Capital Market futures will occur for the last time on Eurex. The underlying German government bonds have been denominated in euros since 1st January 1999. With regard to Notifications and Allocations, there are **no changes** to the market members' current procedures:

> Notification of bonds should be carried out as normal on the 'Notification Entry/Maintenance' screen (H025). It must be understood that the bonds displayed for the DM contracts at Eurex are not real deliverable bonds. These have been replaced by so-called 'Dummy Bonds'. Each 'Dummy Bond' has been assigned to a corresponding real deliverable bond (see Attachment). After Allocation, in the batch run, a corresponding 'Dummy Bond' will be assigned. However, the correct delivery instructions with the real deliverable bonds will be sent to Deutsche Börse Clearing AG by Eurex and forwarded to the member. **Prior to the delivery process, the member must, as normal, be in possession of the deliverable bonds and must provide written confirmation to the Börse the day prior to delivery.**

2. Management of Open Positions in DM/Euro Interest Rate Contracts

With regard to open futures positions in existing **DM contracts**, there will be **no netting** with the open futures position of **euro contracts** with the same expiration date i.e. for short positions **in each of the two contracts a notification is a necessary requirement** from the system.
It should be noted that the fulfilment of delivery obligations on short positions cannot be offset against opposing long positions (no internal delivery).

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3. Use of the Roll-over Facility in DM/Euro Interest Rate Contracts

With the use of the Roll-over Facility, Eurex has provided a cost-free method for converting existing March '99 DM contracts into March '99 euro positions with no execution risk. This preparatory step is necessary for all members, including those who wish to roll their contracts into the June '99 euro contract. There is **no possibility** to roll directly from **March '99 DM** to **June '99 euro** contracts.

a) Use of the Roll-over facility to roll March '99 DM positions into March '99 euro positions

The following example illustrates the Roll-over procedure.

You have the following position: 100 BUND MAR99 Short; current price 116,20
By means of the Roll-over facility input the following order on the BUNR product trading screen:
Buy 25 BUNR MAR99

- With 1.00= signifying that the same price applies to both legs
- The basis of the DM:euro defined equivalent Spread Ratio is 4:5

After execution of the trades the following positions will be booked:
100 BUND MAR99 Long (4x25 contracts) at 116.20; 125 FGBL MAR99 Short (5x25 contracts) at 116.20. With an associated 'Closing Adjustment' in BUND MAR99 through your Back-office the former DM position will have been deleted.

b) Use of the Roll-over facility in cases of already existing opposing positions in DM and euro contracts with March '99 expiry.

It is possible to avoid problems in delivery for members with opposing positions in DM and euro contracts with March 99 expiry, by closing both positions by means of a trade in the corresponding Roll-over facility (BUNR, BOBR, or SHAR) and performing an associated Position Closing Adjustment. This is illustrated in the following example:
You have the following position: 100 BUND MAR99 Long and 125 FGBL MAR99 Short; current price 116,20.

Effectively you have opposite risk positions which relate to the same underlying. To avoid the required delivery, you can use the Roll-over facility to close out the contracts completely before the expiration. For this, enter the following order on the BUNR product trading screen:
Sell 25 BUNR MAR99

- With 1.00= signifying that the same price applies to both legs
- The basis of the DM:euro defined equivalent Spread ratio is 4:5

After execution of the trades the following positions will be booked:
100 BUND MAR99 Short (4x25 contracts) at 116.20; 125 FGBL MAR99 Long (5x25 contracts) at 116.20

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With an associated ‘Closing Adjustment’ in the BUND as well as the FGBL through your Back-office both of the former original positions will have been closed, and no delivery will be necessary.

For positions which cannot be represented by multiples of 4 or 5, the remaining surplus of the respective contracts will be traded ‘outright’. The use of the Roll-over facility is thus not only of use in the roll-over of DM positions to euro positions, but also for offsetting opposing risk positions in the two contracts.

For questions related to clearing, please contact our Help-desk at +49-(0)69-2101-1250, and for those related to the Roll-over facility our Interest Rate Products Help-desk on +49-(0)69-2101-1240 will be pleased to assist you.

Yours sincerely,



Jörg Franke



Hartmut Klein

Attachment

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Attachment

ISIN of the Dummy Bonds	ISIN of the Real Bonds
XX0001090002	DE0001090009
XX0001090010	DE0001090017
XX0001090028	DE0001090025
XX0001090036	DE0001090033
XX0001090044	DE0001090041
XX0001090051	DE0001090058
XX0001090069	DE0001090066
XX0001090077	DE0001090074
XX0001134875	DE0001134872
XX0001134883	DE0001134880
XX0001134891	DE0001134898
XX0001134909	DE0001134906
XX0001134917	DE0001134914
XX0001141250	DE0001141257
XX0001141268	DE0001141265
XX0001141276	DE0001141273
XX0001141284	DE0001141281
XX0001135054	DE0001135051
XX0001135070	DE0001135077
XX0001135096	DE0001135093
XX0001135104	DE0001135101
XX0002027607	DE0002027604
XX0002027755	DE0002027752
XX0002027763	DE0002027760
XX0002027904	DE0002027901
XX0002158485	DE0002158482
XX0002220368	DE0002220365
XX0002220533	DE0002220530
XX0002237370	DE0002237377
XX0002264622	DE0002264629
XX0002325415	DE0002325412
XX0002330415	DE0002330412
XX0002344036	DE0002344033
XX0002425223	DE0002425220
XX0002425496	DE0002425493
XX0002433151	DE0002433158
XX0002474965	DE0002474962
XX0002475913	DE0002475910
XX0002476267	DE0002476264
XX0002537241	DE0002537248

ISIN of the Dummy Bonds	ISIN of the Real Bonds
XX0002537456	DE0002537453
XX0002556373	DE0002556370
XX0002556704	DE0002556701
XX0002573261	DE0002573268
XX0002573477	DE0002573474
XX0002573782	DE0002573789
XX0002595900	DE0002595907
XX0002596023	DE0002596020
XX0002709188	DE0002709185
XX0002709436	DE0002709433
XX0002709634	DE0002709631
XX0002916585	DE0002916582
XX0003075027	DE0003075024
XX0003137348	DE0003137345
XX0003137702	DE0003137709
XX0003337724	DE0003337721
XX0003337856	DE0003337853
XX0003337922	DE0003337929
XX0003356716	DE0003356713
XX0001030016	DE0001030013
XX0001134826	DE0001134823
XX0001134834	DE0001134831
XX0001134842	DE0001134849
XX0001136847	DE0001136844
XX0001141185	DE0001141182
XX0001141193	DE0001141190