e u r e x *circular 34/99*

To: All Eurex members and vendors

Date: Frankfurt, 22nd April 1999

Swiss Turnover Tax on Delivery Against Payment of Swiss Securities

Dear Sir or Madam,

We refer to our circulars 54/98, and 64/98 in which we informed you of the developing situation surrounding Swiss Turnover Tax. We are now able to inform you that the Swiss Federal Parliament has approved a government resolution concerning Swiss Stamp Duty (StG). The measures come into effect as of April 1st 1999 and, inter alia, concern the settlement of derivatives on Eurex.

The following paragraph is an unofficial translation of a relevant part of the resolution:

" Exemption of Eurex

In the case of exercise of derivatives which were settled through the former Soffex no turnover tax was due from Soffex as the counterparty. Following the merger with DTB into Eurex AG, it became necessary to carry out a corresponding amendment to Article 19, Para.1 Stamp Duty Regulation (StG). In future therefore settlement of contracts on Eurex will have the same exemption as previously on Soffex. Should the exercise by a domestic broker not be on the trading account, but on the investment account, or on a client account, half of the tax will be due, as previously."

Based on the decision above, no Swiss turnover tax will be due when exercise is carried out by a broker outside Switzerland, or for his clients. Therefore the turnover tax obligation has been lifted on delivery against payment of Swiss securities as settlement of derivatives (options and futures) by Eurex members who do not have the status of securities traders according to the Swiss Stamp Duty regulations (StG).

No turnover tax is due when either the buy-side or sell-side uses a domestic securities trader (IEH) under the definition of the Swiss Stamp Duty regulations (StG) as the counterparty.

The transfer via a Eurex member in Switzerland to a client (as long as the client does not have IEH status) still counts as a separate transaction and is subject to turnover tax (half of the tax = 0.075%)

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To illustrate the regulations in force from 1st April 1999, we have produced the following schema:

Client	0.075%	EUX-Mbr-CH	0	EUX-CLH	0	EUX-Mbr-CH	0.075%	Client
Client	0.075%	EUX-Mbr-CH	0	EUX-CLH	0	EUX-Mbr-D*	0	Client
Client	0	EUX-Mbr-D*	0	EUX-CLH	0	EUX-Mbr-D*	0	Client

* = Eurex Member outside Switzerland

If you have any questions, please contact Ernst Karbe on Tel. +41-(0)1-229-2470

Yours sincerely,

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