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To: All Eurex members and vendors

Date: Frankfurt, 27th April 1999

Changes to the Minimum Block Trade Size, and the Trade Size for a Mandatory Cross Request for Options Contracts on SAP Shares

Dear Sir or Madam,

The executive board of Eurex Clearing AG have made the decision to reduce the minimum trade quantity for Block Trades in options contracts on SAP shares from 250 contracts to 50 contracts, with effect from 1st May 1999.

In line with the reduction mentioned above, and also with effect from 1st May 1999, the board of Eurex has made the decision to change the parameters for Cross- and Pre-arranged Trades in options contracts on SAP shares. The minimum trade quantity for a mandatory Cross Request in this product will be reduced from 250 contracts to 50 contracts.

We would like to draw your attention to the enclosed explanatory brochure on Block Trading, which includes the current parameters for Cross- and Pre-arranged Trades at Eurex.

If you have any questions, please contact Stefan Brendgen on Tel. +49-(0)69-2101-5743 or Rainer Tringl on Tel. +49-(0)69-2101-5838

Yours sincerely,

Otto E. Nägeli

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Block Trade Facility

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1. Summary Description of the Block Trade Facility

Analogous to the basis-trading procedure, EUREX participants are provided with a screen that can be used to enter OTC trades in option contracts equivalent to those traded in the EUREX system.

First, the buyer has to indicate an OTC trade by entering the Action Code "A" in Screen C075.

The buyer of the contract now has to enter all of the transaction data, his trader code (Subgroup) and the Exchange Member identification code of the seller. On the system side, the daily high and low in the underlying instrument on a reference exchange (usually XETRA or SWX) are displayed on the screen and the trade price entered is checked for plausibility with the help of an option pricing tool that is integrated into the EUREX system.

After the trade data has been entered by the buyer, an OTC transaction ID number is generated which the buyer has to convey to the seller. After entering the Action Code "R" and the OTC transaction ID number, the seller can ratify the trade by filling in his trader code, account number and the text fields.

Positions in EUREX contracts resulting from OTC trades and entered in the EUREX clearing system via the Block Trade Facility are treated like any other position in this contract.

Access to the Block Trade Entry Screen for trade entry and ratification is only possible in the Trading and Fast Market modes.

1.1. Screen C075 - BLOCK TRADE ENTRY

1.1.1. Entry by the Exchange Member

On the initial entry screen C075, the Action Code A(dd) must be entered in addition to the Exchange Member code.

```
EUREX                       BLOCK TRADE ENTRY                    03-11-97  18:19
C075                        DEVELOPMENT ONLY                     USER ID: EXCSPV

EXG MEMBER: ABCFR             ACTION CODE: A          TRAN ID  :
```

Remarks: These fields are displayed and cannot be overwritten.
These fields are displayed and can be overwritten
These fields must be entered; they are not pre-formatted

1.1.2. Entry of the transaction data

The Member ID and Subgroup of the trader are displayed.
The default values defined in C090 for the Account, O/C code and Text fields are also taken over. These pre-formatted fields can be overwritten. Pre-designation (G1 Account) and automatic designation (G2 Account) are initially not permitted.

```
EUREX                       BLOCK TRADE ENTRY                      03-11-97  18:19
C075                        DEVELOPMENT ONLY                       USER ID: EXCSPV




EXG MEMBER: ABCFR            ACTION CODE: A          TRAN ID  :

U/L:         EXCH ID:         DLY LOW :              DLY HIGH :

CONTRACT :                      PRICE :              SIZE     :


BUY    EXG MBR : ABCFR       SUBGROUP : LTR001
       O/C     : O           ACCOUNT  : A1          CUSTOMER : STD CUST 1
                                                    ORD_NUM  : STD ORDNUM 2
                                                    TEXT     : STD TEXT 1

SELL   EXG MBR :             SUBGROUP :
       O/C     :             ACCOUNT  :             CUSTOMER :
                                                    ORD_NUM  :
                                                    TEXT     :


                                                BLOCK TRADE # :
```

Remarks: These fields are displayed and cannot be overwritten.
These fields are displayed and can be overwritten
These fields must be entered; they are not pre-formatted

The following entries must be made:

- Option series traded
- Price
- Size
- and Member ID of the counterparty

The fields pertaining to the underlying instrument are updated after the Enter key is hit.

The price entered is validated as follows:

- The two notional theoretical prices that would result if the underlying instrument were to take on the daily low or daily high, respectively, are calculated.

- The theoretical prices calculated in this way form an interval which is widened upwards and downwards by 50 percent of the maximum quote spread for the respective contract. The interval adjusted in this way forms the range permissible for the OTC trading price of the option. This validation ensures that the price on this day is in keeping with the level of the market prices which could have occurred.

The entry on the buy side of the trade is confirmed with the ‘F8’ key.

1.1.3. Issue of the OTC transaction ID number

The system now generates a transaction number which the buyer must convey to the seller over the phone.

```
EUREX                       BLOCK TRADE ENTRY                      03-11-97  18:19
C075                        DEVELOPMENT ONLY                       USER ID: EXCSPV




EXG MEMBER: ABCFR            ACTION CODE: A          TRAN ID  : 123456

U/L: DAX     EXCH ID: XETR   DLY LOW  : 2538.24      DLY HIGH : 2551.62

CONTRACT :C ODAX DEC 96 2600   PRICE : 66.0          SIZE     : 5000


BUY    EXG MBR : ABCFR       SUBGROUP : LTR001
       O/C     : O           ACCOUNT  : A1           CUSTOMER : STD CUST 1
                                                     ORD_NUM  : STD ORDNUM 1
                                                     TEXT     : STD TEXT 1

SELL   EXG MBR : MNOHB       SUBGROUP
       O/C     :             ACCOUNT  :             CUSTOMER :
                                                     ORD_NUM  :
                                                     TEXT     :


                                                BLOCK TRADE # :
```

Remarks: These fields are displayed and cannot be overwritten
These fields are displayed and can be overwritten
These fields must be entered; they are not pre-formatted

1.1.4. Ratification of the trade by the seller

To ratify the trade, the seller must now enter the Action Code **R**(atify) in addition to his Exchange Member code, and the transaction ID number conveyed to him by the buyer.

```
EUREX                       BLOCK TRADE ENTRY                    03-11-97  18:19
C075                        DEVELOPMENT ONLY                     USER ID: EXCSPV

EXG MEMBER: MNOHB             ACTION CODE: R          TRAN ID  : 123456
```

Remarks: These fields are displayed and cannot be overwritten
These fields are displayed and can be overwritten
These fields must be entered; they are not pre-formatted

1.1.5. Entry of the seller's data

The data entered by the buyer can now be confirmed by the seller. The display shows the underlying prices that represented the daily high and low at the time of the Add transaction.
The buyer's trader code (Subgroup), Account, O/C code and Customer data are not visible to the seller.
The Member ID and Subgroup of the trader (seller) are displayed.
The default values defined in C090 for the Account, O/C code and text fields are also taken over. These pre-formatted fields can be overwritten. Pre-designation (G1 Account) and automatic designation (G2 Account) are initially not permitted.

As soon as all fields on the sell side have been completed with the relevant data, the seller can complete the trade by hitting Enter or 'F8'.

As soon as this has been done, the transaction ID number to identify the block trade is displayed as BLOCK TRADE # and used thereafter.

```
EUREX                       BLOCK TRADE ENTRY                      03-11-97  18:19
C075                        DEVELOPMENT ONLY                       USER ID: EXCSPV




EXG MEMBER: MNOHB             ACTION CODE: R          TRAN ID  : 123456

U/L: DAX     EXCH ID: XETR    DLY LOW  : 2538.24      DLY HIGH : 2551.62

CONTRACT :C ODAX DEC 96 2600    PRICE : 66.0          SIZE     : 5000


BUY    EXG MBR : ABCFR        SUBGROUP :
       O/C     :              ACCOUNT  :              CUSTOMER :
                                                      ORD_NUM  :
                                                      TEXT     :

SELL   EXG MBR : MNOHB        SUBGROUP : LTR001
       O/C     : O            ACCOUNT  : M2           CUSTOMER : STD CUST2
                                                      ORD_NUM  : STD ORDNUM 2
                                                      TEXT     : STD TEXT 2


                                                BLOCK TRADE # : 123456
```

Remarks: These fields are displayed and cannot be overwritten
These fields are displayed and can be overwritten
These fields must be entered; they are not pre-formatted

There is no functionality restriction with respect to the type of account. Analogous to basis trading, the use of the Block Trade facility for NCMs is dependent on approval by the GCM.

1.2. Changes, Inquiries and Deletions

Block trades can be changed as long as only the buyer side has been entered. All entry fields which can be filled in by the buyer for the Add transaction can be overwritten with Change. The transaction ID number does not change. Once the counterparty has ratified the trade, a change is no longer possible. This is also true for the deletion of block trades; the Delete function is only accessible to the buyer and is no longer available after ratification of the trade.

Inquiries on Block trades can be made for both ratified and unratified transactions, but only the data concerning the inquiring party is displayed.

Transactions being accessed, i.e. being processed for an Add, Change or Delete, cannot be changed by another user at the same time.

1.3. Block Trade Indicators

On the F020 (Position Detail Inquiry) screen, Block Trades are indicated. They are marked by trade type (distinguishing them from regular EUREX trades) and the ‘O’ indicator in the B column.

1.4. Reporting of Block Trades

Position changes resulting from Block Trades are displayed and marked (Trade Type Indicator) in report RPTCB010 (Position Detail) and also in report RPTTC810 (Daily Trade Confirmation), in the latter case with the designation ‘OTC’. Otherwise, no order number is shown for OTC trades.
The Add, Change, Ratify and Delete transactions are presented in RPTTC545 (OTC Order Maintenance).

1.5. Further Processing of Block Trades

Give-Up, Take-Up:	Not allowed for OTC trades.
Trade Separation:	Not allowed for OTC trades.
Open/Close Adjustment:	Not allowed for OTC trades.
Account Transfer:	Not allowed for OTC trades.

1.6. Publication of Volumes and Prices

Block trade volumes are included in the calculation of the regular trading volume, analogous to Basis Trades (C070). OTC trade prices are not published, i.e. they are only accessible to the parties to the transaction. Neither are the prices included in the calculation of daily highs and lows.

1.7. PTC

On the Printed Trade Confirmation, the "OTC-TRADE" mark clearly shows that it is not an exchange-based transaction. Moreover, the order type ‘O’ is displayed and no order number is given.

1.8. Backoffice (BOF) reports

The parties to Block Trades are advised of the trades in the BOF reports "Position Transaction" and "Order Confirmation". These are marked with the order type O; otherwise no order number is given.

1.9. BAWe Interface

In the reports to BAWe (the Federal Securities Supervisory Office), Block Trades are marked with the Order Type ‘O’.

2. Appendix

2.1. Admitted Products

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

Product	**Minimum number of contracts to trade**
Options Contracts on the DAX® (ODAX)	500
Options Contracts on the SMI® (OSMI)	500
Options Contracts on a Euro BUND Futures (OGBL)	500
Options Contracts on a Euro BOBL Futures (OGBM)	500
Options Contracts on a Euro SCHATZ Futures (OGBS)	500
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

2.2. Cross Request-sizes Options

Product	**Minimum order size**	**Entering smaller order sizes**	**after a cross-request**		
	which requires	gives you the *option*	**waiting time**	**following time period**	i. e. the orders must be
	a **cross-request**	1. cross-request - same procedure	until you enter	within which the trade must be	entered not later than ...
		2. without cross-request: minimum	the order	carried out	after the cross-request
	is	time interval between entering orders			
		see below			
Options					
OSTK (D) *	250	15 seconds	15 seconds	60 seconds	75 seconds
ALV/MUV2 SAP3	50	15 seconds	15 seconds	60 seconds	75 seconds
ODAX/ODAY	500	15 seconds	15 seconds	60 seconds	75 seconds
OSTX	250	15 seconds	15 seconds	60 seconds	75 seconds
OESX	250	15 seconds	15 seconds	60 seconds	75 seconds
OGBL	250	15 seconds	15 seconds	60 seconds	75 seconds
OGBM	250	15 seconds	15 seconds	60 seconds	75 seconds
OGBS	250	15 seconds	15 seconds	60 seconds	75 seconds
OEU3	100	15 seconds	15 seconds	60 seconds	75 seconds
OSMI	500	15 seconds	15 seconds	60 seconds	75 seconds
SMI	500	15 seconds	15 seconds	60 seconds	75 seconds
OSTK (CH)	250	15 seconds	15 seconds	60 seconds	75 seconds
OCNF	50	15 seconds	15 seconds	60 seconds	75 seconds

2.3. Cross Request-sizes Futures

Product	**Minimum order size**	**Entering smaller order sizes**	**after a cross-request**		
	which requires	gives you the *option*	**waiting time**	**following time period**	i. e. the orders must be
	a **cross-request**	1. cross-request - same procedure	until you enter	within which you must enter	entered not later than ...
		2. without cross-request: minimum	the order	the orders	after the cross-request
	is	time difference between entering the			
		orders - see below			
Futures					
FDAX/FDAY	100	5 seconds	5 seconds	30 seconds	35 seconds
FMDX	1000	5 seconds	5 seconds	30 seconds	35 seconds
FSTX	500	5 seconds	5 seconds	30 seconds	35 seconds
FESX	500	5 seconds	5 seconds	30 seconds	35 seconds
FGBX	500	5 seconds	5 seconds	30 seconds	35 seconds
FGBL	500	5 seconds	5 seconds	30 seconds	35 seconds
FGBM	300	5 seconds	5 seconds	30 seconds	35 seconds
FGBS	300	5 seconds	5 seconds	30 seconds	35 seconds
LIB3 / LIBR	500	5 seconds	5 seconds	30 seconds	35 seconds
FEU1	100	5 seconds	5 seconds	30 seconds	35 seconds
FEU3	300	5 seconds	5 seconds	30 seconds	35 seconds
FLI3	300	5 seconds	5 seconds	30 seconds	35 seconds
CONF	100	5 seconds	5 seconds	30 seconds	35 seconds
COMI	100	5 seconds	5 seconds	30 seconds	35 seconds
FSMI	100	5 seconds	5 seconds	30 seconds	35 seconds