X-pand into the Future

e u r e x *circular 268/07*

Date: Frankfurt, December 21, 2007
Recipients: All Trading Members of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Peter Reitz

Action required **High priority**

HICP Index: Further Information on the Introduction of Euro Inflation Futures

Related Eurex Circulars: 217/07

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Content may be most important for:

Ü All departments

Attachments:

1. Conditions for Utilization of the OTC Trade Entry Facilities (General Conditions for Participation)
2. Price List (amendments OTC trades)
3. Designated Market Maker Application and Quote Obligations

Summary:

For the introduction of the new Euro Inflation Futures on the unrevised Harmonized Index of Consumer Prices of the euro zone excluding tobacco (HICP) on **January 21, 2008**, this circular contains information on the following issues:

1. Tradable contract months
2. OTC Block Trades: minimum amount and transaction fees
3. Designated Market-Making
4. Margin Parameters
5. Data Vendor Codes

The Euro Inflation Future has the ISIN (DE000A0QZFK9) and will be tradable under Eurex product code "HICP". The new contract is available for simulation since October 26, 2007.

HICP Index: Further Information on the Introduction of Euro Inflation Futures

1. Tradable Contract Months

For start of trading on January 21, 2008, twenty consecutive contract months (February 2008 to September 2009) will be available. The table below gives an overview of the HICP data release calendar until the end of 2008 as published by Eurostat. The Eurostat data publication corresponds with the Last Trading Day for the Euro Inflation Futures. Maturities for contract months as of February 2009 are notional. If necessary, they will be adjusted after Eurostat's final announcement in November 2008.

No.	Euro Inflation Futures Contract Month	Corresponding Eurostat Index for	Eurostat Publication (corresponds to Expiry/ Last Trading Day)
1	February 2008	January 2008	February 29, 2008
2	March 2008	February 2008	March 14, 2008
3	April 2008	March 2008	April 16, 2008
4	May 2008	April 2008	May 15, 2008
5	June 2008	May 2008	June 16, 2008
6	July 2008	June 2008	July 16, 2008
7	August 2008	July 2008	August 14, 2008
8	September 2008	August 2008	September 16, 2008
9	October 2008	September 2008	October 15, 2008
10	November 2008	October 2008	November 14, 2008
11	December 2008	November 2008	December 17, 2008
12	January 2009	December 2008	January 15, 2009
13	February 2009	January 2009	*February 27, 2009*
14	March 2009	February 2009	*March 16, 2009*
15	April 2009	March 2009	*April 16, 2009*
16	May 2009	April 2009	*May 15, 2009*
17	June 2009	May 2009	*June 16, 2009*
18	July 2009	June 2009	*July 16, 2009*
19	August 2009	July 2009	*August 14, 2009*
20	September 2009	August 2009	*September 16, 2009*

2. OTC Block Trades: Minimum Amount and Transaction Fees

The Euro Inflation Future will be admitted for the Block Trade function with a minimum amount of 50 contracts. Sections 9.1 and 9.3 of the Conditions for Utilization of the OTC Trade Entry Facilities (General Conditions for Participation) were modified accordingly (attachment 1).

The transaction fee for entering OTC trades with Euro Inflation Futures is EUR 0.75 per contract. For more information see attachment 2 (amendments Price List OTC transactions).

Other admitted OTC trade functions for the Euro Inflation Future are Exchange for Physicals and Exchange for Swaps. Members, who are already admitted for one or more of these functions, may use any of these functions for the new Euro Inflation Future without any further formalities.

Members who wish to use the OTC Trade Entry features for the first time, are required to confirm their acceptance of the General Conditions for Participation by signing the relevant document. Also, for Non-Clearing Members, their General Clearer needs to sign the corresponding declaration agreement. For the respective documents, please refer to the Eurex website under the path:

www.eurexchange.com > Documents > Forms > Trading Derivatives > Single Forms > OTC Trade Entry

Designated Market-Making

As Designated Market Makers, Eurex Members supply bid and ask prices (quotes) for a determined minimum number of contracts during a fixed period of time in compliance with maximum spreads.

Based on the auction model, Market Makers enter prices during the two daily auction periods and reply to quote requests in between the opening and closing auction. Designated Market-Making will initially take place between January 21 and July 31, 2008.

For details and the exact parameters of the Designated Market-Making program, please see attachment 3.

Participants interested in fulfilling Designated Market Maker functions are requested to complete and fax back the attached Designated Market Maker Application (attachment 3) by January 9, 2008 for the attention of Nadja Urban, Eurex, fax: +49-69-211-61 51 05.

3. Margin Parameters, Mistrade Parameters und Market Order Matching Range

Product name	Minimum Tick Value	Margin Parameter	Margin class	Market Maker Spread	Mistrade Range	Market Order Matching Range
Euro Inflation Futures	EUR 100	EUR 2,500	HICP	20 ticks	15 ticks	20 ticks

4. Data Vendor Codes

Vendor Name	Vendor Code
Bloomberg	HICA <Index>
Reuters	<0#HICP:>

As of the start of trading, please refer to the Eurex website under the following path for other data vendor codes:

www.eurexchange.com > Products > Vendor Product Code Search

Frankfurt, December 21, 2007

1 Scope of Application

Eurex Clearing AG provides the following OTC Trade Entry Facilities, pursuant to the Conditions in their respective valid version as set out below for the Utilization of the OTC Trade Entry (the "General Conditions for Participation"), to companies which, pursuant to the provisions of the Exchange Rules for Eurex Deutschland and Eurex Zürich, are admitted to options and futures trading at the Eurex Exchanges and which participate, directly or indirectly, in the clearing procedure for transactions on the Eurex Exchanges ("Participants"):

- Exchange for Physicals (for Fixed Income, Inflation and Credit) Trade Facility
- Exchange for Physicals (for Index Futures) Trade Facility
- Exchange for Swaps (for Fixed Income, Inflation and Credit) Trade Facility (hereinafter "EFS")
- Block Trade Facility
- Vola Trade Facility
- Flexible Options- and Futures Facility

[….]

4 Evidence of Cash Transactions in the Case of Utilization of the EFP, EFPI Trade Facility and the EFS Trade Facility

[….]

4.4 Concerning the EFS Trade Facility, Participants shall be deemed to have fulfilled their obligation to provide evidence pursuant to section 4.1 above, if, upon request of Eurex Clearing AG, they provide a trade confirmation for the underlying swap transaction. This confirmation in the form of a transaction ticket (i.e. a snapshot of the front-office or back-office system of the buyer of the EFS futures) shall contain at least:

Exchange of Swaps for Fixed Income and Inflation

- nominal value,
- date of start and maturity,
- fixed coupon, in case of Zero Coupon Inflation Swaps: interest rate equivalent to average annual inflation rate over the term of the swap
- counterparties of the Swap transaction,
- EFS trade reference number of the Eurex system and
- time stamp

Exchange of Swaps for Credit

- nominal value,
- date of start (the effective date) and maturity (the termination date),
- fixed premium rate,
- underlying index or reference entity,

- counterparties of the CDS transaction,
- EFS trade reference number of the Eurex system and
- time stamp

[….]

8 Mandatory Data Entries

[….]

8.3 EFS Trade Facility (OTC EFS Trade Entry window)

8.3.1 When entering an EFS futures contract into the Eurex Clearing System by means of the EFS Trade Facility, the buyer of the EFS futures contracts (Fixed Rate Payer in the swap transaction) must enter the following data:

EFS for Fixed Income:
For Interest and Inflation Swaps: The nominal value, ~~fixed~~ interest rate, interest rate payment frequency as well as settlement, start and end date of the swap transaction; or

EFS for Credit:
For credit default swaps, the nominal value, premium rate, premium payment frequency, settlement date, start (effective) and end (termination) date of the credit default swap transaction as well as the underlying index or reference entity; and

For the respective Futures Contract:

- the futures contract traded (instrument, delivery month and year)
- the contract price;
- the number of contracts;
- the Eurex system user identification code of the buyer's trader
- the open/close indicator
- the position account
- the user identification code of the seller for the system of the Eurex exchanges.

The number of traded futures contracts must be in a defined proportion to the nominal value of the interest swap, inflation swap or credit default swap transaction. The relation between the futures contract and the swap transaction is defined according to the Duration method.

[….]

9 Admitted Products

9.1 Eurex Clearing AG has admitted the following products to the EFP Trade Facility and to the EFS Trade Facility:

- § Futures Contracts on a Notional Extra Long-Term Debt Security of the Federal Republic of Germany ("FGBX Futures")
- § Futures Contracts on a Notional Long-Term Debt Security of the Federal Republic of Germany ("FGBL Futures")
- § Futures Contracts on a Notional Medium-Term Debt Security of the Federal Republic of Germany ("FGBM Futures")
- § Futures Contracts on a Notional Short-Term Debt Security of the Federal Republic of Germany ("FGBS Futures")
- § Futures Contracts on a Notional Long-Term Debt Security of the Swiss Confederation ("CONF Futures")
- § Futures contracts on the iTraxx® Europe 5-year Index Series
- § Futures contracts on the iTraxx® Europe Hi Vol 5-year Index Series
- § Futures contracts on the iTraxx® Europe Crossover 5-year Index Series
- § Single Cedit Recovery Futures
- § Futures Contracts on the unrevised ~~H~~Harmonized Index of ~~c~~Consumer ~~p~~Prices ~~index~~ of the Eurozone ~~without~~excluding tobacco ~~goods~~ ("~~HVP~~ICP Future")

[….]

9.3 Eurex Clearing AG has admitted the following products to the Block Trade Facility even if they had been entered within the scope of options strategies or options volatility strategies:

Product	Minimum number of tradable contracts
Options Contracts on the DAX® (ODAX)	500
[….]	
Futures contracts on Exchange-traded Index Funds shares: iShares DAX (DE) (EXSF), iShares DJ EURO STOXX® 50 (EUNF), XMTCH on SMI (XMTF)	1,000
Futures Contracts on the unrevised ~~h~~Harmonized Index of ~~c~~Consumer ~~p~~Prices ~~index~~ of the Eurozone ~~without~~excluding tobacco ~~goods~~ (Euro Inflation~~s~~ Futures; HICP)	50

[….]

12 Cash Transactions for the EFS Trade Facility

12.1 EFS for Fixed Income

Eurex Clearing AG has determined that cash transactions in EFS Trades must have the following characteristics:

- Spot or forward-starting plain vanilla OTC Interest Rate Swaps
- Agreement under the terms of an ISDA Master Agreement or any equivalent master agreement
- Regular annual fixed rate payment against regular floating rate payments per year
- All swap payments must be denominated in a currency of the OECD Member States

12.2 EFS for Credit

Eurex Clearing AG has determined that cash transactions in EFS Trades must have the following characteristics:

- An OTC Credit Default Swaps (CDS) on an iTraxx® index or a single reference entity
- Agreement under the terms of an ISDA Master Agreement that incorporates by reference the definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions
- Regular periodic premium payments against certain payment obligations by the premium receiver on the bankruptcy or other defined credit event of the reference entity or entities underlying the contract

- All credit default swap payments must be denominated in a currency of the OECD Member States

12.3 EFS for Inflation

Eurex Clearing AG determined that all versions of inflation swaps (Zero Coupon Inflation Swaps, Multiplicative Inflation Swaps, Inflation linked Annuity Swaps, etc.) can be cash transactions within an EFS transaction. Furthermore, transactions must have the following characteristics:

- Agreement within an ISDA master Agreement or similar framework agreements
- All payments of the swap shall be denominated in a currency of the OECD member states

[….]

Annex A to the General Conditions for Participation:

OTC Periods of Use Futures-Kontrakte

Money Market Futures Contracts

Product	Product-ID	OTC Trading
Three-Month-EURIBOR-Futures	FEU3	08:00-19:00
One-Month-EONIA-Futures	FEO1	08:00-19:00

All times CET

Inflation Futures Contracts

Produkt	Product-ID	OTC Trading
-	-	-
Euro Inflation Futures	HICP	10:00-17:00

All times CET

[….]

[….]

3.1.2 OTC Transactions

3.1.2.1 OTC Entries – Block Trades

Contract	Fee per Contract A-and P-Accounts	Fee per Contract M-Accounts (Regular Market-Making)*	Fee per Contract M-Accounts (Permanent Market-Making)*	Fee per Contract M-Accounts (Advanced Market-Making)*
[….]				
Credit Derivatives				
Futures				
iTraxx® Europe 5 Year Index Future**, iTraxx® Europe Hi Vol 5 year Index Future**, iTraxx® Europe Crossover 5 Year Index Future**	EUR 0.60			
Single Credit Recovery Future	EUR 0.15			
Inflation Derivatives				
Euro Inflation Futures	EUR 0.75			

* If the Market Maker requirements determined by the Boards of Management of the Eurex Exchanges are met, transaction fees paid for trades (Market Maker) shall be subject to a refund, the actual fees for order matching on M-accounts thus amounting to the monthly total specified in the column “Fee per Contract M-Accounts”.

** Credit Futures Contract on the iTraxx® Europe, Hi Vol and Crossover 5 Year Series respectively valid at the time of introduction of the Futures Contract as well as Credit Futures Contract on the new version of the iTraxx® Europe, Hi Vol and Crossover 5 Year Series respectively valid at the time of introduction of the Futures Contract in case of an anticipated and an actual credit event.

[….]

3.1.2.3 OTC Entries – EFP-and EFPI Trades

Contract	Fee per Contract A-und P-Accounts
[….]	
Credit Derivatives	
Futures	
iTraxx® Europe 5 Year Index Future**, iTraxx® Europe Hi Vol 5 year Index Future**, iTraxx® Europe Crossover 5 Year Index Future**	EUR 0.60
Single Credit Recovery Future	EUR 0.15
Inflation Derivatives	
Euro Inflation Future	EUR 0.75

** Credit Futures Contract on the iTraxx® Europe, Hi Vol and Crossover 5 Year Series respectively valid at the time of introduction of the Futures Contract as well as Credit Futures Contract on the new version of the iTraxx® Europe, Hi Vol and Crossover 5 Year Series respectively valid at the time of introduction of the Futures Contract in case of an anticipated and an actual credit event.

3.1.2.4 OTC Entries – EFS-Trades

Contract	Fee per Contract A- und P-Accounts
Interest Derivatives	
Futures	
Euro-Schatz Future, Euro-Bobl Future, Euro-Bund Future	EUR 0.30
Euro-Buxl® Future	EUR 0.30
CONF Future	CHF 0.45
Credit Derivatives	
Futures	
iTraxx® Europe 5 Year Index Future**, iTraxx® Europe Hi Vol 5 year Index Future**, iTraxx® Europe Crossover 5 Year Index Future**	EUR 0.60
Single Credit Recovery Future	EUR 0.15
Inflation Derivatives	
Euro Inflation Futures	EUR 0.75

** Credit Futures Contract on the iTraxx® Europe, Hi Vol and Crossover 5 Year Series respectively valid at the time of introduction of the Futures Contract as well as Credit Futures Contract on the new version of the iTraxx® Europe, Hi Vol and Crossover 5 Year Series respectively valid at the time of introduction of the Futures Contract in case of an anticipated and an actual credit event.

[….]

Application Form - Designated Market Making Scheme for Euro Inflation Futures

To Eurex
Product Strategy
Nadja Urban
Neue Börsenstraße 1
60487 Frankfurt am Main

Fax no.: +49-69-211-61 51 05

Application for the Status of Designated Market Maker in Euro Inflation Futures

1. We _____
(name of member)

herewith apply for the status of Designated Market Maker in Euro Inflation Futures for the period **from January 21, 2008 until July 31, 2008** (commitment period) in accordance with the terms and conditions stated in the **Quote Obligations** (see below).

2. As a Designated Market Maker

   a) we will **provide bid and ask quotes or orders for the auctions and for quote requests during continuous trading time**

      - for the minimum number of contracts
      - in compliance with the maximum spreads
      - for the period of time

      specified in the quote obligations

   b) we will give you the name of a manager who has the authorization and expertise necessary to make decisions and act as the coordinator in our firm, who will be available for Eurex with respect to this agreement;

   c) we will ensure that a Eurex trading screen and a qualified trader are available for Designated Market Making; and

   d) we will inform Eurex within one business day in the event that we find ourselves no longer in a position to fulfill these obligations.

3. Eurex will in return

   a) - if wished - mention the name of the Eurex member with the Designated Market Maker status in advertising and informative material in connection with the contracts;

   b) make Eurex spokesmen and printed material available for seminars organized by the Designated Market Makers regarding the inflation futures; and

   c) **refund all trading and clearing fees** for the contracts traded by the Designated Market Makers on M-accounts up to July 31, 2008 and grant a **stipend of 3,000 EUR** per calendar month upon fulfillment

d) In addition, provided the fulfillment of the quote obligations the Market maker will automatically get an **extra payment** according to their traded market share **(x%) of 10,000 (20,000) Euro**, provided the Eurex overall monthly trading volume in the Euro Inflation Future exceeds 2,000 (4,000) contracts.

4. Compliance with the obligations stated under No. 2 shall be monitored by Eurex. In the event that the obligations stated under No. 2 are not met by us, Eurex shall have the right to terminate the agreement and to publicly disclose the termination of the Designated Market Maker status at Eurex' discretion. In this case, Eurex shall be released from its obligations pursuant to No. 3 with immediate effect.

5. In the event of a significant change in the Contract Specifications for the contract or due to a revision of the law or rules with respect to the contract, we as well as Eurex have the right to terminate this agreement with immediate effect or to renegotiate the requirements indicated in paragraph 2 and/or in the associated Quote Obligations.

6. Eurex shall have the right to amend or expand one or more of the conditions laid down in this agreement for limited periods of time at its sole discretion with validity for all Designated Market Makers, if it deems this appropriate (for example, in circumstances which lead to high market volatility or if such amendments or expansion is not expected to have an adverse effect on market quality). In the event that Eurex amends or expands one or more conditions, the Designated Market Makers must, for their part, ensure that the Designated Market Makers can also be promptly advised that this situation has ceased to exist.

7. Other than the aforementioned measures, no special status at Eurex shall be accorded to the participant in conjunction with the Designated Market Maker status, which expires on July 31, 2008. After that time, the title "Designated Market Maker" can no longer be used unless otherwise agreed with Eurex.

9. The associated Quote Obligations are an integral part of this application.

SHOULD BE FILLED OUT BY THE PERSON DESIGNATED IN ACCORDANCE WITH PARAGRAPH 2. b)

_____
Place, date

_____ _____
Name Position

_____ _____
Phone Fax

_____ _____
(Signature / Stamp of the firm) E-mail address

Please send the completed application for the status of Designated Market Maker to the indicated fax number.

Quote Obligations for Euro Inflation Futures:

Quote Obligations for Euro Inflation Futures			
Quotation	**Spread**	**Size**	**Auction periods*:** **09:45 - 10:00 CET and 16:45 - 17:00 CET** **Continous Trading Time:** **10:00 - 16:45 CET**
Auction only & Quotation on Reqest	**20 ticks** (1 tick =0.01 index points)	**20 lots**	Quote for 12 **out of 20 calendar months in the auction and respond to 70% of all incoming quote requests during continous trading.****

* Market Maker has to be present 80% of the auction period (i.e. 12 out of 15 minutes)
Market Maker has to be present in the netting process of the auction

** Quote-Performances will be measured as an average during the month