X-pand into the Future

e u r e x *circular 049/01*

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Recipients: All Eurex members and vendors
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⚠ **High Priority**

1. Introduction of Position Limits for Euro Capital Market Futures
2. Adjustment of Contractual Default Penalty for Deliveries within 2nd SDS on Delivery Day

Related Circulars: DTB Circular 09/98 (Topic 2)

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Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Administration	Extract from Clearing Conditions of Eurex Clearing AG (Section 2.1.12.5)

Summary:

1. Introduction of Position Limits for Euro Capital Market Futures

At their meeting on 29 May, 2001, the Management Boards of Eurex Deutschland and Eurex Zürich made the decision to introduce limits on positions in Euro Capital Market Futures (Euro BUND, Euro BOBL and Euro SCHATZ Futures).

These limits will be imposed exclusively on **long positions** in the **front month** of the products referenced. They will be effective initially, and until further notice, for the **September 2001** contracts in **Euro BUND, Euro BOBL and Euro SCHATZ Futures**.

2. Adjustment of Contractual Default Penalty for Deliveries within 2nd SDS on Delivery Day

In a further measure, the Board of Eurex Clearing AG has made the decision to reduce the contractual default penalty for late deliveries in Euro Capital Market Futures (**Euro BUND, Euro BOBL and Euro SCHATZ Futures**), insofar as such deliveries are made in the second SDS on the delivery day. This measure will be effective from the **June 2001 expiration**.

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These limits will be imposed exclusively on **long positions** in the **front month** of the products referenced. They will be effective initially, and until further notice, for the **September 2001** contracts in **Euro BUND, Euro BOBL and Euro SCHATZ Futures,** and will apply for the period from the **beginning of the delivery month** until the last trading day of the expiring contract; thus firstly for the period 01 September, 2001 until 06 September, 2001 (last trading day for the September 2001 contract).

The intention behind the measure is to strengthen the coordination of roll over activities into the subsequent expiry, for positions which exceed the limits.

The position limits will apply separately to proprietary trading (the sum of gross long positions in the P1, P2 , M1 and M2 position accounts) as well as to agency business (sum of gross long positions in the A1 position account) for each member. The definitive level of the position limits will be related to the issuance volume of the respective CTD bonds, and will most probably be announced in mid-August, with notice of at least 6 exchange trading days before it comes into effect.

Eurex Market Supervision and the Trading Surveillance Office will monitor adherence to the position limits. The Exchange Surveillance office will report limit violations to the Management Boards of Eurex Deutschland and Eurex Zürich, and to the Exchange Supervisory Authority, in order to initiate sanction procedures.

Furthermore, we would draw your attention to section 4.7.1 of the Exchange Rules which forbids a member to engage in any transactions at the Eurex Exchanges for its own account or for the account of any customer if there is an indication that, as a consequence of such transactions, such Exchange Participant or its customer, whether alone or jointly with others, would hold or control a total position in excess of the position limits set by the Board of Management of Eurex Deutschland or Eurex Zürich, as the case may be.

2. Adjustment of Contractual Default Penalty for Deliveries within 2nd SDS on Delivery Day

In a further measure, the Board of Eurex Clearing AG has made the decision to reduce the contractual default penalty for late deliveries in Euro Capital Market Futures (**Euro BUND, Euro BOBL and Euro SCHATZ Futures**) under certain circumstances.

Timely delivery was defined in DTB Circular 09/1998. Thereby, deliveries are only considered to be on time when they are made, at the latest, in the first Same Day Settlement processing on the Value Date / Delivery Day (T+2).

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Further to that, the Board of Eurex Clearing AG has made the following decision: Insofar as deliveries in the Euro Capital Market Futures (**Euro BUND, Euro BOBL and Euro SCHATZ Futures**) are made in the second SDS on the delivery day, thus no longer timely, the associated contractual penalty defined in the Clearing Conditions, currently 40 ticks (400 €) per contract per calendar day, will be reduced to 4 ticks (40 €) per contract. **This measure will take effect from the June 2001 expiration**. However, in such cases Eurex will make no changes to the additional contractual penalty defined as follows in the Clearing Conditions: ‘ In addition, Eurex Clearing AG will charge a contractual penalty until delivery is made in an amount representing a specified percentage – to be announced by Eurex Clearing AG in advance – of the equivalent of the debt securities to be delivered; such percentage shall be based on the money-market rates prevailing in the market.’

Furthermore, the regulations according to section 2.1.12.5 of the Clearing Conditions of Eurex Clearing AG shall remain unaffected.

Frankfurt, 31 May, 2001

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Clearing Conditions of Eurex Clearing AG

2.1.12.5 Default in Delivery or Payment

(1) In the event that a Clearing Member which is obligated to deliver is in default and fails to deliver the debt securities notified by it on the delivery day and pursuant to the instructions of Eurex Clearing AG, Eurex Clearing AG shall be entitled to take the following measures:

- Eurex Clearing AG is entitled to obtain by means of securities lending the notified debt securities and deliver them to the Clearing Member which did not receive delivery in a timely manner.
- Eurex Clearing AG is entitled to designate from the basket of deliverable bonds debt securities other than those notified as debt securities to be delivered and to deliver such debt securities to the Clearing Member which did not receive delivery in a timely manner.

In such case, the defaulting Clearing Member must deliver the debt securities so notified by Eurex Clearing AG.

Eurex Clearing AG is entitled to obtain the notified debt securities by means of securities lending and to deliver them to the Clearing Member which did not receive delivery in a timely manner.

In the event that the debt securities to be delivered are not delivered to Eurex Clearing AG as part of the standard transfer arrangement of Clearstream Banking AG by the fifth Exchange day after the delivery day, Eurex Clearing AG shall be entitled to make a replacement purchase with respect to the undelivered debt securities. The replacement purchase is to be carried out through a replacement transaction on a stock exchange on the fifth Exchange day after the delivery day. Eurex Clearing AG will deliver the debt securities acquired through such replacement transaction to the Clearing Member which did not receive delivery in a timely manner.

(2) Measures set forth in paragraph (1) are binding on the Clearing Member which did not receive delivery in a timely manner.

(3) Any costs arising from the measures taken in accordance with paragraph (1) must be paid by the defaulting Clearing Member.

(4) Furthermore, Eurex Clearing AG will charge the defaulting Clearing Member a contractual penalty. The contractual penalty shall be calculated as follows:

Eurex Clearing AG is entitled to a contractual penalty from the defaulting Clearing Member until delivery is made by the defaulting Clearing Member or until a replacement purchase is made by Eurex Clearing AG on the fifth Exchange day in the amount of 40 ticks per contract and calendar day. Should the defaulting Clearing Member deliver the due debt securities in the second Same Day Settlement processing of Clearstream Banking AG on the delivery day, the above-mentioned contractual penalty will be reduced to 4 ticks per Contract. In addition, Eurex Clearing AG will charge a contractual penalty until delivery is made in an amount representing a specified percentage - to be announced by Eurex Clearing AG in advance - of the equivalent of the debt securities to be delivered; such percentage shall be based on the money-market rates prevailing in the market.

(5) In the event that any payment is not made on the payment date, subsection 1.7.1 paragraph (4) and subsection 1.7.2 paragraph (5) shall apply mutatis mutandis.

(6) The right of Eurex Clearing AG and the Clearing Member which did not receive delivery in a timely manner to claim further damages shall remain unaffected.