e u r e x *rundschreiben*

To: The Members of Eurex Deutschland
Date: September 7, 1998

Eurex Circular 45/98
Regulation of "Automatic" Order Routing

Dear Sir or Madam,

The Board of Management and the Exchange Council of Eurex Deutschland have recently resolved upon amendments of the Exchange Rules for Eurex and the Implementation Regulations of Eurex Concerning Technical Equipment in which the prerequisites of the use of electronic order routing systems are now regulated. The respective regulations are enclosed with this letter (Appendix 1).

In order to promote a better understanding of such regulations, in particular, to make it easier to evaluate which kinds of order forwarding systems are subject to approval and which details have to be considered in this respect we would like to give you the following information:

Pursuant to § 1 paragraph (11) of the Implementation Regulations of Eurex Concerning Technical Equipment for the Electronic Trading System Order Routing Systems are electronic forwarding systems which are used by trading participants in order to transmit exchange orders from the customer to the participant. According to the regulation Order Routing Systems are systems used by the participant, which facilitate an automated electronic transmission of exchange orders via own systems and networds or via those of special providers of services. If the orders, which have been transmitted via such Order Routing Systems to the participant, are channeled electronically into the exchange trading system, the use thereof is *subject to approval* by the Board of Management of Eurex pursuant to § 2 paragraph (5). The respective application form is enclosed herewith as Appendix 2.

In those cases in which a trading participant intends to enable individuals or legal persons (third parties) who are not admitted to the Exchange to enter orders using the Order Routing System approved by the Board of Management, the number, operation location and the identity of the users of the terminal connected to the Order Routing System must be communicated to the Trading Surveillance Unit. There is no notification obligation if an enterprise admitted to the Exchange provides for the facility to enter orders on its business premises (e.g., on the premises of its customer advisers).

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Order routing is also subject to approval if the orders are channeled into the system via public data transmission wires or networks (e.g., orders of personal customers by means of brokerage software via T-Online or the Internet) and subsequently transmitted electronically to the Exchange by means of an automated system. In such a case a notification vis-à-vis the Trading Surveillance Unit is not required.

If such a notification is required, it shall be submitted directly to the Trading Surveillance Unit.

In addition, please be advised

- that pursuant to § 16 paragraph (6) of the Eurex Exchange Rules each trading participant, which uses an order forwarding system, is responsible for ensuring that the order routing facility is used properly and in accordance with the provisions of Exchange law - any non-compliance with such provisions may result in the restriction or revocation of the permission for using an Order Routing System - and

- that the use of Order Routing Systems by trading participants within the meaning of the aforementioned definition is permitted *exclusively* with respect to the transmission of customer orders, i.e. orders, which have been submitted to the trading participant by third parties (individuals or legal persons) and

- that in connection with the granting of approval of the Order Routing Systems the Board of Management is entitled to determine additional requirements for the filter used by the participant.

Finally, we would like to advise you that at the moment it is not permitted to use such Order Routing Systems in the United States because the U.S. Supervisory Authority CFTC has not yet submitted the approval thereof.

We hope that we have been able to give you helpful hints for the application of the new provisions.

Yours faithfully

Volker Potthoff
Legal Affairs

Heike Brune-Bau
Legal Affairs / Membership Unit

Enclosures

5. Part

Admission to Participate in Options and Futures Trading

§ 16 Admission as Exchange Participant

(6) To the extent that the Board of Management permits a trading participant to use order routing systems to input orders in accordance with the Implementation Regulations, such trading participant is responsible for ensuring that the order routing facility is used properly and in accordance with the provisions of Exchange law. This also applies to any orders which are entered in the trading system via order routing by third parties who are not admitted to the Exchange. Should the trading participant fail to comply with the requirements of sentences 1 and 2, the Board of Management shall restrict or revoke the permission for using an order routing system.

§ 1 Definitions

(11) Order Routing Systems are electronic order forwarding systems which are used by trading participants to transmit exchange orders. Order Routing Systems may be connected to the electronic trading system via a defined interface pursuant to § 2 paragraph (4) so that the orders transmitted via this system can be channeled directly into the trading system.

§ 2 Connection

(5) After making written application and receiving approval thereof from the Board of Management, a participant is entitled to connect an Order Routing System via a defined interface if:

- before being channeled into the trading system, the transmitted orders pass an electronic filter which is installed in the participant's trading system and which checks and releases orders for further transmission according to parameters defined by the participant;
- the filter has been allocated an approved Exchange trader who is responsible for the definition of parameters and the control and monitoring of the filter, and who can manually prevent the forwarding of orders at any time;
- the participant has informed the Board of Management in writing of the personal user ID of the allocated Exchange trader;
- the Order Routing System is used exclusively for the transmission of client orders; and
- in those cases in which third parties who are not admitted to the Exchange are able to enter orders using the Order Routing System, the number, operating location and the identity of the users of the terminal connected to the Order Routing System have been communicated to the Trading Surveillance Unit. This also applies to changes with respect to such terminals. The participant must oblige the user to comply with the Rules and Regulations of the Exchange. Should the user fail to do so, the participant shall immediately prevent it from continuing to use the Order Routing System.

Application for Authorisation of an Order Routing System

Applicant

Name of stock exchange member applying

Address

First Name, Surname of contact

Tel. No. Fax No.

Eurex
-Membership Unit-

60284 Frankfurt am Main

Application for authorisation to link up an automatic order routing system to the trading system used by Eurex Deutschland pursuant to section 2 para. 5 of the Technical Implementation Regulations

I. We hereby apply pursuant to section 2 para. 5 of the Technical Implementation Regulations for authorisation to link up an automatic order routing system to the Eurex trading system via the ORPI interface.

☐ We are also an approved member of Eurex Zürich AG. This application therefore also holds for Eurex Zürich AG.

II. Stock exchange trader responsible in the sense of section 2 para. 5 is the following, officially admitted exchange trader:

User Code						**Name of trader**	**Telephone Number**
O	**R**	**S**					

Changes to this user code must be reported to the exchange immediately!

III. We guarantee that at all times we will uphold the conditions and instructions set out in section 2 para. 5 of the Technical Implementation Regulations as regards linking up and operating an order routing system

We are in particular aware that pursuant to section 2 para. 5 of the Technical Implementation Regulations we are obliged to report the names of all users of the order routing system who are not approved members of Eurex Deutschland to the Market Surveillance Office (HÜSt).

Such reports must be made directly to HÜSt.

Place and Date

Company Stamp and Signature