X-pand into the Future

e u r e x *circular 019/05*

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Recipients: All Eurex members and vendors
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High Priority

Introduction of Eurex Release 8.0

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Content may be most important for:

- Front Office / Trading
- Middle + Back Office
- IT / System Administration
- Auditing / Security Coordination

Attachment:

1. Eurex Release 8.0 Information Schedule

Summary:

Eurex is planning to introduce Eurex Release 8.0 on November 7, 2005. The release simulation is scheduled for the period September 9, 2005 until October 28, 2005. This circular provides initial information about Eurex Release 8.0 with regard to the following areas:

- System enhancements
- Technical changes
- Infrastructure changes

Detailed information on the changes planned in Eurex Release 8.0 will be provided in the Preliminary Functional and Technical Release Notes. The publication date for the Preliminary Release Notes as well as the planned dates for further documentation associated with the new release can be found in the attachment "Eurex Release 8.0 Information Schedule".

The market launch of the individual functions is not necessarily the same as the release date of Eurex 8.0.

The individual dates will be announced separately by Eurex via circular at a later date.

Introduction of Eurex Release 8.0

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A. System Enhancements

1. Implied In and Out/Synthetic Matching for Options

A synthetic option market will be introduced by linking the option strategy market with the regular options market resulting in increased price quality and where applicable additional inside market quantities in both regular options markets and option strategy markets.

The functionality will be available in Eurex 8.0 for certain two-leg strategies.

2. Flexible Options

Introduction of a new **OTC Flexible Options** functionality will enable members to enter, ratify, give-up, take-up, and exercise OTC Flexible Options Trades providing additional flexibility regarding, for example, the exercise price, expiration date and exercise style.

3. Credit Futures

The introduction of Eurex Release 8.0 will enable Credit Futures trading

4. Market Maker Protection

Eurex Release 8.0 will offer enhanced risk control features for Market Makers to provide protection against price/volatility risks. The functionality will support the following characteristics:

- Limits for volume, delta and vega on a product/trader subgroup basis.
- The respective quotes will automatically be deleted in the event that limits are reached or exceeded within a configurable time interval.

5. Market Making Heartbeat

A new VALUES request which can be sent on a regular basis from the Member front-end to the Eurex back-end will be implemented. When such a **heartbeat** is not received from the back-end within a specified period, a deletion (trade interruption) of the quotes will be triggered. The deletion of the quotes acts as a safeguard against economical risk as a result of technical failure.

6. Exchange for Physical Index Futures

A new OTC trade entry facility ”EFP for Index Futures” (EFPI) will be implemented with Eurex Release 8.0. Index futures will be traded against a basket of stocks of the index.

7. Market On Close Order

A new order restriction type will allow traders to enter orders during the day for futures with price-time priority which are only valid during the closing auction of the current business day but not in the trading phase.

8. Enhanced Position Transfer

Partial position transfers for futures or for options products, for which the premium is settled futures-style, will be executed with the previous settlement price instead of the current settlement price.

9. Static Data Report with All Active Series

Introduction of a static data report (fixed width in new format and XML) listing all active series.

10. Increase the Number of Single Leg Quotes in a Mass Quote Request

Further compression of quote information in mass quote requests will enable up to 160 single quotes to be fitted in one network message (currently 24). Please note that it is most advisable to design all VALUES API applications such that this maximum number can be changed easily as Eurex is likely to use a stepwise increase in this maximum number (starting with 50, for example).

11. Back-End Implementation of Order Handover Tool (HOT) between Eurex und Eurex US

The Order Handover Tool (HOT) supports the transfer of trading activities from Eurex to Eurex US. Eurex Release 8.0 will introduce a backend-based order attribute which can be used by HOT (Order Handover Tool) or any other third party's order routing system will be implemented. Orders can be designated as "to be transferred orders" during the initial order entry.

12. Additional Transparency for Strategy Volumes

Trade volume of strategies for both OTC and exchange trades will be added to the total trade volume of the single legs. The accumulated trade quantity information will be displayed in the Single Leg Inside Market.

13. Price Steps for Futures

The price step functionality will be extended to futures to allow smaller price increments for future-time spreads.

14. Market Making Quote Request Validation

The quote request validation parameters will be set individually for each product rather than globally to reflect the individual product's trading characteristics

B. Technical Changes

1. "State of the Art" Reporting Using XML

Eurex Release 8.0 will introduce a new platform-independent, "State of the Art" report format to the system. In this release all reports will be available in XML format. Reports will be temporarily available in three different formats; fixed width (new format/layout), raw data and the new XML format. Two formats, XML and fixed width, will be selectable via the **Report Selection** window in the Eurex @X-tract Clearing GUI. If the XML format is selected the associated raw data report will be created if available.

The printable reports which are currently available in the Eurex 7.0 system will be discontinued in Eurex Release 8.0. In a future Eurex Release the raw data reports will also be discontinued.

2. Numerous Improvements and Harmonization in the Use of the GUI

Enhancement of the front-end architecture

- Enhancement of recoverable broadcast gap detection
- Advanced error response handling in the Eurex Broadcast Server

3. Compression of Order/Quote Confirmation (no VALUES API impact)

Eurex Release 8.0 will improve the compression of order confirmations, trade confirmations and quote confirmations thus obtaining reduced network load and broadcast delivery times.

4. Increased Digit Display of Inside Market Quantity

The maximum quantity for Inside Market Inquiries and broadcasts will be increased from four to six digits.

C. Infrastructure Changes

1. Supported Operating Systems

Eurex Release 8.0 will support the following operating system versions for MISSes and workstations:

- Windows 2000 Service Pack 4
- Windows XP Professional Service Pack 1, 1a and 2 (for workstation only)
- Solaris 8 (HW 02/02 or higher) and Solaris 10

The old operating system versions (Solaris 8 and Windows XP SP 1/1a) will be supported in parallel at least until the end of the first quarter of 2006.

Further information concerning the support of additional operating systems will be announced separately by Eurex at a later date. Please refer to the Preliminary Technical Release Notes for changes concerning MISS/workstation combinations.

2. Introduction of GATE 3.4 and a New Shared Library

The Eurex Release 8.0 software makes use of the GATE Release 3.4 update which will be mandatory for all members.

In addition, the interdependencies of the VALUES-shared library in GATE 3.4 will also change.

3. Backwards Compatibility for Standard VALUES Applications

In order to ensure backwards compatibility for standard VALUES-based applications, binary compatibility will be guaranteed within the GATE 3.4 software. The GATE 3.4 kit will still contain the GATE 2 shared library. The vast majority of all VALUES applications, such as the XETRA Trading GUI and applications linked explicitly against the GATE 2 and GLUE shared libraries, **will remain unaffected** by the changes to be introduced with GATE 3.4.

In order to ensure the full compatibility of VALUES applications with future releases beyond the GATE 3.4 release, it is highly recommended that existing applications be modified or rebuilt and new applications designed to include an explicit dependency on the VALUES-shared library only. All dependencies on the GATE 2/GLUE libraries within an application should be removed.

4. Backwards Compatibility for “Unconventional” VALUES Applications

Under exceptional circumstances, there is a possibility that special VALUES applications using unconventional library setup mechanisms might no longer be backwards compatible with the GATE 3.4 release despite its binary compatibility.

Such special VALUES applications include those which interpose the runtime linker on the target platform and therefore require the knowledge of each VALUES-dependant library and VALUES-Plug. This means if an application initiates more than one instance of the VALUES library in a single process, it must also initiate the associated VALUES-dependant libraries. In order to do this the application must “know” the respective dependencies. If these dependencies are not determined dynamically at runtime but are hard-coded into the program source or configuration file, these applications and/or configuration files must be changed to be

compatible with GATE 3.4. As stated above, the dependencies of the VALUES-shared library will change with GATE 3.4.

VALUES applications, such as the one described above, will be affected as soon as the GATE 3.4 software is installed on the machine where it is executed which mean those VALUES applications, for example, which are operated in a Multi-Market environment. In order to be compatible with the GATE 3.4/Eurex 8.0 software releases, the application **must be rebuilt** to adhere to the new shared library specifications.

5. JAVA Runtime Environment 1.5 and Performance Improvements

In addition, the Java Runtime Environment 1.5 will be made available to improve runtime performance. Finally, several performance and stability improvements will be implemented.

Further information concerning the launch of Eurex Release 8.0 will be published in due course.

Frankfurt, February 17, 2005

Eurex Release 8.0: Information Calendar

