X-pand into the Future

e u r e x *circular 013/05*

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Recipients: All Eurex members and vendors, CCP members
Authorized by: Daniel Gisler

CCP 3.0 – Additional Functional Information

Related Eurex Circulars: 144/04, 149/04

Contact: FI CCP Change Management Team, tel. +49-69-211-1 16 60
e-mail: ccp.fi@eurexchange.com

Content may be most important for:	**Attachments:**
➲ All Departments	none

Summary:

The present circular provides additional information to support Eurex Bonds and Eurex Repo market participants in their implementation activities for the planned migration of fixed-income clearing to the platform of the Central Counterparty ("CCP") on May 23, 2005.

The following subjects are covered:

- Explanations with regard to the **extension of the Eurex Bonds product portfolio** as announced in Eurex Bonds circulars 55/04, 57/04 and 62/04
- **Update of the "Member File-based and SWIFT Interface" document**
- Details about the **Shaping Functionality**
- **Explanations with respect to reports**: Distinction between Fixed Income CCP and Equity CCP reports, definition of job names and report provision times
- Details about the **Open Member Simulation**

CCP 3.0 – Additional Functional Information

Extension of Eurex Bonds Product Portfolio

In November 2004, Eurex Bonds extended its product portfolio to include additional bonds issued by the European Investment Bank, European Covered Bonds and Corporate Bonds. It is planned to successively introduce European Government Bonds in 2005.

This portfolio enhancement was made possible due to the link established between Eurex Clearing AG and Clearstream Banking Luxembourg in October 2004 (so-called "CBL Link"). The new products can only be settled via an ICSD account and hence are available for all participants who hold an account with Clearstream Banking Luxembourg, Euroclear Bank or a 6-series account with Clearstream Banking Frankfurt (CBF).

Since clearing of all products traded on Eurex Bonds will be migrated to the CCP platform on May 23, 2005, according to the current planning status, clearing for the above-mentioned products will also be performed via the CCP in future.

Update of "Member file-based and SWIFT Interface" Document

Publication of this document was announced in Eurex circular 149/04 and the document itself posted in the Member Section of the Eurex website (see path below). The descriptions of fields 31P and 94B have been adjusted as follows:

3.1.4.2 Text Block (MT523): Field 31P – Trade Date and Location

The "XEUR" value has been changed to "EDT".

5.4.1 Field Description (MT536): Field 94B – Source of Price

For the Equity CCP, display of the values "XEDF" and "XEDE" has been changed to "EDF" for XONTRO trades and "EDE" for Xetra trades, respectively. This follows the currently used logic for displaying trading locations.

For the FI CCP, the previous values "XEUB" for Eurex Bonds trades, "XERE" for Eurex Repo trades and "XEUR" for Eurex trades have been replaced by "EUB", "ERE" and "EDT", respectively.

The previous document was already replaced by an updated version in the Member Section of the Eurex website **www.eurexchange.com** under **"Member Section > Documentation/Manuals > CCP > CCP 3.0 > Technical Manuals**".

Shaping Functionality

Through Settlement Netting, sell and buy trades marked for net processing with status "released/pending" are transformed into an offsetting block plus a surplus of trades which have not been offset. For this surplus, as well as for all sell and buy trades marked for gross processing with status "released/pending", the CCP generates delivery instructions (also refer to CCP Release 3.0 Release Notes, page 16ff).

In order to increase the number of settlements from the surplus or increase settlement efficiency, the shaping functionality divides large positions into delivery instructions with smaller volumes. The nominal volume of each shaping block is set to EUR 50 million. Only a shaping block resulting from a previously larger position may thus have a nominal volume below EUR 50 million.

Eurex Clearing AG
D-60485 Frankfurt am Main
www.eurexchange.com

Customer Support
Tel. +49-69-211-1 17 00
Fax +49-69-211-1 17 01

Executive Board:
Rudolf Ferscha (CEO),
Daniel Gisler, Thomas Lenz,
Peter Reitz, Jürg Spillmann

Explanations with Respect to Reports

Distinction between Fixed Income CCP and Equity CCP reports

FI CCP participants have the opportunity to receive intraday reports based on S.W.I.F.T. format MT536 via different transmission paths.

The following Equity CCP or Fixed Income CCP reports will be generated in S.W.I.F.T. MT536 format:

- CE260/261/262 – Pending Delivery Report for ECCP and FI CCP
- CE270/271/272 – Settled Delivery Report for ECCP and FI CCP
- CE265/266/267 – Pending Delivery before Night-Time Processing Report (newly introduced for FI CCP)

Provision of FI CCP reports will occur independently from ECCP reports. The reports can be distinguished unequivocally from each other (file names, provision times). No changes will be applied to ECCP reports.

The following applies

- for reports sent to the MISS:
FI CCP and ECCP raw data reports can be distinguished from each other by file name and/or their extension. ECCP reports show a ".lis" extension whereas FI CCP reports are marked by a ".lisbonds" extension. Both are numbered chronologically in ascending order according to the corresponding settlement run.

- for reports sent via z/OS (SNA):
Participants agree specific file extensions with Deutsche Börse Technology Systems (z/OS). Selected extensions should allow unequivocal distinction between ECCP and FI CCP reports.

- for reports sent via SWIFTNet:
S.W.I.F.T. messages are sent via SWIFTNet to the participant-specific S.W.I.F.T. addresses.

Participants have the opportunity to select their desired mode of transmission by using the following forms (available for downloading in the Member Section of the Eurex website **www.eurexchange.com**):

- Order Form for Setup / Change / Cancellation of a CCP Report Node
- Order Form for Setup / Change / Cancellation of a z/OS File Transfer (SNA) – FI CCP Settlement Reports
- Order Form for Setup / Change / Cancellation of a SWIFTNet File Transfer – FI CCP Settlement Reports

Definition of job names

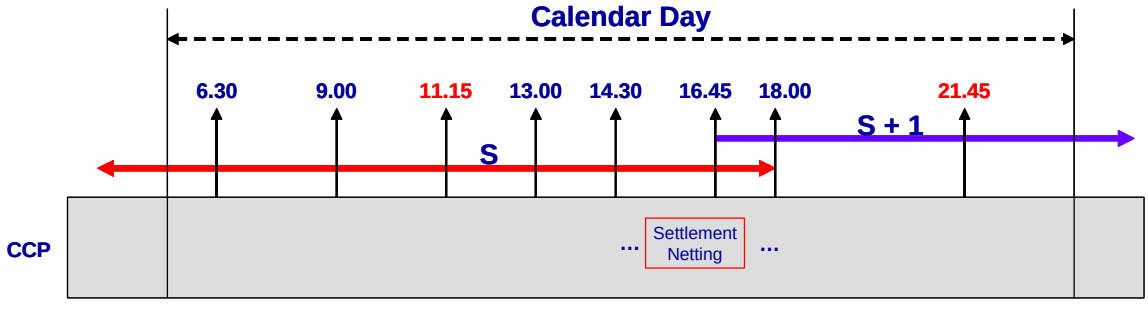
For the FI CCP, there will be eight intraday settlement runs (see below). For the ECCP, three settlement runs with report generation will be performed per day (STD, SDS1 and SDS2), as today. As the provision times for ECCP and FI CCP reports differ, they will also be provided in different job runs. However, job names have to be selected so as to ensure clear distinction between ECCP and FI CCP jobs. The job names have to be defined bilaterally between each participant and Deutsche Börse Technology Systems (Technical Member Readiness, telephone +49-69-211-1 17 10).

Provision times of intraday reports

With introduction of the FI CCP, the intraday report CE270 (for Clearing Members, 271 for Settlement Institutions and 272 for Trading Members) will be distributed eight times per day to the participants at 06:30, 09:00, 11:15, 13:00, 14:30, 16:45, 18:00 and 21:45 CET. The acceptance of reports only at certain dissemination times is not possible. Dissemination is carried out independently from the additional report dissemination by the (International) Central Securities Depositories (I)CSDs.

Since the schedule for Standard Settlement may differ from Immediate Settlement (for ISI), report CE27X may show settlement results from the current exchange day as well as from the next exchange day.

The following figure clarifies this point:



Open Member Simulation

Members have the opportunity to familiarize themselves with the functionalities of the Fixed Income CCP and its associated systems by participating in an open simulation between April 4, 2005 and May 13, 2005. For this purpose, Eurex Clearing AG will provide recommended test cases, on the basis of which each participant can define own appropriate test scenarios. Focus days are planned to simulate coupon compensations as well as handling the Member Settlement Instruction File (MSIF) on the members' side.

During the entire simulation period, the simulation environment of Clearstream Banking Frankfurt (IMS23) will be available. This allows participants to simulate CCP processing including settlement in the simulation environment of CBF during that period. Cross-border trades are excluded.

For all other (I)CSDs, simulation will be possible continuously through the usage of a settlement simulator, which means that all trades receive the settlement status "settled".

In the simulation environment, permanent real-time settlement as well as three to five batch runs for settlement netting are planned per week. During this time, related reports are provided by the CCP and other associated systems, for example Xetra, Eurex/Risk Engine and also from the CBF IMS23 simulation environment.

During the course of the simulation, Eurex Clearing AG will ask participants to provide feedback and confirm their readiness for migration.

Frankfurt, January 31, 2005

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