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e u r e x *circular 031/05*

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Recipients: All Eurex members and vendors
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Introduction of Futures Contracts on the MDAX® Index – Clearing Conditions

Related Eurex Circulars: 026/05

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Content may be most important for:	**Attachments:**
➲ Middle + Back Office ➲ Auditing / Security Coordination	New Sub-subpart 2.1.4 of the Clearing Conditions for Eurex Clearing AG: Settlement of Futures Contracts on the MDAX® Index (MDAX Futures)

As amendment to Eurex Circular 026/05 please find attached the updated sections of the Clearing Conditions for Eurex Clearing AG.

The introduction of futures contracts on the MDAX® index, the international mid cap index of Deutsche Börse AG, was approved by the Management Boards of Eurex Clearing AG in their session on February 9, 2005 to become effective on **March 21, 2005**.

2 Part: Settlement of Transactions at Eurex Deutschland and Eurex Zürich

2.1 Subpart: Settlement of Futures Contracts

[…]

2.1.3 Sub-Subpart: Settlement of Futures Contracts on the ~~German Stock Index~~ DAX® (DAX Futures)

2.1.3.1 General Provisions

(1) Eurex Clearing AG shall be a contracting party to all payments arising out of the settlement of DAX Futures contracts.

(2) Clearing Members must fulfill their payment obligations in accordance with the instructions of Eurex Clearing AG.

(3) The following shall apply to the procedures for payment pursuant to paragraph (1): All payments shall be made directly between the Clearing Members through their accounts at a branch of the Central Bank of Germany (Deutsche Bundesbank) on the Exchange day following the final settlement day. All Clearing Members must ensure their ability to effect payments on the due date thereof by having sufficient credit balances in their account at a branch of the Central Bank of Germany (Deutsche Bundesbank) or in the account at a branch of the Central Bank of Germany (Deutsche Bundesbank) of the correspondent bank which has been instructed by the Clearing Member to handle the clearing of the contract.

2.1.3.2 Daily Settlement

(1) For each contract, profits and losses arising out of open positions on any Exchange day will be determined at the end of the Post-Trading Period and credited to or debited from the internal cash clearing account. For open positions from the previous Exchange day, the amount to be credited or debited shall equal the difference between the daily settlement prices of the contract in question on the relevant Exchange day and the previous Exchange day. For transactions on the relevant Exchange day, the amount to be credited or debited shall equal the difference between the price at which the transaction was concluded and the daily settlement price for such Exchange day.

(2) As a matter of principle, the daily settlement price corresponds to the closing price as settled in the closing auction. If it is not possible to determine a closing price

within the closing auction or if the price so determined does not reflect the true market conditions, the settlement price shall be determined on the basis of the price of the last transaction entered into during the final 15 minutes of trading on an Exchange day. If it is not possible to determine a price pursuant to the above provision, or if the price so determined does not reflect the true market conditions, Eurex Clearing AG shall determine the settlement price.

(3) Paragraph (1) shall apply to the legal relationship between General Clearing Members or Direct Clearing Members and the Non-Clearing Members represented by them mutatis mutandis.

2.1.3.3 Margin Requirements

(1) The basic provisions for the margin requirements are set forth in subsections 1.3.1 to 1.3.5.

(2) The provisions of subsection 2.1.1.3 shall apply mutatis mutandis.

2.1.3.4 Performance

(1) Open positions from the last trading day of a contract shall be balanced on the final settlement day by means of a net payment credited to or debited from the internal cash clearing account of the Clearing Member. Such payment shall equal the difference between the final settlement price of such contract and such contract's daily settlement price (subsection 2.1.3.2) on the Exchange day preceding the last trading day.

(2) The final settlement price shall be determined by Eurex Clearing AG on the final settlement day for a contract based on the value of the DAX on such day, which will be calculated on the basis of the auction prices for the securities included in the DAX in the intra-day auction determined by ~~Eurex Clearing AG~~the Eurex Exchanges fixed by the electronic trading system of the Frankfurt Stock Exchange (Xetra).

2.1.3.5 Default in Payment

Defaults or technical defaults in payment shall be subject to the provisions of subsection 1.7.1 paragraph (4) or subsection 1.7.2 paragraph (5) respectively.

2.1.4 Sub-Subpart: Settlement of Futures Contracts on the MDAX® (MDAX Futures)

2.1.4.1 General Provisions

(1) Eurex Clearing AG shall be a contracting party to all payments arising out of the settlement of MDAX Futures contracts.

(2) Clearing Members must fulfill their payment obligations in accordance with the instructions of Eurex Clearing AG.

(3) The following shall apply to the procedures for payment pursuant to paragraph (1): All payments shall be made directly between the Clearing Members through their accounts at a branch of the Central Bank of Germany (Deutsche Bundesbank) on the Exchange day following the final settlement day. All Clearing Members must ensure their ability to effect payments on the due date thereof by having sufficient credit balances in their account at a branch of the Central Bank of Germany (Deutsche Bundesbank) or in the account at a branch of the Central Bank of Germany (Deutsche Bundesbank) of the correspondent bank which has been instructed by the Clearing Member to handle the clearing of the contract.

2.1.4.2 Daily Settlement

(1) For each contract, profits and losses arising out of open positions on any Exchange day will be determined at the end of the Post-Trading Period and credited to or debited from the internal cash clearing account. For open positions from the previous Exchange day, the amount to be credited or debited shall equal the difference between the daily settlement prices of the contract in question on the relevant Exchange day and the previous Exchange day. For transactions on the relevant Exchange day, the amount to be credited or debited shall equal the difference between the price at which the transaction was concluded and the daily settlement price for such Exchange day.

(2) As a matter of principle, the daily settlement price corresponds to the closing price as settled in the closing auction. If it is not possible to determine a closing price within the closing auction or if the price so determined does not reflect the true market conditions, the settlement price shall be determined on the basis of the price of the last transaction entered into during the final 15 minutes of trading on an Exchange day. If it is not possible to determine a price pursuant to the above provision, or if the price so determined does not reflect the true market conditions, Eurex Clearing AG shall determine the settlement price.

(3) Paragraph (1) shall apply to the legal relationship between General Clearing Members or Direct Clearing Members and the Non-Clearing Members represented by them mutatis mutandis.

2.1.4.3 Margin Requirements

(1) The basic provisions for the margin requirements are set forth in subsections 1.3.1 to 1.3.5.

(2) The provisions of subsection 2.1.1.3 shall apply mutatis mutandis.

2.1.4.4 Performance

(1) Open positions from the last trading day of a contract shall be balanced on the final settlement day by means of a net payment credited to or debited from the internal cash clearing account of the Clearing Member. Such payment shall equal the difference between the final settlement price of such contract and such contract's daily settlement price (subsection 2.1.4.2) on the Exchange day preceding the last trading day.

(2) The final settlement price shall be determined by Eurex Clearing AG on the final settlement day for a contract based on the value of the MDAX on such day, which will be calculated on the basis of the auction prices for the securities included in the MDAX in the intra-day auction determined by the Eurex Exchanges fixed by the electronic trading system of the Frankfurt Stock Exchange (Xetra).

2.1.4.5 Default in Payment

Defaults or technical defaults in payment shall be subject to the provisions of subsection 1.7.1 paragraph (4) or subsection 1.7.2 paragraph (5) respectively.

[...]

2.2 Subpart: Settlement of Options Contracts

[...]

2.2.2 Sub-Subpart: Settlement of Options Contracts on the ~~German Stock Index~~ DAX® (DAX Options)

2.2.2.1 General Provisions

(1) Eurex Clearing AG shall be a contracting party to all payments arising out of the exercise and assignment of options contracts.

(2) Clearing Members must, in accordance with instructions of Eurex Clearing AG, make payments in respect of exercises and assignments of positions for the Clearing of which they are responsible.

(3) Eurex Clearing AG will inform each Clearing Member of the options contracts assigned to it on the morning of the Exchange day after exercise.

(4) The following provisions shall apply to the procedures for payments pursuant to paragraph (1):

All payments shall be made directly between the Clearing Members through their accounts at a branch of the Central Bank of Germany (Deutsche Bundesbank) on the Exchange day following the exercise day; this shall also apply if the exercise is not assigned to the writer until the Exchange day following the exercise day. All Clearing Members must ensure their ability to effect payments on the due date thereof through sufficient credit balances in their account at a branch of the Central Bank of Germany (Deutsche Bundesbank) or in the account at a branch of the Central Bank of Germany (Deutsche Bundesbank) of the correspondent bank which has been instructed by the Clearing Member to handle the clearing of the contract.

2.2.2.2 Option Premiums

The balance of the option premiums ("Net Premium") to be paid by the Clearing Members pursuant to subsection 2.2.4 of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich and to be reimbursed by Eurex Clearing AG shall be payable by the time specified by Eurex Clearing AG on the Exchange day following the conclusion of the transaction, but generally prior to the commencement of trading on Eurex Deutschland and Eurex Zürich on such Exchange day.

2.2.2.3 Margin Requirements

(1) The basic provisions for margin requirements are set forth in subsections 1.3.1 through 1.3.5. In addition thereto, the following conditions apply:

(2) Margin must generally be maintained to cover the costs of a potential closing of all positions at their daily settlement price ("Premium Margin"). The daily settlement price of an option series is the price of the last transaction entered into in such option series during the final 15 minutes of a trading day. If no transactions are entered into in such option series during such period, or if the use of such daily settlement price would not result in a margin requirement that would be adequate to cover the risk assessment of Eurex Clearing AG, Eurex Clearing AG shall determine the daily settlement price.

(3) For purposes of calculating the margin requirements for all option series, net long positions shall be treated as credit balances.

(4) In addition to the foregoing margin requirements ("Premium Margin"), a further margin requirement ("Additional Margin") shall be calculated in an amount sufficient to cover any change to the cost of closing all options positions assuming the least favorable price developments, as determined by Eurex Clearing AG, until the next calculation of margin.

2.2.2.4 Cash Settlement

(1) Exercised and assigned options positions shall be settled by means of a compensating payment credited to or debited from the internal cash clearing account of the Clearing Member.

(2) The cash settlement shall be equal to the difference between the exercise price of the option series and its final settlement price. The final settlement price shall be determined by Eurex Clearing AG on the exercise day of the option series. The value of the DAX, the basis of which are the auction prices of the intra-day auction determined by ~~Eurex Clearing AG~~the Eurex Exchanges fixed by the electronic trading system of the Frankfurt Stock Exchange (Xetra) of the securities included in the DAX, shall be used.

2.2.2.5 Default in Payment

Defaults or technical defaults in payment shall be subject to the provisions of subsection 1.7.1 paragraph (4) or subsection 1.7.2 paragraph (5) respectively.

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