X-pand into the Future

e u r e x *circular 225/05*

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Recipients: All Eurex members and vendors, CCP members
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Settlement Procedure for Euro GC Pooling® Trades at Eurex Repo GmbH to be Modified

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Content may be most important for:	**Attachments:**
➲ Middle + Back Office ➲ IT / System Administration	none

Summary:

In accordance with Eurex Repo trading participants and Eurex Repo Clearing Members, the following modifications in CCP settlement of Euro GC Pooling® trades will become effective **on December 5, 2005:**

1. Change in settlement processing from RTS to batch processing

In future, all trades will be processed in batch processing at Clearstream Banking Frankfurt (CBF) with the exception of Overnight Repo front (start) legs. Delivery instructions will be created in time for the Same-Day-Settlement (SDS1) run. Overnight front (start) legs will continue to be processed in RTS (Real-Time-Settlement).

2. Optional Settlement Netting

As before, Euro GC Pooling® trades will be processed on a gross basis, independent from the default setting of the corresponding Clearing Member. However, Settlement Netting will also be available for Euro GC Pooling® trades. In Gross Delivery Management, Clearing Members/Settlement Institutions can set the processing method flag to “net” for trades in basket ISIN DE000A0AE077. Prior to production start, the new features may be tested in Permanent Simulation on November 23, November 28, November 29 and December 1, 2005.

3. Introduction of SpotNext/Spot Variable Contracts

Eurex Repo is planning to introduce Euro GC Pooling® Spot Terms, whose front leg is settled at T+2. After activation of Spot Terms for trading at Eurex Repo on December 5, 2005, Eurex Clearing will submit delivery instructions for these contracts also for Same-Day-Settlement (SDS1) run.

Settlement Procedure for Euro GC Pooling® Trades at Eurex Repo GmbH to be Modified

1. Change in settlement processing from RTS to batch processing

To achieve higher efficiency in settlement of Euro GC Pooling® trades, the majority of delivery instructions will be submitted for batch processing at Clearstream Banking Frankfurt (CBF). In this process, delivery instructions from Eurex Clearing AG will not be submitted for STD processing but for Same-Day-Settlement (SDS1) processing the morning of the settlement day (see table).

Lifetime:	Start / End:	currently:	In future:
Overnight	Front Leg:	RTS	RTS (no change)
	Term Leg:	SDS1	SDS1 (no change)
TomNext OneWeek Tender	Front Leg:	RTS	SDS1 (new)
	Term Leg:	STD	SDS1 (new)
SpotNext Spot Variable	Front Leg:	--	SDS1 (new)
	Term Leg:	--	SDS1 (new)

This modification will come into effect **on December 5, 2005.**

Please be reminded that trades with trade date (TD) up to and including Friday, December 2, 2005, whose settlement day is December 5, 2005, will still be settled according to the old procedure. Consequently, no instructions for term legs from TomNext/OneWeek tenders will be submitted on December 5, 2005, as these will have been considered in STD processing for the last time on December 2, 2005. Starting December 6, 2005, all term legs, regardless of the original trade date, will be instructed according to the new procedure. Please refer to the table below for details:

Lifetime:	Start / End:	Instruction submission on December 2, 2005	Instruction submission on December 5, 2005
Overnight	Front Leg:	RTS (TD = Dec. 2) (no change)	RTS (TD = Dec. 5) (no change)
	Term Leg:	SDS1 (TD = Dec. 1) (no change)	SDS1 (TD = Dec. 2) (no change)
TomNext, OneWeek Tender	Front Leg:	RTS (Dec. 1 trades)	RTS (Dec. 2 trades) (old procedure)
	Term Leg:	STD (TD < Dec. 2)	no instructions, as already instructed in STD
SpotNext Spot Variable	Front Leg:	--	no instructions
	Term Leg:	--	no instructions

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2. Optional Settlement Netting

Since the introduction of CCP Release 3.0 Clearing Members have the opportunity to use the Settlement Netting functionality for bonds and repos. Up until now, Euro GC Pooling® trades did not qualify for Settlement Netting and hence were settled on a gross basis.

As of **December 5, 2005**, Euro GC Pooling® trades with basket ISIN DE000A0AE077 will be entitled to Settlement Netting within CCP. If selected by the participants, however, these trades continue to be settled using the gross processing method as default procedure. This will be carried out in the same way as today, that is independent of the standard processing method (net/gross) selected by the corresponding Clearing Member and of the settlement account. As agreed with the participants, the standard processing method will not be applied to Euro GC Pooling® trades before next year.

Pending the aforementioned modification, Settlement Netting is only applied if Euro GC Pooling® trades are marked for the processing method “net” on a single trade basis in CCP Gross Delivery Management (VALUES/GUI). The processing method must be selected prior to the start of Settlement Netting in CCP, latest on the business day preceding the settlement day (S–1).

We strongly advise using Settlement Netting for Euro GC Pooling® trades as this can significantly increase settlement efficiency. Naturally, Overnight front legs are excluded from Settlement Netting.

Detailed information about marking trades for gross or net processing can be found in the document *User Guide CCP 3.0.* To download your personal copy from the Eurex website, please follow the links:

www.eurexchange.com > Member Section > Documentation/Manuals CCP > CCP 3.0 > Functional Manuals > User Guide CCP 3.0

Additional information regarding the Settlement Netting algorithm is contained in Eurex circular 016/05 of February 10, 2005 which can be downloaded under

www.eurexchange.com > Member Section > Circulars.

3. Introduction of SpotNext/Spot Variable Contracts

Eurex Repo is planning to introduce Euro GC Pooling® Spot Terms, whose front leg is settled at T+2. After activation of Spot Terms for trading at Eurex Repo on December 5, 2005, Eurex Clearing AG will submit delivery instructions for these contracts for the Same-Day-Settlement (SDS1) run, as with other Euro GC Pooling® trades.

Frankfurt, November 16, 2005