X-pand into the Future

e u r e x *circular 051/04*

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Changes to the Provisions for Order Routing Systems

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Content may be most important for:

➲ All Departments

Attachments:

1. Changes to the Implementation Regulations of Eurex Deutschland and Eurex Zürich Concerning Technical Equipment
2. Changes to the Exchange Rules for Eurex Deutschland and Eurex Zürich

Summary:

The Management Boards of Eurex Deutschland and Eurex Zürich have decided upon changes to the provisions for Order Routing Systems as stipulated in the Implementation Regulations of Eurex Deutschland and Eurex Zürich Concerning Technical Equipment (Implementation Regulations) and Exchange Rules for Eurex Deutschland and Eurex Zürich (Exchange Rules) with the effect from **May 3, 2004**.

Current regulations only allow Order Routing Systems to be used to submit orders to the Eurex system. The planned changes to the Rules and Regulations are intended to extend the use of Order Routing Systems.

Changes to the Provisions for Order Routing Systems

The Management Boards of Eurex Deutschland and Eurex Zürich have decided upon changes to the provisions for Order Routing Systems as stipulated in the Implementation Regulations of Eurex Deutschland and Eurex Zürich Concerning Technical Equipment (Implementation Regulations) and Exchange Rules for Eurex Deutschland and Eurex Zürich (Exchange Rules) with the effect from May 3, 2004.

Current regulations only allow Order Routing Systems to be used to submit orders to the Eurex system. The planned changes to the Rules and Regulations are intended to make the following enhancements to the use of Order Routing Systems:

- Receipt of Eurex Data via Order Routing Systems. The transmission of trading data to non-registered traders via Order Routing Systems is also possible provided that the Order Routing Provider has a Market Data Dissemination Agreement with Deutsche Börse Group.
- Posting of Quote Requests via an Order Routing System by non-registered traders
- Use of Order Routing Systems for proprietary trading by Exchange Participants
- Ability to connect additional software applications to Order Routing Systems
- Discontinuation of Exchange Members' obligation to report non-exchange registered Order Routing clients to the Eurex supervisory authorities. However, when requested by the Eurex supervisory authorities, Exchange Participants are still required to name end-customers.

Use of Order Routing Systems for Market Making purposes, OTC trade entries or transmission of Cross Requests will continue to be prohibited.

Subpart 2.6 paragraph 4 of the Conditions for Trading at Eurex Deutschland and Eurex Zürich, stating amongst other things that all entries made in the EDP system of the Eurex Exchanges via Order Routing Systems shall be considered to be those of the Exchange Participant concerned, remains applicable without limitations

Attachment 1 contains the changes to the Technical Implementation Regulations.

Attachment 2 contains the corresponding changes to the Exchange Rules. Changes to the Exchange Rules will come into effect on **May 3, 2004** subject to approval by the Exchange Councils of Eurex Deutschland and Eurex Zürich.

Frankfurt, April 22, 2004

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Implementation Regulations of Eurex Deutschland and Eurex Zürich Concerning Technical Equipment

1 Definitions

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1.12 Order Routing Systems

Order Routing Systems are electronic order forwarding systems which are used by Exchange Participants ~~to transmit exchange orders, i.e. exclusively~~ particularly for entry, change and deletion of exchange orders. The entry, change and deletion of quotes on M-position Accounts, the entry, change and deletion of cross requests according to the Section 2.3 sentence 3 of the Conditions for Trading at Eurex Deutschland and Eurex Zürich as well as the entry of off-Exchange options and futures transactions for the purpose of clearing via Order Routing Systems is not permitted. Order Routing Systems may be connected to the Participant Front End System, pursuant to section 2.5, via a defined interface (VALUES API) so that the orders transmitted via this system can be channelled directly into the trading system of the Eurex Exchanges.

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2 Connection to the EDP System

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2.5 ~~2.5~~ Connection of Ordering Routing Systems

2.5.1 Requirements

After making written application and receiving approval thereof from the Boards of Management of the Eurex Exchanges, an Exchange Participant is entitled to connect an Order Routing System via a defined interface if:

- before being channelled into the trading system, the transmitted orders pass an electronic filter which is installed in the Participant Front End System, which checks and releases orders for further transmission according to parameters defined by the Exchange 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 prevent the forwarding of orders at any time and whose personal user ID has been submitted by the Exchange Participant to the Boards of Management of the Eurex Exchanges in writing;
- ~~the Exchange Participant has informed the Boards of Management of the Eurex Exchanges 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~~

- the Exchange Participant has obliged all users of the Order Routing Systems operated by himself to comply with the Rules and Regulations of the Exchange, whereas in the case of a user's disregarding concerning this matter the Exchange Participant has to immediately prevent such user from continuing to use the Order Routing System 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 input devices connected to the Order Routing System have been communicated to the Trading Surveillance Office of Eurex Deutschland or the Surveillance Unit of Eurex Zürich. This also applies to changes with respect to such input devices. With the communication of such written notification to any one of the two aforementioned surveillance units, all Eurex surveillance units are deemed to have received notification thereof. The Exchange Participant must oblige the user to comply with the Rules and Regulations of the Exchange. Should the user fail to do so, the Exchange Participant shall immediately prevent it from continuing to use the Order Routing System.~~

- in the case of an additional installation, as the case may be, an installation of quote machines, electronic eyes and/or third party software, respectively, which comes along with the connection of an Order Routing System with the EDP system of the Eurex Exchange, this intention shall also be notified vis-à-vis the Boards of Management of the Eurex Exchanges.

~~If Exchange Participants by means of Order Routing permit third parties without admission to trading to enter orders into the EDP system of the Eurex Exchanges, the respective Exchange Participant must ensure that third parties can only enter, change or delete exchange orders and do not have the possibility for other entries into the system (e.g. quote requests, cross requests).~~

2.5.2 Forwarding of Trading Data

The forwarding of trading data and information from the EDP system of the Eurex Exchanges via an Order Routing System by an Exchange Participant to third parties requires the respective consent of the Boards of Management of the Eurex Exchanges according to Section 4.9 of the Exchange Rules for Eurex Deutschland and Eurex Zürich. The consent of the Boards of Management of the Eurex Exchanges vis-à-vis the Exchange Participant who is operating the respective Order Routing System is particularily deemed to be given, if the relevant Exchange Participant has concluded a respective Market Data Dissemination Agreement with Deutsche Börse Group on the prices of the Eurex Exchanges.

(...)

5 Software

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5.4 Responsibility for the Use of Third Party Software

The application software made available by the Eurex Exchanges shall include interfaces for front and back office systems. The Exchange Participant itself is responsible for the software which uses these interfaces and has to guarantee a functionality of the software according to the rules and regulations of the Eurex Exchanges.

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3.3 Admission as Market Maker

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3.3.2 Rights and Obligations of Market Makers

A Market Maker is authorized and, upon receipt of a request for a quote for any options contract with respect to any product included in its admission, obliged promptly to supply bid and ask quotes for such options contract and to enter into transactions in such options contract. A Market Maker must be available at all times during exchange hours. A Market Maker is obliged to enter bid and ask quotes to the extent determined by the Board of Management of Eurex Deutschland or Eurex Zürich.

The Board of Management of the respective Eurex Exchange may, in the interest of ensuring orderly trading conditions, impose additional duties on Market Makers. In particular, it may establish a maximum or minimum spread between the bid and the ask prices, minimum contract sizes for both bid and ask quotes, and a minimum period for maintaining quotes in the EDP system of the Eurex Exchanges.

Quotes may be entered during the Opening Period and the Trading Period. ~~Quotes shall not be held in the order book overnight by the system of the Eurex Exchanges but shall be erased.~~ Basically, quotes are put in the system status “hold“ by the EDP system of the Eurex Exchanges overnight and are available on the next trading day again for activation, modification or deletion. Quotes in the options and combinations order book are deleted overnight by the EDP system of the Eurex Exchanges.

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3.4.3 Order Routing Systems

If the Boards of Management of the Eurex Exchanges permit a Trading Participant to use order routing systems ~~to input orders~~ in accordance with the Implementation Regulations of Eurex Deutschland and Eurex Zürich Concerning Technical Equipment, such Trading Participant shall be responsible for ensuring that the order routing facility is used properly, for the designated purpose and in accordance with the provisions of exchange law. This also applies to ~~any orders which are entered in the trading system via~~ the use of order routing systems by third parties who are not admitted to the exchange and who were authorised by the Trading Participant to do so. Should the Trading Participant fail to comply with these requirements, the Boards of Management of the Eurex Exchanges shall restrict or revoke the permission to use an order routing system.

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