X-pand into the Future

e u r e x *circular 126/05*

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Recipients: All Eurex members and vendors
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Change of Contractual Penalty in Case of late Delivery of Futures and Options Contracts with Deliverable Underlyings

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Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Coordination	Modified sections of Clearing Conditions for Eurex Clearing AG

At their meeting on July 13, 2005, the Executive Board of Eurex Clearing AG decided on modifying the contractual penalty in case delivery of futures and options contracts with deliverable underlying instruments is not done in due time. The respective changes in the Clearing Conditions for Eurex Clearing AG will become effective on **August 8, 2005**.

In the future, the part of the contractual penalty determined by Eurex Clearing AG shall be calculated on the basis of Eurex Clearing AG business days and **not**, as before, **on calendar days.** Calculation of contractual penalty on the equivalent or outstanding amount of the delivery remains unaffected by the change. As before, its calculation will be based on calendar days with money-market rates prevailing in the market.

By introducing the modifications of Clearing Conditions mentioned above, Eurex aims at avoiding disproportionately high contractual penalties for all Clearing Members in case of belated deliveries of underlying instruments.

(…)

II. Chapter: Transactions at Eurex Deutschland and Eurex Zürich

(…)

1. Part: Clearing of Futures Contracts

(…)

1.3 Subpart: Clearing of Fixed Income Futures Contracts

(…)

1.3.6 Default

(…)

(5) Furthermore, Eurex Clearing AG will charge the defaulting Clearing Member a contractual penalty. The contractual penalty shall be calculated as follows:

Eurex Clearing AG is entitled to a contractual penalty from the defaulting Clearing Member until delivery is made by the defaulting Clearing Member or until a replacement purchase is made by Eurex Clearing AG on the fifth Exchange day. In addition, Eurex Clearing AG will charge a contractual penalty until delivery is made

- In an amount of 0.40 % of the nominal value of the contract per contract and ~~calendar~~ business day for euro-fixed futures contracts. Proviced that the defaulting Clearing Member delivers the owed bonds on the delivery day on the second same-day settlement booking procedure of Clearstream Banking AG, the aforementioned penalty will be reduced down to 0.04 % of the nominal value of the contract per contract.

- In an amount of 0.85 % of the nominal value of the contract per contract and per ~~calendar~~ business day for CONF Futures contracts.

Furthermore, Eurex Clearing AG will raise a penalty per calendar day in the amount of a percentage of the counter value of the bonds notified for delivery; the percentage is based on the interest rate customary on the money market.

(6) The right of Eurex Clearing AG and the Clearing Member which did not receive delivery in a timely manner to claim further damages shall remain unaffected

(…)

1.5 Subpart:

Clearing of Futures Contracts of Exchange Traded Fund Shares

(…)

1.5.5 Default

(…)

(5) Furthermore, Eurex Clearing AG will charge the defaulting Clearing Member a contractual penalty. Eurex Clearing AG may waive such penalty in cases where such default in delivery does not exceed one Exchange day. The contractual penalty shall be calculated as follows:

Irrespective of whether Eurex Clearing AG has suffered any damage, the defaulting Clearing Member shall be obligated to pay a contractual penalty in an amount determined by Eurex Clearing AG per product per ~~calendar~~ business day plus a percentage of the outstanding amount per calendar day to be announced by Eurex Clearing AG in advance. Such percentage shall be based on the money-market rates prevailing in the market.

(6) The right of Eurex Clearing AG and the Clearing Member which did not receive delivery in a timely manner to claim further damages shall remain unaffected.

(…)

2. Part :

Clearing of Options Contracts

(…)

2.5 Subpart:

Clearing of Options Contracts on Shares of Exchange-Traded Funds (EXTF Options)

(…)

2.5.7 Default

(…)

(4) Any costs arising from the measures taken in accordance with paragraph (2) must be paid by the defaulting Clearing Member. Furthermore, Eurex Clearing AG will charge the defaulting Clearing Member a contractual penalty. Eurex Clearing AG may waive such penalty in cases where such default in delivery does not exceed one Exchange day. The contractual penalty shall be calculated as follows:

Irrespective of whether Eurex Clearing AG has suffered any damage, the defaulting Clearing Member shall be obligated to pay a contractual penalty in an amount per product per ~~calendar~~ business day to be determined by Eurex Clearing AG, plus a percentage of the outstanding amount per calendar day to be announced by Eurex Clearing AG in advance. Such percentage shall be based on the money-market rates prevailing in the market.

The right of Eurex Clearing AG and the Clearing Member which did not receive delivery in a timely manner to claim further damages shall remain unaffected.

Eurex Clearing AG reserves the right to charge a contractual penalty also if such reservation is not declared expressly with the acceptance of the late payment.

2.6 Subpart:

Clearing of Options Contracts and Low Exercise Price Options on Shares

(…)

2.6.7 Default

(…)

(4) Any costs arising from the measures taken in accordance with 2.1.7.6 paragraph (1) must be paid by the defaulting Clearing Member. Furthermore, Eurex Clearing AG will charge the defaulting Clearing Member a contractual penalty. Eurex Clearing AG may waive such penalty in cases where such default in delivery does not exceed one Exchange day. The contractual penalty shall be calculated as follows:

Irrespective of whether Eurex Clearing AG has suffered any damage, the defaulting Clearing Member shall be obligated to pay a contractual penalty in an amount per product per ~~calendar~~ business day to be determined by Eurex Clearing AG, plus a percentage of the outstanding amount per calendar day to be announced by Eurex Clearing AG in advance. Such percentage shall be based on the money-market rates prevailing in the market.

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