X-pand into the Future

e u r e x *information*

Date: Frankfurt, 08 February, 2001
Recipients: All Eurex Clearing members and vendors
Authorized by: Gregor Althoff

⚠ **Action Required** ⚠ **High Priority**

Additional Service of Eurex Clearing AG:

Introduction of a Central Counterparty for Xetra- and FWB Floor-traded Equities

Contact: : Functional Member Readiness: Tel. +49 (0)69-2101-1700
E-mail: eurex_info@exchange.de

Content may be most important for:

- ➲ Middle + Back Office
- ➲ Auditing / Security Administration

Attachments:

1. Xetra Information CCP 01/01
2. Member Brochure CCP
3. Connection Alternatives CCP
4. Interface Description CCP
5. Member Activity Plan CCP
6. Fax Reply

Following decisions by the Management Boards of the Frankfurt Stock Exchange (FWB) on 06 February, 2001 and Eurex Clearing AG on 20 December, 2000, subject to ratification by the Exchange Council on 05 March, 2001, Eurex Clearing AG will take on the role of Central Counterparty for trades conducted in selected equities at FWB on Xetra and the FWB floor trading system.

The documents attached provide more details, and were distributed by Deutsche Börse to all FWB and Xetra members and to third-party vendors.

For Eurex Clearing members, the establishment of Eurex Clearing AG as the central counterparty to equity trading at FWB creates additional business opportunities through the potential for new NCM relationships. Members who are interested in providing clearing services for equities via Eurex Clearing AG should complete the attached fax-reply and return it to the number indicated before 16 February, 2001.

For Eurex members active in both the cash and derivatives markets, the assignment to the same margin class of stock positions and option positions in the same underlying, with the associated margin offset, will provide potential benefits in margin requirements.

CCP Information 01/01

Deutsche Börse

To the FWB Members, Xetra® Members and Vendors

FWB
Frankfurter Wertpapierbörse

Management

Neue Börsenstraße 1
60487 Frankfurt am Main

Mailing Address
60485 Frankfurt am Main

Telephone
+49(0)69-21 01-16 40
+49(0)69-97 70-16 40

Telefax
+49(0)69-21 01-16 41
+49(0)69-97 70-16 41

Internet
www.deutsche-boerse.com

Recipients: General, Trading Contacts, Back Office, System Administrator, Project Coordinator

Introduction of the Equity Central Counterparty to the Xetra Trading System and to FWB Floor Trading at FWB Frankfurter Wertpapierbörse

February 8, 2001

Dear Sir or Madam,

We would like to inform you with this letter that the Frankfurter Wertpapierbörse (FWB) is planning to introduce a Central Counterparty (CCP) for trades in selected instruments in the Xetra trading system as well as in FWB Floor trading. The introduction is scheduled for the third quarter of 2001.

Associated with the activities for the enhancement of the exchange risk management (new obligation monitoring procedure = Engagement Kontrolle Neu), Deutsche Börse AG has developed a concept for the introduction of a CCP for underlying instruments of the cash market (particularly stocks).

This concept involves the establishment of Eurex Clearing AG as the CCP for trades executed at FWB in selected instruments. As a first step, only shares traded at FWB (Xetra / Floor Trading), which are held in certified security custody and are admitted for trading on Xetra will be in scope of the CCP.

XETRA

Xetra Central Circular Management
Tel.: +49-69-21 01-16 40, Fax: +49-69-21 01-16 41
Tel.: +49-69-97 70-16 40, Fax: +49-69-97 70-16 41
E-Mail: circular_xetra@deutsche-boerse.com, Internet: www.xetra.de

General Managers:

Rudolf Ferscha
Michael Kuhn
Christoph Lammersdorf
Volker Potthoff

In accordance with the decisions of the Management Boards of FWB on February 6, 2001 and Eurex Clearing AG on December 20, 2000, and subject to the approval of the Exchange Council on March 5, 2001, Eurex Clearing AG will take on the function of a CCP for trades executed in the Xetra system as well as in FWB Floor trading.

By integrating the CCP into Eurex Clearing AG, considerable process improvements will be achieved regarding the existing risk and margin calculations, collateral management as well as in the procedure in case of member default.

In addition to process improvements, new functions will be introduced.
The CCP, as the contracting party in every executed trade in selected instruments, will assume the counterparty risks. A transparent procedure for the treatment of late deliveries involves the introduction of clearly defined regulations for eliminating existing market inefficiencies in the delivery process.

Another major enhancement will be the netting mechanism, which allows the reduction of settlement instructions, and thus signifies a reduction of transaction costs for the market participants.

Furthermore, the CCP brings post trade anonymity for the contracting parties of trades executed at FWB, as well as the new Give-up/Take-up function of passing on executed trades.

The scheduled production start for the CCP in the Xetra trading system and in FWB Floor trading will be published in the near future. Prior to the production start, a dedicated simulation phase will be available for the members, starting on May 28, 2001.

To support the CCP functions, the necessary modifications on Xetra will be available to the members after the introduction of Xetra Release 6.0 on April 30, 2001.

We enclose four documents with this letter which provide information about the CCP functions, the technical connection possibilities for potential Clearing Members, a description of the relevant interfaces of the CCP as well as an overview of the necessary activities that need to be performed by the members to prepare for the CCP introduction.

- Member Brochure CCP
- Connection Alternatives CCP
- Interface Description CCP
- Member Activity Plan CCP

In addition, you will find enclosed a fax reply which we would ask you to use for a non-binding declaration of your intended clearing status (General Clearing Member, Direct Clearing Member or Non-Clearing Member).

Please complete the fax reply only after having thoroughly studied the enclosed documentation.

We would ask you to return the fax reply **before February 16, 2001** to the indicated fax number.

We will inform you about all further steps regarding the CCP introduction in due time.

For any question you may have, please do not hesitate to contact the Xetra Change Management Team at

Telephone: +49(0)69-21 01-16 40
Fax: +49(0)69-21 01-16 41

Yours faithfully

Volker Potthoff Michael Kuhn

Enclosure

X-pand into the Future

Member Brochure CCP

Table of Contents

1	Management Summary	4
1.1	Introduction	**4**
1.2	Business Objectives	**4**
1.3	General Concept	**5**
1.4	Further perspectives for the CCP Scope	**7**
2	CCP Set-Up	8
3	Components of the Functional Model	9
3.1	General Aspects	**9**
3.1.1	User and Account Structure	9
3.1.2	Transaction Types	11
3.1.3	Multiple Settlement Account	11
3.2	Managing the risk of the Clearinghouse	**11**
3.2.1	Objectives	11
3.2.2	Overview	12
3.2.3	General Approach	12
3.2.4	Calculating Margin Requirements	14
3.2.5	Margin Calculation Examples	15
3.2.6	Collateral Coverage	17
3.2.7	Clearing Fund	17
3.3	Delivery Management	**17**
3.3.1	General Approach	17
3.3.2	Late Deliveries	18
3.4	Events Leading to Default	**18**
3.4.1	General Approach	18
3.4.2	Actions Taken by the CCP	18
4	Trade Management	19
4.1	General Approach	**19**
4.2	Trade Enrichment	**19**
4.3	Trade Adjustments	**19**
4.4	Give Up/ Take Up	**20**
5	Netting	21
5.1	Introduction	**21**

5.2	Functional Description	**21**
5.3	Impact on Member Backoffice Processing	**23**
6	Recommended Actions	25
6.1	General	**25**
6.2	Checklist	**25**
6.2.1	Establish Project Organization	25
6.2.2	Planning the Migration	26
6.2.3	Re-definition of Internal Flow and Structural Organization	27
6.2.4	Definition of Legal Aspects	28
6.2.5	Conception and ordering of Technical Infrastructure	28
6.2.6	Definition of Training Needs	30
6.2.7	Plan and carry out simulation	31

1 Management Summary

1.1 Introduction

This document describes the main features of the Central Counterparty (CCP) service, which will be introduced in the first step for selected equities as part of the service offered by the Eurex Clearing AG.

With CCP introduction, the current risk management concept implemented for the German cash markets will be expanded significantly. Post trade processing will change from

- EK-Neu as risk management system and “Abwicklungsbank” or “Verrechnungsbank” as institutions to perform and/or guarantee the settlement of trades

to

- CCP as counterparty with associated risk management, and Eurex clearing members to guarantee and/or perform settlement of trades.

Compared to the predecessor system, the margining algorithm will be streamlined in the areas of

- risk management, particularly margin calculation,
  where the basis for calculation will be changed from the principle of the larger trading side to a consideration of net obligations,
- late delivery handling,
  particularly to increase delivery discipline in the marketplace. Late deliveries will be subject to calculation of fines and interest of delay,
- member default handling,
- and transaction netting to reduce transaction cost (see chapter 5 for details).

The basic principles for the first introduction step of the CCP are listed below.

1.2 Business Objectives

The business objectives of the CCP are to:

- Enable the involved systems to provide various value-adding trade management functions, e.g., various multilateral netting functions (please refer to chapter 5 for details) like
  - price level netting,
  - order level netting,
  - account level netting (separately for agent and principal business).

  The existence of a CCP is a prerequisite for this functionality.

- Allow for efficient allocation of collateral by netting of long vs. short trades and by supporting cross-collateralisation and cross-margining with trades in other cash market trading platforms and equity derivatives listed at Eurex.

- Insulate against counterparty risk
  The Eurex Clearing AG takes on the counterpart risk for each clearing member by becoming counterparty to each trade, thus protecting clearing members from settlement risk.

- Provide post-trade anonymity on order book trades.
  Pre-trade anonymity of the order book is extended to the clearing and delivery process for all specified securities.

- Serve as prerequisite to support give-up/take-up functionality on trading platforms.

1.3 General Concept

- The CCP will be part of Eurex Clearing AG and extends the current CCP processing which is already in place for derivatives and bonds. The Eurex Clearing AG will provide the functionality described in this document.

- The CCP automatically becomes a party to each relevant trade at the time it is executed on the trading platform. It becomes buyer to each seller and seller to each buyer.

- Supported trading platforms are Xetra and the FWB floor in the first step.

- As the described clearing services are designed to an open architecture, it is possible to "plug in" other trading platforms subsequently in later releases.

- OTC trades conducted on the trading platform are subject to processing by the CCP, if these are negotiated to prices reflecting current market conditions. Otherwise, these trades remain bilateral.

- Eurex Clearing AG as a legal entity recognises, and is in its course of business only liable to, its customers. For settlement and risk monitoring, these are the Eurex Clearing Members. Clearing membership for equity clearing will be either an extension of the current Eurex Clearing membership, or a Eurex Clearing membership for equity clearing needs to be established. Participants may become General Clearing Member (GCM) or a Direct Clearing Member (DCM). Alternatively, a Non Clearing Membership (NCM) via a Eurex GCM for equities can be established. Eurex Clearing membership for equity trading is subject to minimum capitalization requirements specified by the Eurex Clearing AG. These requirements are envisioned to be
  - GCM for equities: Liable capital of EUR 50 million, contribution to the Clearing Fund of EUR 5 million,
  - DCM for equities: Liable capital of EUR 5 million, contribution to the Clearing Fund of EUR 1 million.

- Clearing member default risk will be covered by margin calculation based on the net settlement obligation of a clearing member, and contributions to a Clearing Fund as further line of defence.

- The CCP will be connected to Clearstream Banking Frankfurt (CBF) as Central Securities Depository (CSD). This CSD will provide settlement and settlement related information to participants. Settlement processes remain unchanged.

- The CCP functionality will be available for equities, which are subject to CSC (certified security custody = “Girosammelverwahrung”), and traded on Xetra (this range of products applies to all supported trading platforms in the first step). Equities subject to NCSC (Non Certified Securities Depository = “Wertpapierrechnung”, “AKV”), as well as bonds, are excluded at least in the first step. No company-issued warrants or any other option like securities are part of the CCP functionality, with the only exception of subscription rights (“Bezugsrechte”) which come to life with a corporate action.

- Securities traded on the relevant trading systems, which are not subject to CCP processing, will continue to be bilaterally conducted trades as today.

- For late or partially late deliveries, an appropriate fine will be levied on the responsible participant. After a certain time, buy-in attempts by the clearinghouse will be initiated. If this is not successful, cash settlement will be performed.

- For risk management purposes, the trade flow of any involved trading location will be provided to the CCP on a near time basis. This will allow noticing unusual positions, price movements and/or sizes. No intra day margin calls are currently in scope.

- NCMs and their respective GCMs will receive trade confirmations after a trade. This is necessary especially for the GCM so that the risk of the NCM is visible for the GCM. In case of order or account level netting the initial trade confirmation may be updated for consecutive partial executions (see chapter 5 for further details).

- The CCP will generally support multicurrency as is currently implemented in the systems of Eurex Clearing AG. This means, instruments can be traded and settled in different currencies. However, all instruments in the current scope are traded and settled in EUR. Furthermore, a clearing member currency is defined per clearing member, in which margins calls are generated. Currently, EUR and CHF are supported as clearing member currencies.

- The CCP will be introduced in an environment where the settlement cycle is T+2. On-exchange and OTC trades with this settlement period will be supported.

- As all trades are executed against the CCP, which is a domestic counterparty, no reporting on payments to foreign counterparties in the context of the “Aussenwirtschaftsverordnung” is required by participants anymore as far as domestic securities are concerned, as this will be performed by the CCP.

1.4 Further perspectives for the CCP Scope

Below an outline of extensions to be implemented in later releases is provided.

- Inclusion of additional instruments
  In addition to the currently supported instruments, additional equities may be supported in the future, as well as certain bonds.

- Inclusion of additional trading platforms
  While in the first Release only trades executed on Xetra and the Frankfurt floor are considered, Eurex Clearing AG intends to incorporate additional trading platforms in the future.

2 CCP Set-Up

The following figure shows the general process chain of an order executed on a trading platform.



Diagram 1: General life cycle of a trade

While order management and order matching are conducted at the trading location, and settlement management will be performed by the respective CSD/ICSD, there are four areas in this process chain in which the CCP has to perform core functions. These areas are:

- Trade Management
  The CCP provides optional netting functions to participants of the supported trading platforms (see chapter 5 for details). Furthermore, give-up/take-up functionality is provided.

- Risk Calculation
  Includes the calculation of the participant specific risk exposure using the net positions (segregated between Agent and Principal positions for GCM, DCM, and NCM) of pending deliveries and the comparison against the evaluated collateral, subsequent collateral requests and other risk management functions.

- Collateral Management
  Includes collateral accounts and fee accounts. This is provided by the already existing Eurex functionality. Information about collateral deposits as well as settled deliveries are received from the CSD.

- Late/Failure Management
  The status of outstanding settlements has to be monitored. In case of failed deliveries and/or member default the Eurex Clearing AG has to take some action to protect the receiving party as well as itself.

3 Components of the Functional Model

3.1 General Aspects

3.1.1 User and Account Structure

3.1.1.1 Participant Classification

The Eurex Clearing AG distinguishes between:

- Clearing member (CM): The CM may deal and settle trades for itself (in case it is also an exchange member) and its own customers (Direct Clearing Member DCM). The Clearing Member can also clear and settle the trades of all Non Clearing Members that have entered into a clearing arrangement with it (General Clearing Member GCM). The requirements to obtain a DCM or GCM license will be an extension of the current Eurex Clearing membership. Prerequisites will include a certain amount of liable equity and a contribution to the Clearing Fund.

And additional classification is in form of

- Non Clearing Member (NCM): The Non Clearing Member is a participant at one of the supported trading platforms that takes part in trading. It can execute its own orders and orders for his customers, but does not take part in clearing or settlement directly with the Eurex Clearing AG. A NCM uses a Clearing Member to clear its trading business.

- Settlement agent: The settlement agent acts in the settlement process. He acts on behalf of the clearing member.

- Back office service provider, as currently defined.

This structure therefore provides flexibility for firms to concentrate on each of the four building blocks:

- Trading,
- Clearing,
- Settlement, and
- providing back office services.

Each of these building blocks can be performed separately or combined. Regulators, Market Supervision and the Eurex Clearing AG could restrict a firm's ability to act in some of these roles. The Eurex Clearing AG will have a defined set of admittance criteria and an application process.

Clearing members have the following duties:
CMs have to have for settlement of their delivery versus payment obligations a cash account at the central bank (LZB) and a securities account with CBF. This can be either direct or via custodian arrangements (settlement agents).

CMs have to have a collateral account with CBF or Sega Intersettle (SIS)either direct or via custodian arrangements to handle movements of collateral pledged in favour of the Eurex Clearing AG. Collateral management will be performed using the existing Eurex functionality.

For margin calls deriving from the Eurex Clearing AG the above cash accounts can be used (for Swiss members a Swiss National Bank (SNB) account can be used as well). The Eurex Clearing AG disposes of a Direct Debit Facility on the Cash accounts ("Einzugsermächtigung"). Margin call and cash management will be performed using the existing Eurex functionality.

- CMs guarantee and are responsible for timely fulfilment of their own and their customers' obligations, including their Non Clearing-Members' obligations.
- CMs are required to pledge collateral with the Eurex Clearing AG.
- CMs memberships have to be approved – after fulfilment of the formal requirements – by the Eurex Clearing AG.

The Eurex Clearing AG does not define exposure limits for Non Clearing Members although monitoring of these members' trading activity will be necessary to guard against excessive exposures if the CM defaults. The risk exposure is monitored by the Eurex Clearing AG for CMs as transactions are only settled between the Eurex Clearing AG and the CMs. CMs will be expected to monitor the exposures of their Non Clearing Members. This will be supported by reports on NCM risk, which are provided by the CCP on a daily basis.

3.1.1.2 Account structure

For the various functions the Eurex Clearing AG will establish an account structure that is applicable to all its participants. This account structure comprises:

Trade accounts: The trades for the exchange members received from the trading platforms are separated in proprietary accounts and agent (client) accounts on a net basis. Please note that the proprietary accounts include the "Xetra Proprietary", "Designated Sponsor", "Issuer", and "Liquidity Provider" accounts in Xetra. "Issuer" account type currently only applies to issuers in Xetra warrant trading only, whereas "Liquidity Provider" account type currently only applies to the Newex market model. These account types as well as the "Designated Sponsor" account type are considered proprietary trading and are accumulated with the proprietary accounts.

- The trade account reflects the long or short position including the invoicing amount per instrument, per currency, per settlement day, and per settlement account. This information is used as input for risk management.
- Pending delivery account: This account will contain each exchange member's open agent and principal pending deliveries per instrument, per currency, per settlement day, and per settlement account. The pending delivery account mirrors the actual status of open deliveries at the CSD after each settlement cycle. The pending delivery account is

used to keep track of actual settlements as input for risk management and to monitor late deliveries.

- Collateral account: Eurex Clearing AG maintains a collateral account for each clearing member covering his principal and agency positions as well as those of its NCMs. The collateral account records and displays the actual value of collateral pledged, including the withdrawals and deposits of the current day.

- Fee accounts: For each clearing member a corresponding fee account is maintained by Eurex Clearing AG.

3.1.2 Transaction Types

The CCP distinguishes between:

- Trades conducted on the trading system order book, for which trade management privileges are allowed and for which risk management/guaranteed settlement is performed. The CCP steps in during the matching process, thereby becoming buyer to each seller and seller to each buyer.

- OTC Trades executed outside the order book but entered into the trading system (OTC feature). If the price is in a pre-defined range around a market price, and the settlement period is T+2, the CCP steps in and the trade becomes subject to CCP processing (e.g., risk management, guaranteed settlement, netting, etc.).

3.1.3 Multiple Settlement Account

The possibility to use multiple settlement accounts instead of only one enables members to administrate their trades according to house-internal requirements (for example to differentiate between agent and proprietary trading or between locations, market segments, etc.).

3.2 Managing the risk of the Clearinghouse

3.2.1 Objectives

The aim of the risk management approach for the Eurex Clearing AG is to provide credible protection for participants against the default of other market participants. Therefore a sound risk management system is essential for the clearinghouse and for the whole financial system to make sure that the clearinghouse can fulfil its obligations. The proposed objectives are:

- To cover the predictable loss arising from member default on any given day by the collateral pledged by the individual member, plus coverage for some amount of non-predictable risk.

- To not be operationally difficult to manage for firms.
- To protect the integrity of individual members' contributions to the Clearing Fund.
- To re-use components of current Eurex risk based margining as far as possible.

3.2.2 Overview

The risk management for the CCP will use the existing infrastructure of Eurex Clearing AG as far as possible. It also uses the same components as the risk management system already in place. The risk management of the CCP therefore performs the following functions.

1. risk based margining,
2. collateral management,
3. checking for the margin coverage.

Furthermore, a Clearing Fund as further line of defence is supported.

The CCP monitors new trades intra-day to detect abnormal exposure run-ups.

The first three parts are closely linked and are crucial for the complexity of the whole system. The general functionality and how they are linked together do not differ from the existing system. The following diagram provides an overview:

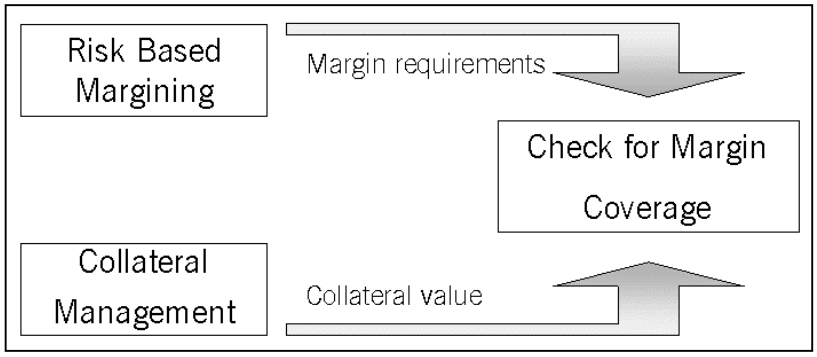


Diagram 1: Overview of the core Risk components

Some more details of the required input, the functionality, and the output are described in the following chapters.

3.2.3 General Approach

The general approach to calculate margin consists of two steps. The first step is the mark to market principle: At least at the end of day the current value of the equity will be determined. This value will be called current liquidation value. This step is essential to avoid any cumulating of loss and therefore is essential for the clearinghouse to reduce its risk. The

second step or component is to calculate a so-called additional margin. This component will be calculated to cover the risk of an adverse overnight movement in the security. This general approach is already implemented for the Eurex derivatives and for Eurex Bonds.

To follow this approach for equity trades (including corresponding deliveries) the two steps described above have to be performed:

- First, the actual risk of the CCP at a point in time will be covered by requiring members to provide collateral to cover the losses in their equity trades at any point in time. In order to determine the amount of collateral, the current value to the CCP of each of its positions vis a vis the member will be determined using market prices. This value is referred to as the Current Liquidation Value, or CLV, of a position.
- Second, the CCP will cover the risk that future market movements could increase the member's losses by requiring the posting of Additional Margin (AM). The amount of AM will be set to cover worst case losses within a certain probability interval. The calculation will be based on the variation in the market value of the equity as the calculation basis. The variation depends on the margin parameter based on (historical) volatility.

The calculation can also evaluate the effects of correlation between securities that move in parallel. This is achieved by the use of margin groups and margin classes, as already applied for Eurex margining.
Any single equity, corresponding subscription rights from corporate actions as well as Eurex options contracts based on this equity will constitute a margin class.

In the new functionality, relevant cash amounts can be expected significantly higher than in the current derivative market. Therefore a cash valuation method will be considered, i.e., open cash positions will be discounted using an appropriate discount rate.

The sum of the calculated and required margin is then the amount to be covered each day using cash, securities or other valid collateral.

3.2.4 Calculating Margin Requirements

The CCP is not in a position to evaluate on an ongoing basis whether clients would or would not stand behind their trades, so it is to be assumed that the risk exists on all trades equally.

A risk based margining concept will be used as basis for the CCP. The already existing risk based margining system will be adapted to support the CCP requirements. The following diagram shows the general input and output of the risk based margining:

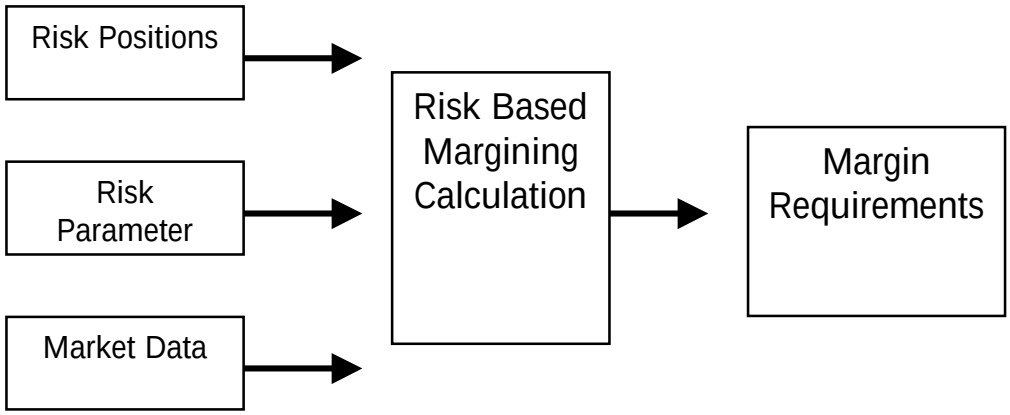


Diagram 2: Data flow of the risk based margining

Risk Positions

The risk positions are derived from information received from the CSD and from the trading platforms. This is achieved in two steps:

1. At the end of the day but before the trading location delivers all pending trades of the day (pre processing data).
2. Further necessary information is about the post processing data (pending deliveries). The post processing data contain all information about corporate actions and therefore any change in quantity (e.g. stock splits) and/or quality (e.g., Bezugsrechte) of the pending deliveries.

Risk Parameters

The crucial risk parameter to calculate for the additional margin is the (historical) volatility of the equity.
Volatilities will be calculated using an exponential weighted moving average (EWMA) of historical price movements. This calculation will be used for a 30 and 250 day time window. To calculate the margin interval, the maximum value of these two figures is used.

Market Data

Market data for any equity, which is in the scope of the CCP on an end of day basis are necessary for the margin calculation. Also the market prices for the collateral valuation are

necessary. CCP Supervision will determine adequate settlement prices derived from market data and approve these.
Like the risk parameters all market data have to be audit trailed, i.e. modifications are reported.

3.2.5 Margin Calculation Examples

This example is given to illustrate margin calculation. Please note that hypothetical numbers are used.

Consider a trade with a resulting position in BASF of 1000 long.
Given a trade price of 44 and a settlement period of T+2, a cash payment of EUR 44.000 has to be made on delivery of the shares.

Calculation of Current Liquidation Margin (CLM)

The CLM reflects the risk of the CCP that in case of default the pending shares and cash positions need to be liquidated at the current market prices.

At the end of the day, the market price for BASF is determined at 44,32, so the current liquidation value for the shares is determined at EUR –44.308, applying an appropriate discount rate for the settlement period.
At the same time, the current liquidation value for the cash amount is set to 43.993, also discounted for the settlement period.

This results in a total CLM of

CLM Shares	-44.308
CLM Cash	43.993
Total CLM	-315

Therefore, the CLM leads to a reduction of the total margin requirements by the buyer.

Calculation of Additional Margin (AM)

At the same time, Additional Margin requirements will have to be calculated to cover the CCP against adverse price movements. A margin parameter is calculated to indicate a worst case price movement based on volatility and a risk which is calculated so that the expected maximum price movement will be in the price interval (settlement price + - the margin interval) with a 99% confidence level.

Given a margin parameter of 9%, maximum price movements of EUR 3,99 can be expected either up- or downwards.
In case of an upwards price movement by the maximum value, this would result in a Liquidation Value of EUR –48.296, i.e., a difference to the CLV (Delta Up) of EUR -3.988 (again applying an appropriate discount rate).
In case of an downwards price movement by the maximum value, this would result in a Liquidation Value of EUR –40.320, i.e., a difference to the CLV (Delta Down) of EUR +3.988.
As the purpose of the additional margin is to calculate worst case movements, the maximum of these values is considered.

Therefore the margin requirement amounts to

CLM	-315
AM	3.988
Total Margin	3.672

This amount has to be provided in collateral or cash to the CCP, applying appropriate haircuts.

Example for security with higher volatility

The same calculation is applied to Intershop, a “Neuer Markt” share, for a short position of 1000, sold at EUR 36,5 and closing at EUR 37. A margin parameter of 19% (based on a daily volatility) is assumed.

CLM Shares	36.990	
CLM Cash	-36.492	
Total CLM	498	498
Delta Up	7.028	
Delta Down	-7.028	
Max (Delta Up; Delta Down)		7.028
Total Margin		7.526

The CCP could now decide to combine individual equities with corresponding options products in the same margin class. This would mean that current liquidation margin and additional margin for the security position are netted with the premium and additional margin for the corresponding option position.

Example for offset option position

The Intershop example is expanded by a long Eurex options position of 10 (ISH C DEC 12 36,00), using an assumed implied volatility of 111% (annualized) and a settlement price of EUR 3,96.

CLM Shares	36.990		
CLM Cash	-36.492		
Premium Margin	-3.960		
Total CLM	-3.462		-3.462
Delta Up Shares	7.028		
Delta Up Option (adjusted)	-647		
Sum Delta Up		6.381	
Delta Down Shares	-7.028		
Delta Down Option	2.986		
Sum Delta Down		-4.042	
Max (Sum Delta Up; Sum Delta Down)			6.381
Total Margin			2.919

The margin requirement on the cash side is reduced by the opposite option position.

3.2.6 Collateral Coverage

The collateral coverage does not differ from existing Eurex functionality, i.e., the same type of collateral will be accepted.

Different haircuts will be imposed on the different forms of collateral (securities and cash). In particular, equities are likely to have a significant haircut to avoid cross-correlation problems with the actual securities involved in a default.

A clearing member's collateral is kept completely segregated from collateral supplied by other clearing members and from the core Clearing Fund.

If the risk position for a member decreases from one day to the following, collaterals can be reduced on the day after.

The clearing member retains beneficial ownership of the collateral and will receive the associated benefits while it is being held in favour of the Eurex Clearing AG.

3.2.7 Clearing Fund

The Clearing Fund is designed to cover unusual events. Each CM will be required to contribute to the Fund. The Clearing Fund serves to cover two different obligations.

- Member own default: In the case of a member default and an insufficiency of collateral to cover any losses, the defaulting member's Clearing Fund contribution would be accessed.
- Member assessment: In case losses should remain after liquidation of collateral and access of defaulting member's Clearing Fund contribution, the remaining losses would be eliminated by pro rata drawing under the Clearing Fund contributions of the non-defaulting members. Subsequently, the Clearing Fund would be returned to its original levels.

The Clearing Fund consists of collateral deposits made by clearing members or third party guaranty, the total of which is defined so as to cover a certain percentage of predictable counterpart risk which is not covered by the margin deposits.

Contrary to a margin deposit which can only be used to cover default situations of the member who made it, the Clearing Fund is available on a mutual basis to cover all members. It therefore benefits from portfolio effects and works with assumptions of how many members could encounter financial difficulties at the same time.

3.3 Delivery Management

3.3.1 General Approach

The delivery management functions deal with pending trades and generate pending deliveries for actual settlement. It also keeps the status of deliveries up to date.

3.3.2 Late Deliveries

In case of late deliveries the following procedure will apply.

If delivery is not performed on the contractual settlement date (S), the CCP will immediately start to calculate and invoice significant fines for the failing clearing member.

If after a certain time delivery is still not performed, a buy-in process will be initiated by the CCP, after a further delay cash settlement will be performed.

During this process, the failing clearing member is subject to penalty fines as well as full liability, and will have to cover the full cost of the proceedings mentioned above.

3.4 Events Leading to Default

3.4.1 General Approach

Late delivery of equities does not necessarily mean the failure of the member itself, whereas this is the case for late delivery of cash. Default may be declared at the discretion of Eurex Clearing AG upon the firm's bankruptcy or notorious financial difficulty.

If a member is put into default will be decided by the board of Eurex, as it is currently specified for clearing members of the Eurex Clearing AG.

Only Clearing Members can be put into default by the Eurex Clearing AG, however, the default of Non Clearing Members would have an indirect impact on the Eurex Clearing AG.

3.4.2 Actions Taken by the CCP

In the event of a default of a CM, the CCP would evaluate the net obligations of the defaulting participant and attempt to settle them, with the liquidator or, for agency trades, clients of the defaulting participant as appropriate. It will also re-allocate trades from NCMs of a defaulting CM to another CM to the extent possible, it will also adjust as required the trading ability of the NCMs affected (with the possible need to temporarily block the NCMs from further trading pending selection of another CM). This procedure does not differ in any way from the procedure already in place for Eurex for bonds and derivatives.

Because this process may take some time, the CCP will have outstanding liabilities to other participants. The CCP will attempt to settle these, buying or selling stock in the market as necessary in order to do so.

The resulting price risk for the CCP will be funded by use of any collateral deposited by the defaulter in the first instance. If this proves to be insufficient, then use will be made of the central Clearing Fund. If the Fund is exhausted, the CCP will attempt to make a levy of the surviving participants (i.e. Clearing Members) in proportion to the gross value of business that they have transacted in the previous quarter year.

4 Trade Management

4.1 General Approach

Exchange members will enter all trades into the trading systems in the same manner as currently. With the execution of the trades the CCP will contractually become counterpart to the trades in a defined number of securities. At no stage will there be a bilateral contract between Exchange Members for these securities. Each execution will indicate the CCP as the buyer to every seller and the seller to every buyer. The identity of a member that entered the order executed against will never be visible to either the executing members or the rest of the market.

OTC trades (if subject to CCP processing) will be novated at the time of entry in the trading system (including the acceptance by the counterparty in Xetra).

4.2 Trade Enrichment

For exchange members, changes to their own post trade enrichment processes will be minimized, except that the counterpart will always be CCP.

Trade enrichment is an automatic function performed for every trade in real time without intervention of the members.
After trade enrichment the trades contain all mandatory attributes for settlement.

As soon as trade enrichment is completed, information about the trade is disseminated via a trade confirmation message. From that point on the trades are available for trade adjustments described below.

4.3 Trade Adjustments

There will be no change for Xetra members to be able to perform adjustments of their own data for trades executed on the trading system.

The deadline for entering trade adjustments depends on the defined trading and post trading period. An audit trail is available to track all modifications within the trading system.

- Adjustments not impacting settlement
  - Trade attribute modification, such as text field or member internal order numbers.

- Adjustments impacting settlement
  - Trade account modification: Transfer from own account to agent (customer) account and vice versa to the extent permitted by Market Supervision.
  - Settlement account modification.

4.4 Give Up/ Take Up

Give-up/take-up trade functionality will enable investors to allocate trading and clearing settlement services among different exchange members. It allows the execution of an agency order by one or several exchange members and the reassignment of the trade to another exchange member, which may or may not be a clearing member. Trades must be designated (given up) by the sending exchange member and accepted (taken up) by the receiving exchange member on the current trading day. The take-up has to be agreed by the exchange member explicitly and must occur before the end of the trading day as long as trades still reside in the trading system. The approval by the respective clearing members for give-up and take-up has to be given either by standing instruction or on a trade-by-trade basis.

Trades can only be given up from the “Agent” account, but taken up in the “Agent”, “Proprietary”, “Designated Sponsor”, “Issuer” and “Liquidity Provider” account types when applicable according to the trading model of the instrument.

Give up functionality is available for clearing members and Non Clearing Members likewise. A clearing member can only inquire information on all give-up trades and the take-up activities of all Non Clearing Members for whom clearing services are provided, and approve the give-up trades and the take-up trades of their Non Clearing Members. Senior traders can give-up or take-up trades on behalf of their subgroups. No give-up/take-up is supported by Market Supervision on behalf of a member.

The process of give-up/take-up has to be completed before the end of post trading, otherwise all trades will be re-assigned to the originator. The number of give-up/take-up transactions is not limited neither per member nor per instrument. Trade modifications can not be performed for pending give-up trades. If a netted trade is given up before the associated order is fully executed, additional executions result in at least one new netted trade for the member. Historical give-up transactions are not supported.

In case a member has accepted a take-up trade, fees are not transferred to the receiving member and stay with the original owner of the trade. Furthermore no additional transaction fees are charged for give-up/take-up transactions.

5 Netting

5.1 Introduction

With the introduction of the CCP, it is feasible to support multilateral transaction netting for trades executed on related trading platforms. Major benefits of transaction netting are seen in

- overall reduction in the number of settlement instructions and associated cost,
- reduction of the overall settlement volume and associated risk,
- thereby improved scalability in terms of trading volumes in the settlement- and backoffice systems in times of rapidly rising trading volumes.

As the impact on existing back office infrastructures should be minimized, netting will be introduced on an optional basis at the discretion of individual trading members. On order entry, members can decide if and what type of netting should be applied on any resulting trades.

5.2 Functional Description

The following three netting types can be specified on order entry:

- price level netting,
- order level netting,
- and account level netting.

It is possible to modify the type of order level netting as long as no part of the order is executed.

Member back office systems will continue to receive information on executed trades and resulting settlement instructions via trade confirmations and contract notes (“Schlussnoten”). To allow reconciliation of trading and settlement activity, the differentiation between trading and settlement contract notes is introduced, where the former contain unnetted, and the latter netted trade information.

Both information sources will contain both unnetted and netted trade information, so that both trading information and settlement instructions can be derived.
In the following, the impact of netting will be explained. Please note that only the relevant changes are described.

Please refer to the document “Interface Description CCP” for a detailed description.
Each trade confirmation and contract note for an instrument subject to CCP processing contains the CCP as counterpart.

Price level netting

An order that is entered with the netting type „price level netting“ is executed against the orders on the other side of the order book with a netting for each price.

- If the order is fully executed against several orders at one price, one execution confirmation and one trade confirmation is sent to the member.

- If the order is fully executed against several orders at more than one price, one execution confirmation and one trade confirmation for each price is sent to the member.
- If the order is partially executed, one execution confirmation and one trade confirmation is sent for each price the order is partially executed against. The remaining quantity is written into the order book. For each subsequent execution of the remaining quantity of the order against an incoming order, an execution confirmation and a trade confirmation is sent containing a new trade number.

If a partially executed order is not fully executed until the end of the trading day the order is deleted or kept in the order book depending on the expiry date of the order. If the order is kept, for each execution of the remaining quantity of the order against an incoming order an execution confirmation and a trade confirmation is sent on the next trading day.

Fee calculation is based on the executed order and therefore does not change. The fees are displayed on the trade confirmation. On the relevant reports one fee line per trade number is listed.

Order level netting

For an order that is entered with the netting type „order level netting“ only one trade number is assigned independent of the number of partial executions, and one settlement instruction is created.
If a partially executed order with the netting type order level netting is not fully executed until the end of the trading day, the order is deleted or kept in the order book depending on the expiration date. On the next trading day a new trade number is assigned if the order is executed.

- If the order is fully executed against several orders at one price, one execution confirmation and one trade confirmation is sent to the member.
- If the order is fully executed against several orders at different prices, an execution confirmation for each single execution price is sent to the member with the respective price. One trade confirmation for the first execution and one update trade confirmation of each subsequent partial execution, all with the same trade ID, are generated. Each of these contains a volume weighted average price, accumulated volume, and settlement amount for the portion of the order so far executed as well as price and quantity of the last execution, so that the non-netted information can be derived as well. The volume weighted average price is rounded according to „kaufmännischer Rundung“ with five decimals precision.
- If the order is partially executed against several orders at one price, one execution confirmation and one trade confirmation with a volume weighted average price (in this case equal to the price), accumulated quantity and settlement amount is sent to the member. The remaining quantity is written into the order book. For each further partial execution an execution confirmation and an update trade confirmation is sent to the member. The update trade confirmation includes the volume weighted average price, the accumulated quantity and the settlement amount based on all partial executions of the order for the current trading day as well as the price and quantity of the last execution.
- If the order is partially executed against several orders at different prices, one execution confirmation for each single execution price is sent to the member, containing the respective price. One trade confirmation for the first execution and one update trade confirmation of each subsequent partial execution, all with the same trade ID, are generated. Each of these contains a volume weighted average price, accumulated

quantity, and settlement amount for the portion of the order so far executed as well as price and quantity of the last execution. The remaining quantity is written into the order book. For each further partial execution an execution confirmation and (if on the same day) an update trade confirmation is sent to the member. The update trade confirmation includes the volume weighted average price, the accumulated quantity and settlement amount based on all executions of the order for the current trading day as well as the price and quantity of the last execution. Update trade confirmations will contain a unique trade number suffix.

Fee calculation is based on the executed order and therefore does not change. The updated fees are displayed on the trade confirmation. On the reports one fee line per trade number is listed.

Account level netting

Account level netting always includes order level netting, i.e., if an order is entered with the netting type „account level netting“ the execution of the order during the current trading day follows the rules described in the chapter „order level netting“.
In the end of day processing, trades with the netting flag „account level netting“ are accumulated and netted. One net settlement instruction is created per instrument, account type, settlement account, settlement date, and settlement location. The price is a volume weighted average price of all orders rounded according to „kaufmännischer Rundung“ with five decimals precision. Account level netting is provided on the proprietary, designated sponsor, issuer, liquidity provider, and agent account type of the member, and is executed per settlement account.

Orders with the flag „order level netting“, „price level netting“ or „no netting“ are not taken into account for account level netting.
Fee calculation is based on the executed order and therefore does not change.

In case of account level netting, the resulting settlement instruction may be subject to shaping if a certain volume is reached. This means, that the large settlement instruction is sliced degressively into portions of decreasing volume. The purpose of shaping is to reduce probability and size of chain reactions due to late or partial deliveries of a seller to the CCP, which without shaping would lead to a delay in delivery of the whole volume generated for the ultimate buyer by account level netting.

The final end of day result of account level netting and/or shaping will be provided in a final trade confirmation per relevant instrument, account type and settlement account, which contains a new trade number as reference for the resulting delivery instruction.

5.3 Impact on Member Backoffice Processing

Netting will impact the member backoffice processing in several ways. Please note that this impact only applies for trades in instruments, which are subject to CCP processing, and if netting is selected by the member on order entry. For a more detailed description of the changes listed below please refer to the document “Interface Description CCP”.

- Xetra trade confirmations will contain both netted and unnetted trade information as mentioned above. In case of subsequent partial executions of an order in the order book, the execution price and quantity as well as the volume weighed average price, accumulated

quantity and settlement amount of the order portion executed so far during the same day will be provided. Execution confirmations will not be affected by netting, i.e., there will be one execution confirmation per partial execution. Furthermore, for trades subject to account level netting a final update trade confirmation will be generated for each participant, account type, settlement account, and instrument, which is not related to individual orders or trades. This final update trade confirmation will contain the accumulated result of account level netting and shaping performed in the end of day processing.

- Two different services will be offered with regard to Xontro contract notes (“Schlussnoten”). One service will contain netted information according to the netting type specified on order entry. Therefore individual partial executions for an order may not be visible in the contract note anymore. The second service will offer contract notes on unnetted trades, i.e., containing each individual execution quantity, execution price and execution time. This service can be used to reconcile information from the trading side, and to serve as input for regulatory trade reporting to the Bundesaufsichtsamt für den Wertpapierhandel (BaWe), if netting is applied.

- Xetra rawdata will provide the possibility to reconcile the history of partial executions of individual orders (Daily Trade Confirmations rawdata) and the final status of each order (Open Order Detail rawdata).

6 Recommended Actions

6.1 General

The introduction of the CCP requires each Xetra member to adapt its project organization to its specific needs. The following section contains recommendations for activities, which have to be taken into consideration with regard to members in-house planning for CCP.

By using so-called “check points” related to key activities with regards to the simulation and introduction of CCP ensures a smooth and efficient implementation on the member-side. Any such activities are specified in the following list (“Chkpt” column).

6.2 Checklist

The introduction of CCP requires a project organization adapted to his specific requirements and the planning of migration activities of each member. See checklist as guideline which has to be supported by in-house specific tasks.

6.2.1 Establish Project Organization

The project organization must appropriately represent the special departments (trading, clearing, backoffice) and the departments affected by the introduction of CCP. The establishment of this project organization is not tied to any requirements and ought to have been finished early.

The following checkpoints should be taken into consideration:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Naming of contact persons	Contact persons and there representative should be named latest on January 15, 2001.	Project Coordinator	Jan. 15, 2001	√
Set-up of internal organizational structure	• Designate one person responsible for CCP and a representative • Involve all relevant departments for the CCP roll-out in the project organization (esp. trading, backoffice and clearing)	Project Coordinator	Feb. 2001	
Resource organization	The project progress (even in holidays) must be guaranteed.	Project Coordinator	Feb. 2001	

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Internal and external feedback/reporting	• Progress reports to all involved departments, technical management, and recommended steering committees must be available. • In case of any questions, please refer to one of Deutsche Börse AG or Eurex Clearing AG support teams.	Project Coordinator	Ongoing	

Given these conditions project organization should be as clear and straightforward as possible. In the easiest case, project organization consists of one single contact person; in a more complex case, project organization consists of a team from different fields.

6.2.2 Planning the Migration

The most important decision on the member side is to define its future clearing status. Depending on that decision all necessary migration processes have to be planned.

In the migration plan, necessary activities (concerning organization, technology, trading, staff) are put down with results, responsibilities, time expenses, deadlines and budgets.

When designing the migration plan, the following points should be considered:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Definition of work steps	Required work steps must be defined in all work fields, and responsible persons must be named for it.	Project Coordinator	Feb. 2001	
Interfaces to other teams	Interfaces to other teams/projects (parallel re-organization) should be revealed in the plan.	Project Coordinator	Feb. 2001	
Project Risk control	• Single activity risks should be documented and controlled. • In order not to fall behind with the active management of critical paths and emergency plans, capacity reserves should be kept.	Project Coordinator	Feb. 2001	

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Resource planning	Required personnel and budget resources needed for the migration must be put down, and should be accessible in the whole project period.	Project Coordinator	Feb. 2001	
Inform Deutsche Börse AG and Eurex Clearing AG about any problems during the preparation phase	In case of any questions, please refer to one of the Deutsche Börse AG and Eurex clearing support teams.	Project Coordinator	Ongoing	

The migration plan should be set up until the end of Feb. and should match with the member's organization and all persons involved.

6.2.3 Re-definition of Internal Flow and Structural Organization

Based on identified process changes and new processes, these processes must be re-defined in detail, and put together as a new flow organization.

The following check-points can be useful:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Detailed process description	A detailed description of changed and new processes is available.	Project Coordinator	Mid of March 2001	
Documentation of proposed flows	A summary of proposed flow descriptions and changes is available.	Project Coordinator	Mid of March 2001	
Structural organization	Required changes on the structural organization, if needed	Project Coordinator	Mid of March 2001	

6.2.4 Definition of Legal Aspects

Define the necessary documents by means of the decision you've made on the future clearing status; request and sign the necessary documents.

The following checkpoints should be taken into consideration:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Definition of future clearing status	GCM DCM NCM	Manage-ment	End of Feb. 2001	
Preparation of legal admissions	• Set-up of all necessary legal steps to achieve your clearing status • Apply for the necessary documentation	Legal Department (GCM/ DCM)	Mid of March 2001	
Sign and mail the legal documents	• Fill in each document • Sign the relevant document • Send document to Deutsche Börse AG Legal Affairs-Membership Unit	Manage-ment (GCM/ DCM)	April to June 2001	
Establish GCM/NCM respectively DCM/NCM relationship[1]	• Select an appropriate GCM or DCM • Prepare a GCM/NCM or DCM/NCM agreement • Sign the relevant documents	Manage-ment (NCM only)	April to June 2001	

For detailed information regarding supporting documents please refer to the "Clearer Guideline for Xetra Members" for publishing date see communication plan in "Member Activity Plan CCP".

The legal basis for the participation are the Rules and Regulations for the CCP, which will be published during the roll-out.

6.2.5 Conception and ordering of Technical Infrastructure

At this point, based on the current and future clearing status it must be determined which hardware configuration (servers, trader workstations, routers, network) and software will be used or which adaptions must be done. This requires an exact analysis of the already existing hardware infrastructure, software already used, and supported processes.

Define the infrastructure by means of the decision you have made on your future clearing status.

[1] See the document "Member Activity Plan CCP" for a description of the GCM/NCM and DCM/NCM relationship.

Focus / Activity	Description	Target	Deadline	Chk-pnt
Analysis and evaluation of the already existing infrastructure depending on your present/future clearing status	• A detailed evaluation concerning the usability of the already existing hardware and software is available.	System-administrator	End of Feb. 2001	
Define the technical requirements	By means of the decision define the necessary technical requirements as: • Eurex Infrastructure • Connections to Eurex • Backoffice applications (own, third party)	System-administrator (GCM/DCM)	End of Feb. 2001	
Expansion of the infrastructure	• Configuration takes the „Sizing Guidelines“ into account. • Requirements are completely ordered (unit list). • Competence and sufficient resources of the provider is guaranteed. • A detailed and synchronized deadline is set for all suppliers. • Delivery of hardware and software was effected. • Vendor selection has taken place if necessary	System-administrator (GCM/DCM)	End of Feb. 2001	
Set up technical infrastructure	• Extend and operate the system infrastructure necessary for Eurex Clearing AG • Integrate in-house applications • GCM; set up Eurex infrastructure, hardware as well as software • DCM; set up Eurex infrastructure, hardware as well as software • Backoffice applications	System-administrator (GCM/DCM)	Mid of March 2001	

To ensure proper technical connection, each applicant is required to submit a diagram of the technical equipment to Eurex for approval. For further information on the technical requirements, please refer to the "Sizing Guidelines" and "Connection Alternatives CCP“.

6.2.6 Definition of Training Needs

In order to give members the opportunity to become familiar with the CCP prior to the production start, Deutsche Börse AG will offer functional trainings for the members.

The following check-points can be useful for a powerful inhouse-training:

Focus / Activity	Description	Target	Deadline	Chk-pnt
Valuation of training needs	• Which, and how many traders and backoffice (B/O) employees are concerned with respect to the introduction of CCP? • Which training requirements result from the new functionalities ?	Traders, backoffice staff, System-administrator	Feb. 2001	
Register for roadshow Xetra Release 6.0, functional trainings CCP and Eurex trainings	Fax registration sheets to “Member Training” team.	Traders, B/O staff	Feb. 2001 April 2001	
Visit roadshows Xetra Release 6.0 and participate in functional training CCP and Eurex	The exact dates will be announced timely in circulars	Traders, B/O staff, System-administrator	March to May 2001	
Naming of in-house trainers	• For inhouse training, trainers function as multipliers. • Training by internal or external personnel. • Integration into an internal inhouse-training concept.	Project Coordinator	Mid of March to April 2001 and June / July	
Resources	• Has the inhouse-training been sufficiently sketched with respect to time, personnel, and rooms?	Project Coordinator	End of March 2001	

Participation in the training is strictly recommended by the Deutsche Börse AG.

Further information regarding the functional training will be provided in advance by means of Xetra circulars.

6.2.7 Plan and carry out simulation

Purpose of the CCP simulation is to provide an opportunity for Deutsche Börse AG, Eurex Clearing AG and its members to test the whole process from order entry and trade management on the Xetra frontend to the backoffice processing and clearing. It is important for the GCMs and DCMs to test their connection and post-trade processing to Eurex Clearing AG.

Each GCM/DCM member has ensured that its Eurex technical infrastructure and Eurex clearing applications are in place.

This plan should focus on the schedule described in this document. The main aspects are:

Focus / Activity	**Description**	**Target Group**	**Deadline**	**Chk-pnt**
Set up technical infrastructure	• Make sure that all technical infrastructure is in place	System-administrator	March 2001	
Define the simulation processes	• Identify current workflows, document the flows as they should be. • Modify the structural organization	Project Coordinator	March 2001	
Define resources for simulation	• planning of resources	Project Coordinator	March 2001	
Registration for simulation	• fax registration form to Xetra Change Management Team	Project Coordinator	March 2001	
Carry out CCP simulation	• participation of traders and system administrators in the CCP simulation • connectivity test	Project Coordinator System-administrator	May 28, 2001	
Inform Deutsche Börse AG and Eurex Clearing AG about any problems during the simulation phase	In case of any questions, please refer to one of the Deutsche Börse AG and Eurex Clearing AG support teams.	Project Coordinator	Ongoing	

For a detailed description of the course of the simulation, please refer to the document „Member Simulation Guide CCP“ and “Member Simulation Script and Schedule CCP”.



Connection Alternatives CCP

Table of Contents

1	Introduction	3
2	Transfer Network from Front End to Access Point	4
2.1	Leased Line Connections	5
2.2	Internet Connections	5
2.3	Description of the Connection Types	7
2.3.1	Premium Access	8
2.3.2	Combined Access	8
2.3.3	iAccess	8
3	Deutsche Börse Support	10
3.1	Xetra/Eurex Customer Service Technical Member Readiness	10

1 Introduction

With the implementation of the Central Counterparty (CCP) for equities as part of the service offered by Eurex Clearing AG, the current risk management concept implemented for the German cash markets will be expanded significantly.

The CCP will be part of Eurex Clearing AG. Therefore it is necessary to set up a Eurex infrastructure for all potential Equity Clearing Members, either Equity Direct Clearing Members or Equity General Clearing Members.

If the Equity Clearing Members currently runs a Eurex front end, that infrastructure can be used to support the functions required for the CCP. The existing infrastructure is sufficient to handle the additional load.

This description specifies the alternative connections for Equity Clearing Members that are currently not connected to the Eurex platform.

- Equity Clearing Members may select one of the following connection alternatives:
  - Premium
  - Combined
  - iAccess

  (@Eurex is not available for Equity Clearing Members.)

  The Eurex infrastructure may be combined with the existing Xetra infrastructure if this is suitable for the members requirement and if the sizing of the existing Xetra front end hardware is appropriate.

  A short description of the alternatives is given within the subsequent chapter.
- Equity Non-Clearing Members will only have the clearing reports as their interface to the Eurex Clearing system. The reports will be distributed during nightly batch processing of the Eurex Clearing system.
  - If the Equity Non-Clearing Members are also Eurex members, they will receive the new reports together with their Eurex reports on the existing Eurex infrastructure.
  - Equity Non-Clearing Members without a Eurex infrastructure will receive the new reports over the existing Xetra infrastructure.

2 Transfer Network from Front End to Access Point

The Exchange offers Equity Clearing Members three standard access methods which offer different levels of guaranteed performance and availability. Connections between Members' installations and the Exchange Network can be via duplicated leased lines (Premium), through a combination of leased line and Internet access (Combined), or exclusively via the Internet (iAccess). These are represented in the diagram below. The characteristics of leased line and Internet connections are described in the following sections, followed by a short description of the connection types.

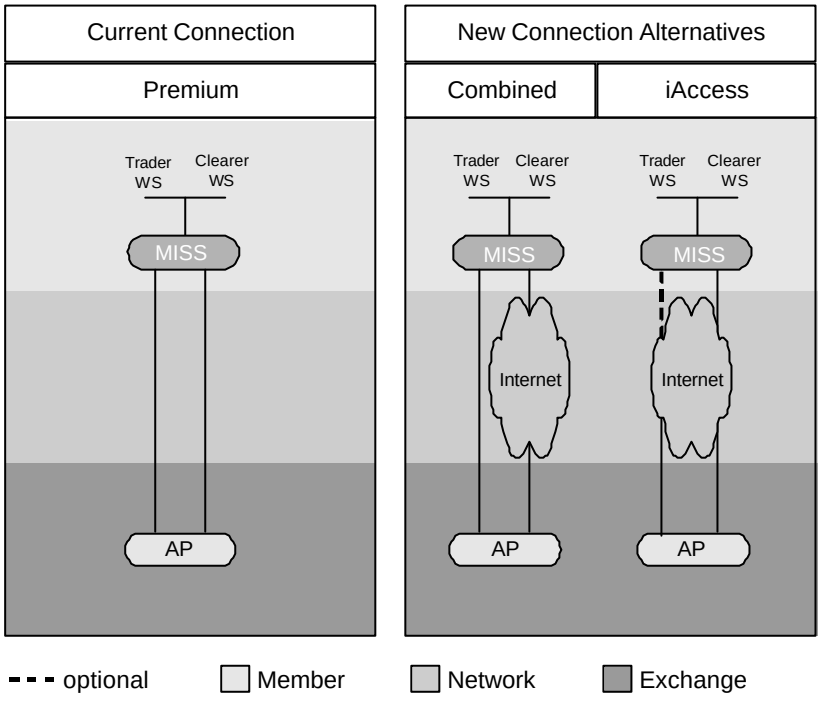


Diagram 1: Front end Connection Alternatives

Legend: AP = Access Point
MISS = Memer Integrated System Server
WS = Workstation

2.1 Leased Line Connections

Leased line connections are based on a private network of international telecom providers. The providers are in a contractual relationship with Deutsche Börse Systems AG, who are responsible for the installation of the lines at the member's site.

Effective bandwidth, data security and data integrity are guaranteed.

Service Level

The following Service Level is guaranteed:

- During trading hours the leased lines are monitored.
- In case of a failure of one line an automatic fail-over on the network will be initiated.

Optional Security

The connection to Deutsche Börse Systems Exchange Network can be secured by a firewall on the member site. It is recommended that the firewall is placed between the MISS and the member WSs. Firewalls may also be placed between the MISS and the Member Router, but this configuration is not supported by Deutsche Börse Systems. Independent from where the firewall is installed, the member is responsible to ensure that the front-end application specific fixed port numbers are accessible.

Routers for leased line connections are defined in the "Common Front-End Sizing Guidelines".

2.2 Internet Connections

Dial-up connections to the Internet are not supported, so a permanent Internet connection ≥ 64kbit/s with an official permanent IP-Address must be made available. Provision of the Internet connection must be initiated by the member who can select any Internet Service Provider of its choice.

The Internet connection does not need to be used exclusively for Exchange access; an existing Internet connection may be used if appropriate. The Eurex Clearing recommends using a dedicated Internet connection or a shared connection with a bandwidth reservation mechanism/protocol.

The member may use any bandwidth to his Internet service provider. However, on the exchange side, the usable bandwidth will be limited according to the application.

Data transfer over the Internet will be secured by a Virtual Private Network (VPN) with 168 bit 3DES encryption. Deutsche Börse Systems uses an authentication process with a certificate (Public Key Infrastructure) that will secure communication in a closed user group.

The router for an Internet connection must be at least a Cisco 2610 with 48MB DRAM and IOS IP PLUS IPSEC 3DES.

The MISS-to-Router Local Area Network (LAN) has to be exclusive for the Exchange Network. For example the MISS-LAN cannot be a shared Demilitarized Zone LAN (DMZ-LAN).

As an alternative to a standalone firewall the Firewall functionality of the Internet Router (Cisco Secure Integrated Software) and/or Access and Distribution lists can be used.

Service Level

- No service levels for availability or effective bandwidth can be guaranteed on Internet connections.

2.3 Description of the Connection Types

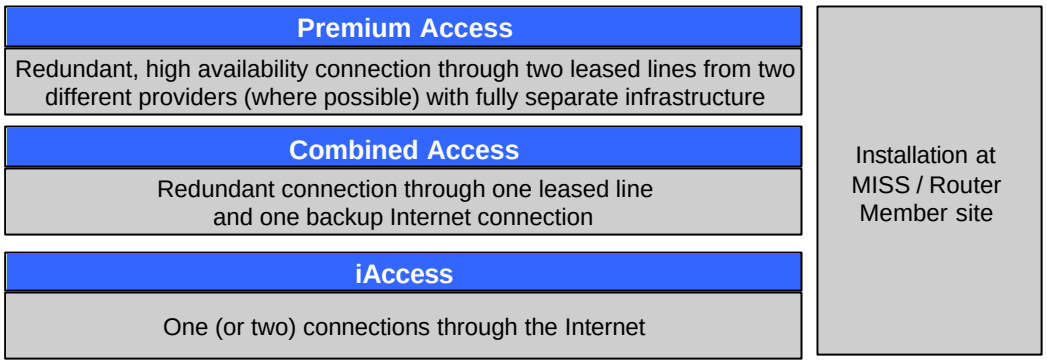


Diagram 2: Available Connection Types

The following diagram shows the topology and communication path for Premium Access (Member C), Combined Access (Member B) and iAccess (Member A) for comparison:

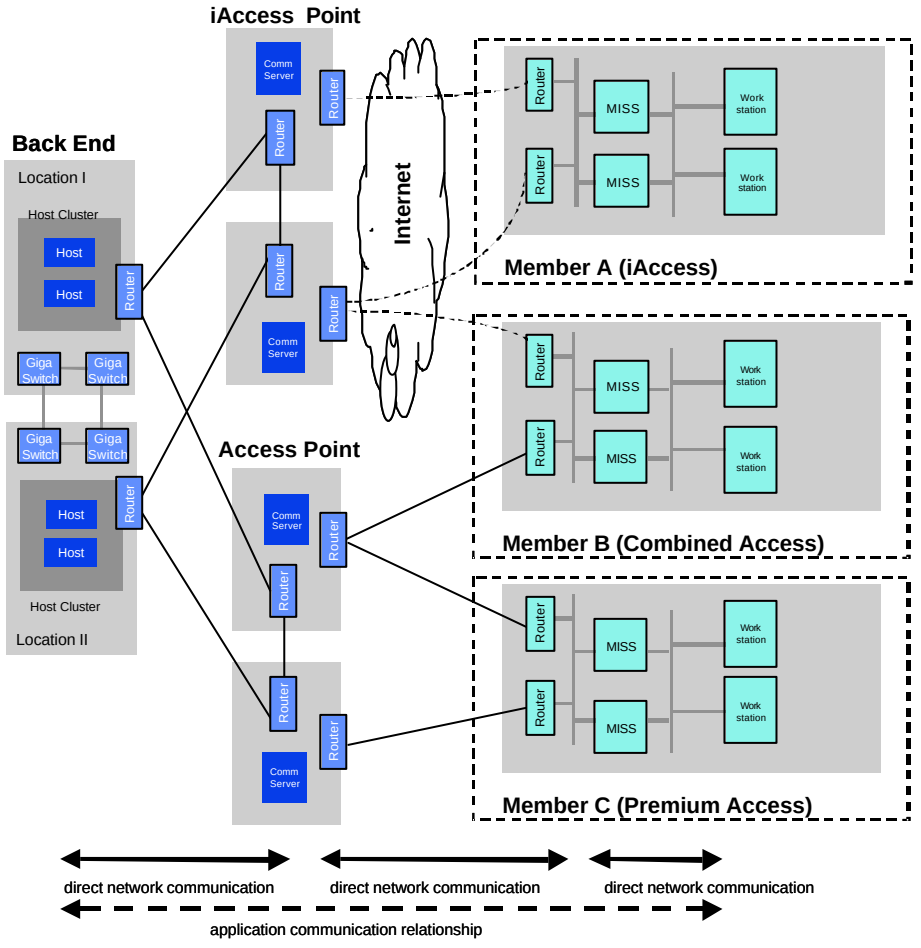


Diagram 3: Implementation of Premium Access, Combined Access and iAccess

2.3.1 Premium Access

Premium Access combines the highest availability with high performance.

Technical Implementation

Wherever possible, Premium Access is implemented using two leased lines from different providers with separate infrastructures (separate cables and technical components). In geographic areas not covered by multiple telecommunications providers, access using two leased lines from one provider is implemented.

Prerequisites on Member Site

- A MISS or MISS Group needs to be configured in a dedicated LAN
- Routers, as recommended in the Common Sizing Guidelines

2.3.2 Combined Access

Combined Access combines high availability with the high performance associated with a dedicated leased line. The leased line is the primary connection and is used for all data traffic whenever it is available. Failure of the leased line results in the use of the back-up Internet connection.

Technical Implementation

The provision of the leased line will be done by Deutsche Börse Systems AG. The member is responsible for provision of the Internet connection.

Prerequisites on Member Site

- A MISS or MISS Group in a dedicated LAN.
- One permanent Internet connection
- One Router for the leased line connection.
- One Router for the Internet connection.

2.3.3 iAccess

iAccess offers medium availability with normal performance. One or two Internet connections can be used. However, the use of two Internet connections from a single supplier may result in both connections using the same, or nearly the same, entry point into the Internet.

Technical Implementation

iAccess is implemented using one or two permanent Internet connections. The provision of the Internet connections must be initiated by the member.

If the Internet connection fails, a fail-over is only possible if two lines on the member site are available.

Prerequisites on Member Site

- One or two permanent Internet connections.
- A MISS or MISS Group in a dedicated LAN.
- A router for each Internet connection.

3 Deutsche Börse Support

Deutsche Börse will provide intensive support for members preparations during the introduction of the CCP. The following teams may be contacted concerning any technical questions related to the preparation of and participation in the CCP Simulation and Introduction:

3.1 Xetra/Eurex Customer Service Technical Member Readiness

Tasks:	co-ordination and support for the connection of new members
Phone:	++49 (69) 2101 – 13 90
Fax:	++49 (69) 2101 – 13 91
Availability:	08:00 a.m. - 06:00 p.m. CET (on exchange trading days)
E-mail:	customer-service-xe@deutsche-boerse.com



Interface Description CCP

Table of Contents

1	**Introduction**	**3**
2	**Overview**	**4**
3	**Data Interfaces**	**5**
3.1	**Trade Management**	**5**
3.1.1	Xetra Trade Confirmations	5
3.1.2	Xetra Execution Confirmation	5
3.1.3	Xetra Contract Notes (“Schlussnoten”)	6
3.1.4	Xetra Trade Reports	6
3.2	**Risk Management**	**7**
3.3	**Collateral Management**	**7**
3.3.1	Collateral Reports	7
3.3.1.1	Daily Security Movement & Coverage (RPTCD020)	8
3.3.1.2	Security Expiration (RPTCD030)	8
3.3.1.3	Daily Security Valuation (RPTCD031)	8
3.3.1.4	Daily Guarantee (RPTCD032)	8
3.3.1.5	Monthly Security Movement and Coverage (RPTCD080)	8
3.3.1.6	Collateral Exception (RPTCD025)	8
3.3.2	Collateral Screens	8
3.3.2.1	Cash Account Summary Inquiry (I010)	9
3.3.2.2	Cash Account Detail Inquiry (I020)	9
3.3.2.3	Guarantee Inquiry (I050)	9
3.3.2.4	Security Summary Position Inquiry (I060)	9
3.3.2.5	Security Account Detail Inquiry (I070)	9
3.3.2.6	Security Valuation Inquiry (I080)	9
3.3.2.7	Exchange Rate Inquiry (I090)	10
3.3.2.8	Daily Settlement Inquiry (I100)	10
3.3.2.9	Excess Collateral Inquiry (I110)	10
3.3.2.10	Cash Withdrawal Request (I120)	10
3.3.2.11	Cash Call Inquiry (I140)	10
3.3.2.12	Maintain Security - Member Screen (K051)	10
3.4	**Delivery Management**	**10**
3.5	**Delivery Failure Management**	**10**
3.6	**Fees and Fines**	**11**
3.6.1	Fees	11
3.6.2	Fines	11
3.6.3	Debiting Fees and Fines to Members	11
4	**Risk Based Margining Files for Members**	**12**
4.1	**Securities Margin Class and Group Information**	**12**
4.2	**Theoretical Values: Equities**	**12**
4.3	**Theoretical Values: Corporate-Action-Cash-Transaction**	**13**
4.4	**Theoretical Values: Unconditional Subscription Rights**	**13**

1 Introduction

This document is addressed to all Xetra members and describes the changes in interfaces that are introduced with the functionality of a Central Counterpart for equities. The Central Counterpart (CCP) will be part of the Eurex Clearing AG and extends the current CCP processing already in place for derivatives and bonds.

With the implementation of the CCP, existing interfaces between Xetra, Eurex, Clearstream Banking Frankfurt (CBF) and members will be used. Thus, the costs for members regarding back-office adaption are minimized. Nevertheless, some changes in interfaces are going to take effect.

Chapter 2 provides an overview of the data information flow. Changes regarding the interfaces and data received by members are mentioned in chapter 3. The risk-based margining files are presented in chapter 4.

2 Overview

The following diagram provides an overview of the involved systems and the different interfaces that are important for a member.

After sending an order, which is executed on the Xetra trading platform, the trading member receives an execution confirmation, which contains unnetted information on each order execution (1). Additionally, the member receives trade confirmations from Xetra during the business day (2). Trade confirmations are sent to the member (clearing member and non-clearing member) immediately after the trade has been matched and contain both netted and unnetted trade information. The clearing member also receives contract notes ("Schlussnoten") from Xontro Trade (3) at the end of the day. All risk and collateral reports are distributed by Eurex Clearing (4) to the clearing member. The CBF sends the clearing members the "Lieferliste /Regulierungsliste" (5) as delivery information and Xetra sends reports (6) concerning trade confirmation to both the clearing and non-clearing member.

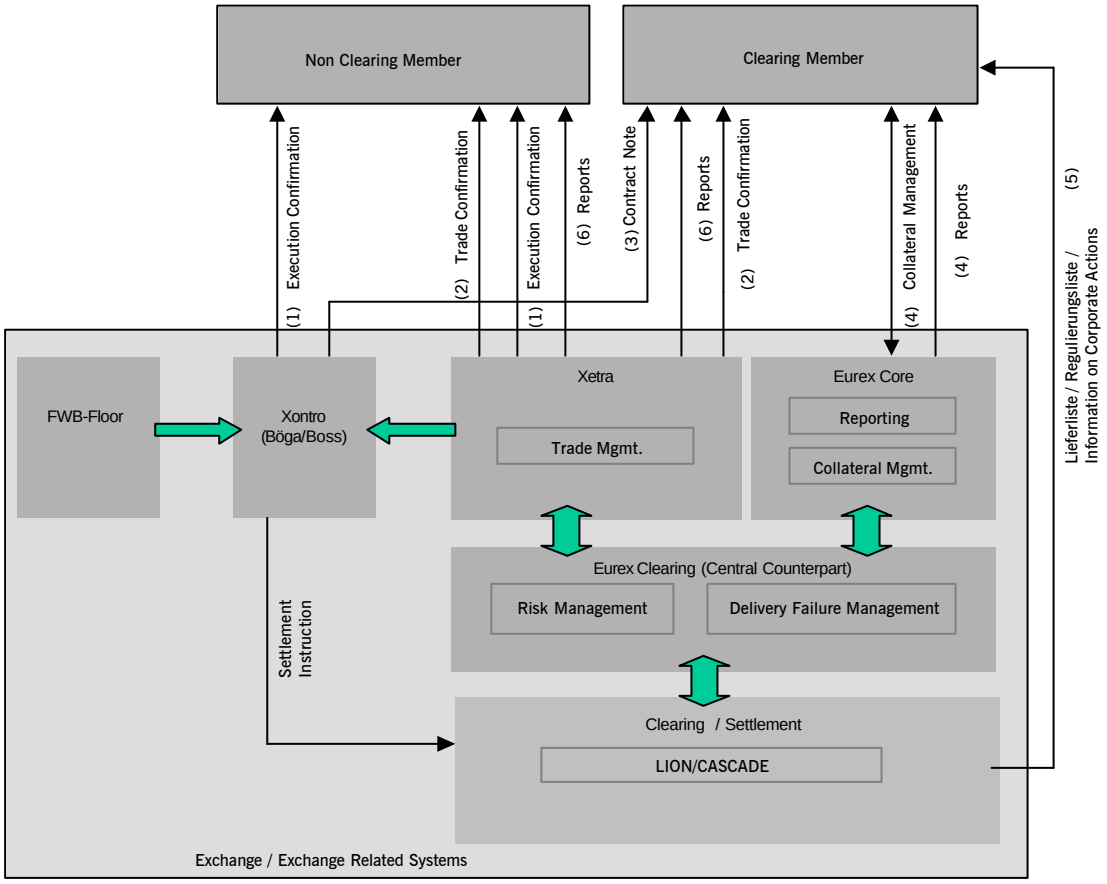


Figure 1: Interfaces of Xetra members

3 Data Interfaces

3.1 Trade Management

3.1.1 Xetra Trade Confirmations

Every Xetra member (clearing and non-clearing member) receives its own trade confirmations directly from the trading system Xetra.

The trade confirmation, which is sent in the context of netting, uses the same message type as the trade confirmation of former releases but contains additional fields that are mentioned below. In case of order and account level netting, trade confirmations contain both netted and unnetted information. For each additional partial execution of an order, an update trade confirmation with the same trade number is generated, which contains the data of the current partial execution together with updated aggregated data as described below. If no netting is performed, the related additional fields are not relevant.

Relevant fields:

- Execution price of the current (possibly partial) execution.
- Traded quantity of the current (possibly partial) execution.
- Accumulated market value of underlying partial positions calculated for netted trades.
- Accumulated executed quantity calculated from underlying partial executions.
- The average price of the so far executed parts of the order. The average price is calculated as follows: the sum of all the market values of underlying partial executions is divided by the sum of the quantities of underlying partial executions.
- Indicator for trades currently in Give Up/Take Up process.
- Indicator for the netting level of an order.
- The settlement account of the CCP, which was counterparty of a trade.
- The settlement location of the CCP, which was counterparty of a trade.
- The identifier of the CCP.
- The KV-Number of the CCP, which was counterparty of a trade.

3.1.2 Xetra Execution Confirmation

The Xetra Execution Confirmation concerning the CCP is unchanged regarding former Xetra releases. The subscription is used to subscribe to the Xetra private broadcast data stream for confirmation of Xetra entered, modified or deleted orders. Confirmations of order deletions performed during batch processing are sent out as well. Information on executed book orders is also provided via this stream.

3.1.3 Xetra Contract Notes ("Schlussnoten")

The contract notes are sent by the Xontro system to every clearing member.

Because of the optional netting, the member receives two kinds of contract notes: the so-called trading contract note ("Handelsschlussnote") that contains unnetted trades and the settlement contract note ("Settlementschlussnote") that displays the netted trades as specified on order entry. The member receives these contract notes in two separate data files. Both files have the same format and layout and are transferred via the same infrastructure. The advantage of receiving two types of contract notes is, that the trading contract note can be used for internal coordination and reporting e.g. to the BaWe (according to §9 Kreditwesengesetz) while the settlement contract note provides the member an overview of the settlement obligation.

3.1.4 Xetra Trade Reports

- Daily Trade Confirmation

This report contains an inventory of all trades of a member and all non-clearing members assigned to this member. The report shows all matched trades during a trading day and all OTC trades approved on this day as well. Crossed trades and netted positions are indicated accordingly. The matched/ approved trades are arranged by member, trader, currency, instrument and settlement account. A new page is started each time the settlement account or instrument changes. If neither Post Trade Anonymity (PTA) nor PTA with Central Counterparty (CCP) is selected, counterpart information is contained in this report. In case of PTA or CCP, the counterparty attributes (member ID, settlement account and KV-number) will be overwritten by the respective central counterparty data.

- Daily Netted Trade Detail

This report contains an inventory of underlying partial executions of all netted trades per trading member. It displays this information for all non-clearing members assigned to this clearing member and for the clearing member itself. The report shows all the underlying order level trades of accounted netted trades. The matched/ approved trades in the report are arranged by trader, currency, instrument, and settlement account. For clearing members receiving this report, the matched/ approved trades are arranged additionally by assigned non-clearing members. A new page is started each time the settlement account or instrument changes. No counterparty information is displayed.

- Daily Open OTC Trade Maintenance

This report contains an inventory of all operations on open OTC trades during a trading day, sorted by traders, as well as OTC trades entered by Market Supervision on behalf of traders. The open OTC trades are arranged by trader, currency, instrument, and account. A new page is started each time the member, trader, or instrument changes.

3.2 Risk Management

The following risk margining reports for equities and subscription rights are available for clearing members and will be created in the CCP batch (for a detailed description of the reports please refer to the functional and technical release notes of the CCP; to be published).

- Current Liquidating Margin

  This report shows the Current Liquidating Value for security positions and the corresponding cash positions for different settlement dates within a margin class.

- Theoretical Values

  This report shows the theoretical liquidating value. Possible maximum up and down price movements are shown.

- Liquidating Value

  This report shows the Current Liquidating Value and Liquidating Values for different settlement dates.

- Additional Margin

  This report shows the calculation of the Additional Margin.

- Daily Margin

  This report deals with the daily margin requirements (or margin credit) of each Exchange Member Account.

- Daily Margin Summary

  This report gives the daily margin requirements for all Exchange and Clearing Members. The total margin requirement for all risk positions are shown.

For a detailed description of the CCP Risk Management please refer to the “Member Brochure CCP”.

3.3 Collateral Management

The functionality is covered in the Eurex system. The corresponding reports are generated and distributed by Eurex Clearing AG.

3.3.1 Collateral Reports

Non-Clearing Members do not receive these collateral reports.

3.3.1.1 Daily Security Movement & Coverage (RPTCD020)

This report contains the transactions that show the movements on the different collateral accounts. Also the changes of coverage use are displayed. The first detail line contains the starting balances in the security deposit by collateral, followed by the transactions showing descriptive and quantitative data. The last line shows the ending balances by usage.

3.3.1.2 Security Expiration (RPTCD030)

This report displays the expiration dates of securities. It shows which securities deposited as cover will be due in the next four weeks and therefore lapse as collateral. The securities are shown in due date order and with the sum corresponding to each due date.

3.3.1.3 Daily Security Valuation (RPTCD031)

This report contains data about the market value of the collateral in the different security deposit accounts as well as the amount of cover value that Eurex Clearing AG attributes them. In addition to the individual information per collateral, this report contains the totals of the market and cover value per type of the security.

3.3.1.4 Daily Guarantee (RPTCD032)

This report deals with guarantees given for by the clearing members. The guarantees are displayed per type ("Margin", "Clearing House", "Company Capital" and "Clearing Fund"). A part from the individual information on each guarantee type, this report also contains the total amounts and a total per member in Euro.

3.3.1.5 Monthly Security Movement and Coverage (RPTCD080)

This report contains the monthly transactions in the different security deposit accounts. Information on changes to the security deposits is provided. The first line of the report contains the starting balances of the collateral, followed by transactions with description and number of booked items. The last line shows the ending balances per International Security Identification Number (ISIN).

3.3.1.6 Collateral Exception (RPTCD025)

This report contains securities that are transferred into the collateral account and are not accepted as collateral. The Clearing Member can then ask for a withdrawal of these securities from the security deposit into the main account. Unaccepted collateral and its market value are listed by security.

3.3.2 Collateral Screens

Non-clearing members cannot call up these screens.

3.3.2.1 Cash Account Summary Inquiry (I010)

This screen shows the balance of the previous day, the volume of transactions and the current balance on the cash account of the clearing member. The user has the option of calling up the Cash Account Detail Inquiry Screen (I020).

3.3.2.2 Cash Account Detail Inquiry (I020)

This screen shows the individual cash transactions on the margin cash account, the Clearing Fund and the Company Capital account. It takes over the amounts to the Cash Account Summary Inquiry Screen (I010). The current day's transactions are listed. The user can inquire on the previous day's transactions through "Scroll-Down". The screen does not list the cash transactions of previous months.

3.3.2.3 Guarantee Inquiry (I050)

This screen displays the Clearing guarantees contributed by the Clearing Members. A total is displayed for all guarantee types. All Clearing Members must provide the Eurex Clearing AG with guarantees in compliance with the current clearing rules and regulations. The system internal expiration date allows the Eurex Clearing AG to cancel the clearing guarantees as necessary (e.g. return of the clearing license).

3.3.2.4 Security Summary Position Inquiry (I060)

This screen shows the deposited quantity for the margin, the Clearing Fund and company capital deposit as well as the quantity that was requested for withdrawal. For margin deposits additionally the quantity used as full cover is displayed. The user can select if information should be displayed for the margin account, the company capital or the Clearing Fund.

The user can either enter the collateral International Security Identification Number (ISIN) into the field SECURITY ID and the currency into CUR or leave them empty. If the user leaves both fields empty all securities and all currencies will be shown. If CUR is filled and SECURITY ID is empty, all Member securities with the entered currency will be displayed. If the user enters the International Security Identification Number of the collateral and leaves the CUR field empty, securities with higher codes will be displayed. The user can also call up the Security Account Detail Inquiry Screen (I070).

3.3.2.5 Security Account Detail Inquiry (I070)

On this screen, the Member can see the transactions making up the total movements on a security deposit account. The user can select if information should be displayed for the margin account, the company capital or the Clearing Fund.

3.3.2.6 Security Valuation Inquiry (I080)

On this screen, the user can see the market value of the collateral deposited in a security deposit accounts as well as the amount recognized as cover value by the Eurex Clearing AG. The user can select if information should be displayed for the margin account, the company capital or the Clearing Fund.

3.3.2.7 Exchange Rate Inquiry (I090)

This screen shows the exchange rates, conversion factors and decimal shifts used by the Eurex Clearing AG.

3.3.2.8 Daily Settlement Inquiry (I100)

This screen shows the margin requirements as well as the margin surplus or deficit in the corresponding currency. The user has the option of calling up the Excess Collateral Inquiry Screen (I110).

3.3.2.9 Excess Collateral Inquiry (I110)

This screen shows the estimated cover value in the corresponding currency resulting from the balance of the cash account and the estimated collateral in the security deposit. It also shows the movements, which have led to the final balance and value of cash and collateral. Cover guarantees are at present not acknowledged by the Eurex Clearing AG.

3.3.2.10 Cash Withdrawal Request (I120)

On this screen, the user can request the minimum balance, which should remain on the Member cash account at the Eurex Clearing AG. The user can request a withdrawal by entering a positive amount. Entering a negative withdrawal amount can reduce earlier withdrawal requirements in the current day.

3.3.2.11 Cash Call Inquiry (I140)

This screen shows the margin requirement and/or the cash amount necessary to balance a negative cash balance. It also shows the requests for release of collateral and cash balances. The "Margin Call" is shown in the Clearing Member Currency (currently Euro or Swiss Francs).

3.3.2.12 Maintain Security - Member Screen (K051)

This screen contains information about securities, which are pledged as collateral.

For further information about Collateral Management please refer to the “Member Brochure CCP”. For a detailed description of “Collateral Management” please refer to the Eurex member documentation “Clearing System Description” available in the internet.

3.4 Delivery Management

The Delivery Management will be still handled by the settlement location Clearstream Banking Frankfurt (CBF). In the course of the CCP introduction, the interfaces to CBF in the context of delivery management are not changed.

For further information about Delivery Management please refer to the “Member Brochure CCP”.

3.5 Delivery Failure Management

A report will be provided for the tracking of late deliveries of equities. This report contains information for delivery failure management and the corresponding fines for individual non-clearing members /general clearing members.

The report is subdivided into two parts:

Part A – Assigned late delivery (for the receiving member)
Part B – Originated late delivery (for the delivering member)

For further information about Delivery Failure Management please refer to the "Member Brochure CCP".

3.6 Fees and Fines

3.6.1 Fees

The fees will be shown on a report for members on a transaction, daily, and monthly basis. For a detailed description please refer to the "Technical and Functional Release Notes CCP" (to be published).

3.6.2 Fines

For late deliveries, fines are calculated automatically and are listed in the above-mentioned report. An overview report for all fines will be created at the end of the day and month.

3.6.3 Debiting Fees and Fines to Members

Finally, when charging the fees and fines to the members, these amounts will be listed in a cash account statement report.

4 Risk Based Margining Files for Members

Files are distributed to all members to give all necessary input for a recalculation of the overall margining requirement.

4.1 Securities Margin Class and Group Information

The file FPMGBPRM Securities Margin Class and Group Information, contains all the security data for equities, which are required for the risk based margining of the day.

This information is:

- margin group code
- offset factor
- margin class code
- margin parameter
- ISIN of security
- indicator, if margin parameter is given in absolute or percentage
- currency code
- exchange rate to Euro
- standard settlement period in days per security

The congruent information is listed for subscription rights as well. The additional subscription right specific information, which is necessary for the risk based margining, is contained in the file covered in section 4.4 Theoretical Values: Unconditional Subscription Rights.

4.2 Theoretical Values: Equities

A file provides members with the security parameters for equities used for the current Liquidating Margin and Additional Margin, like it is done in file FPTHEB File Theoretical Values II (currently the equity information is a subset of the information contained in FPTHEB file). This file contains conditional subscription rights as well.

- ISIN of security
- margin group code
- margin class code
- margin parameter
- indicator, if margin parameter is given in absolute or percentage
- security price used for risk based margining = settlement price of security

- maximum expected price
- minimum expected price
- nearest settlement date (actual date plus standard settlement period for this subscription right)
- currency code
- market cash interest rate of the currency
- currency's risk adapted interest rate - up
- currency's risk adapted interest rate – down

4.3 Theoretical Values: Corporate-Action-Cash-Transaction

A cash position can be adjusted for risk based margining, due to a corporate-action-cash-transaction. This information needs to be distributed to the member via a file (it needs to be checked, whether this information can be put in the file FPTHEC).

The following information will be given:

- ISIN of security
- Ex-Date of corporate-action-cash-transaction
- Corporate-action-cash-transaction amount in currency of security

The information has to be contained in the file from the Ex-Date until all relevant open positions in this security are settled. This will happen at the latest at T+11 (where T is the trading day).

If the file does not contain any information, an empty file will be sent.

4.4 Theoretical Values: Unconditional Subscription Rights

This new file has to provide members with the subscription right parameters of an unconditional increase of capital to calculate the current Liquidating Margin and Additional Margin. Additionally, it has to contain the additional subscription right specific data, which is not included in the file described in section 4.1 Securities Margin Class and Group Information.

The information in the file contains subscription right data, underlying data and the theoretical values.

Subscription right and equity specific data:

- ISIN of subscription right
- ISIN of the underlying security of the subscription right
- nearest settlement date (actual date plus standard settlement period for this subscription right)
- currency code
- market cash interest rate of the currency

- subscription ratio (“Bezugsverhältnis”)
- subscription price (“Bezugspreis or -kurs”)
- beginning date of subscription period of the subscription right
- ending date of subscription period of the subscription right
- volatility used for risk based margining
- settlement price of the subscription right
- settlement price of the underlying security

Theoretical prices

- maximum expected price of the underlying security, minimum expected price of the underlying security or intermediate strike prices between maximum and minimum expected price
- according theoretical price of subscription right

This information is provided for every unconditional subscription right with a confirmed settlement price. If the file contains no data, an empty file is sent to the members.

The above given information in connection with 3.2 Risk Management (in this document) contains the basis of Risk Management procedures. For further information please refer to the “Member Brochure CCP”.

Deutsche Börse



Member Activity Plan CCP

Table of Contents

1	**Introduction**	**3**
1.1	**The Central Counterparty CCP**	**3**
1.2	**Purpose of this Document**	**4**
2	**Participant Classification**	**5**
2.1	**Present Xetra Clearing Classification**	**5**
2.2	**Future Xetra Clearing Classification**	**5**
3	**Key Activities in Conjunction with the Introduction of the CCP**	**7**
3.1	**Legal Aspects, Technical Requirements and Connection**	**7**
3.1.1	General Clearing Member and Direct Clearing Member	7
3.1.2	Non-Clearing Member	7
3.2	**Simulation and Production Start of CCP**	**8**
3.2.1	Simulation of CCP	8
3.2.2	Production of CCP	10
3.2.3	Participation in Trainings in Connection with the Introduction of CCP	10
4	**Supporting Documentation**	**11**
5	**Recommended Actions**	**14**
5.1	**General**	**14**
5.2	**Checklist**	**14**
5.2.1	Establish Project Organization	14
5.2.2	Planning the Migration	15
5.2.3	Re-definition of Internal Flow and Structural Organization	16
5.2.4	Definition of Legal Aspects	17
5.2.5	Configuration and ordering of Technical Infrastructure	18
5.2.6	Definition of Training Needs	19
5.2.7	Plan and carry out simulation	20
5.3	**Deutsche Börse AG Support**	**22**
5.3.1	Deutsche Börse Trading Helpline Xetra	22
5.3.2	Deutsche Börse Xetra Change Management Team	22
5.3.3	Xetra/Eurex Customer Service Technical Helpdesk	22
5.3.4	Xetra/Eurex Customer Service Technical Member Readiness	22
5.3.5	Deutsche Börse Clearing Helpdesk Eurex	23

1 Introduction

1.1 The Central Counterparty CCP

In conjunction with the activities for the enhancement of the exchange risk management (new obligation monitoring procedure / EK-Neu), Deutsche Börse AG has developed a concept for the introduction of a central counterparty for underlying instruments of the cash market (particularly stocks). This concept involves the establishment of Eurex Clearing AG as the central counterparty for trades executed at Frankfurter Wertpapierbörse (FWB) in selected instruments.

The enhancement of the existing concept by introducing a central counterparty function for equities as an additional service of Eurex Clearing AG supports the improvement of the existing risk management system (new obligation monitoring procedure / EK-Neu), the inclusion of major functionalities of a central counterparty, as well as further participant benefits.

With the implementation of the Central Counterparty (CCP) as part of the service offered by the Eurex Clearing AG, the current risk management concept implemented for the German cash markets will be expanded significantly. Compared to the predecessor system (EK-Neu), the margining algorithm will be streamlined in the areas of

- risk management, particularly margin calculation,
- late delivery handling, particularly to increase delivery discipline in the marketplace,
- member default handling,
- and transaction netting

The basic principles for the first introduction steps are

- to enable the involved systems (e.g. Xetra) to provide various value-adding trade management functions, various multilateral netting functions like “price level netting, order level netting and account level netting (separately for agent and principal business)”.
- to allow for efficient allocation of collateral by netting of long vs. short trades and by supporting cross-collateralization and cross-margining with trades in other cash market trading platforms and equity derivatives listed at Eurex.
- to insulate against counterparty risk, the CCP takes on the counterparty risk for each clearing member, thus protect clearing members from settlement risk.
- to provide post-trade anonymity (PTA) on order book trades, pre-trade anonymity of the order book is extended to the clearing and delivery process for all specified securities.
- to establish Give-up/take-up functionality to pass on closed trades.

For detailed information regarding the CCP functionalty please refer to the “Member Brochure CCP” and “Interface Description CCP”.

The introduction of the CCP as service of Eurex Clearing AG for the trading platforms of the FWB is scheduled for the 3rd quarter 2001. Since the implementation of the CCP requires adjustments of backoffice applications and processes on the member-side, a dedicated simulation is planned starting on May 28, 2001. This description specifies the possibly necessary changes for the members concerning their current and future clearing status as well as additional technical, legal and organizational activities which ensure a successful introduction of the CCP on the member-side.

1.2 Purpose of this Document

The document is designed to

- provide Xetra members with a scheduled guideline of their activities in conjunction with the introduction of the CCP.
- outline important milestones before and during the launch of the CCP.
- provide recommendations supporting Xetra members own planning.
- show the classification of current and potential clearing situation of all Xetra members.
- name relevant contact and support addresses for Xetra members during the roll-out.

Mostly all relevant steps are also valid for the members of FWB-Floor. In case of specific activities for the FWB floor members additional information will be announced.

2 Participant Classification

The purpose of this section is to describe the current clearing situation of the Xetra members and describes the possible future clearing structures.

2.1 Present Xetra Clearing Classification

- Xetra Clearing Member (CM)

  The CM may deal and/or settle trades for itself (in case it is also a Xetra trading member) and for all NCM's that have entered into a clearing arrangement with it (Settlement and Clearing Bank). The Settlement and Clearing Bank can also clear for non-clearing members without being a Xetra trading member. The member must hold an account with the Regional Central Bank (Landeszentralbank) and with Clearstream Banking AG.

- Xetra Non-Clearing Member (NCM)

  The Non-Clearing Member is a Xetra member that takes only part in trading. The member must have instructed a Clearstream Banking AG account holder and a holder of an account with one of the Regional Central Banks to settle transactions on its behalf. This can be done via a Settlement Declaration or a Clearing Bank Agreement.

All existing account structures (e.g. multi settlement accounts, private labelling, beneficiary accounts, clearing via non-local headoffice) must be adapt to the future clearing structures if necessary.

2.2 Future Xetra Clearing Classification

- Equity General Clearing Member (GCM)

  An Equity General Clearing License gives the Clearing Member the authority to clear one's own transactions and customer transactions, as well as transactions of Xetra Members without clearing licence (Non-Clearing Members).

- Equity Direct Clearing Member (DCM)

  An Equity Direct Clearing License gives the Clearing Member the authority to clear one's own transactions, customer transactions and transactions from Non-Clearing Members belonging to the corporate group, provided that they are 100% associated companies.

- Non-Clearing Member (NCM)

  The Non-Clearing Member is a Xetra member that takes part in trading. It can execute its own orders and orders for its customer, but does not take part in clearing or settlement directly with the CCP.

Please note that the new clearing relations are also valid for all Xetra trades handled outside the CCP as Bonds, Warrants, Reverse Convertibles and stocks with NCSC (non-certified security custody = "Wertpapierrechnung", "AKV"). That means the Non-Clearing-Member has to choose one clearer to clear all its trades handled in the CCP which have a CSC (certified security custody ="Girosammelverwahrung") as well as all trades handled outside the CCP.

Depending on the current clearing status each Xetra member has to decide on its future clearing status. Following its decision each member is advised to carry out all relevant steps of the new clearing structure described in the present guideline.

Deutsche Börse AG on behalf of FWB and Eurex Clearing AG will support each member during the entire roll-out the best way possible and monitor the change continuously.

3 Key Activities in Conjunction with the Introduction of the CCP

This chapter outlines the key activities on the member-side in conjunction with the introduction of the new clearing structure. The key activities for each member depend on its current clearing status as well as its decision on its future clearing status.

3.1 Legal Aspects, Technical Requirements and Connection

3.1.1 General Clearing Member and Direct Clearing Member

- **Legal Aspects**

  The applicant must acquire an Equity clearing license from Eurex Clearing AG.

  Both Eurex Clearing AG and the applicant must agree on and sign an Equity general clearing agreement or an Equity direct clearing agreement.

For detailed information please refer to the “Clearing Guide for Xetra Members”. The publication date of this document can be found in the communication plan in chapter 4.

The legal basis for participation are the Rules and Regulations for the Equity Clearing Members, which will be published during the roll-out.

- **Technical Requirements and Connection**

  Each Equity GCM/DCM has to ensure that a Eurex infrastructure is in place.

To ensure proper technical connection, each applicant is required to submit a diagram of the technical equipment to Eurex Clearing AG for approval. For detailed information on the technical requirements, please refer to the "Sizing Guidelines" and the "Connection Alternatives CCP“.

3.1.2 Non-Clearing Member

- **Legal Aspects**

  The NCM has to verify that the clearing of its trades according to the rules is ensured. The NCM has to set up a NCM/GCM respectively if the NCM belongs to a corporate group it can also set up a DCM/NCM relation, provided the corporate group operates its own clearing and provided that they are 100% associated companies.

For detailed information please refer to the “Clearing Guide for Xetra Members”. The publication date of this document can be found in the communication plan in chapter 4.

- **Technical Requirements and Connection**

  The NCM needs no connection to Eurex Clearing AG and therefore no Eurex infrastructure.

  The NCM will recieve its necessary reports either if the NCM is a Eurex member on the existing Eurex infrastructure, or without a Eurex infrastructure over the existing Xetra infrastructure.

  In addition the NCM could establish a connection with its DCM/GCM to ensure the necessary data transfer.

- **NCM/DCM or NCM/GCM relation**

  In the first step the NCM has to choose its own GCM in case it has none or its current Xetra CM is not an Equity GCM. In case the NCM belongs to a corporate group it can also set up a DCM/NCM relation, provided the corporate group operates its own clearing.

Please note that only one clearing relationship is possible. That means the clearer for the CCP instruments which have a CSC (certified security custody =“Girosammelverwahrung”) must be the same as for all Xetra trades cleared outside the CCP as Bonds, Warrants, Reverse Convertibles and stocks with NCSC (non-certified security custody = “Wertpapierrechnung”, “AKV”).

3.2 Simulation and Production Start of CCP

3.2.1 Simulation of CCP

The CCP functionality (Netting and Give-up/take-up) will be supported by Xetra Release 6.0 already rolled out on April 30, 2001, but will not become effective before CCP production start. As the production start of the CCP is planned for the 3rd quarter 2001 a dedicated CCP Simulation is planned on May 28, 2001. To ensure a smooth introduction of the CCP each Xetra member is required to participate Xetra Release 6.0 Simulation as well as in CCP Simulation.

Xetra Release 6.0 Simulation

The simulation version of the Xetra Release 6.0 frontend software will be available on March 12, 2001. A second Xetra Release 6.0 Simulation Kit will be sent out on April 4, 2001. Xetra Release 6.0 simulation starts on March 15, 2001 and will run until April 20, 2001. The purpose of Xetra Release 6.0 Simulation in conjunction with the CCP is to provide an opportunity for Xetra members to become familiar with the handling of the CCP functionalities which consists of Give-up/take-up and Netting via the Xetra Trader Release 6.0 or adapted third-party software and to test their technology and business procedures (only the Xetra functionality, not the CCP functionality) prior to Xetra Release 6.0 Production.

For a detailed description regarding the general roll-out dates of Xetra Release 6.0 and the course of the simulation, please refer to the documents “Xetra Release 6.0 – Member Simulation Guide“, ”Xetra Release 6.0 – Member Simulation Scripts”, “Xetra Release 6.0 – Member Activity Plan“.

CCP Simulation

The CCP simulation is planned to start on May 28, 2001. To successfully take part in simulation, it is necessary to meet several requirements.

- The Xetra members should have participated successfully in the Xetra Release 6.0 Simulation and have tested the CCP functionality via the Xetra Trader.
- Each GCM/DCM member has ensured that its Eurex technical infrastructure and Eurex clearing applications are in place.
- All in-house processes and systems must be adjusted if necessary.
- GCM/DCM agreements with Eurex Clearing AG as well as relations and a suitable connection (e.g reporting) with the NCMs must be set up.

The Purpose of the CCP simulation is to provide an opportunity for the members, Deutsche Börse AG and Eurex Clearing AG to test the whole process from order entry and trade management on the Xetra frontend to the backoffice processing and clearing. The member of the simulation should direct its attention especially on the post-trade processing. Therefore, it is important for the GCMs and DCMs to test their connection and processes to Eurex Clearing AG.

For both simulations Xetra Release 6.0 and CCP, active participation is strongly recommended by Deutsche Börse AG and Eurex Clearing AG to ensure a smooth production start of the CCP for all members.

For a detailed description of the course of the simulation, please refer to the documents „Member Simulation Guide CCP“ and “Member Simulation Scripts and Schedule CCP”. The publication date of this documents can be found in the communication plan in chapter 4.

The simulation plan shown below illustrates the simulation activities in connection with the introduction of the CCP.

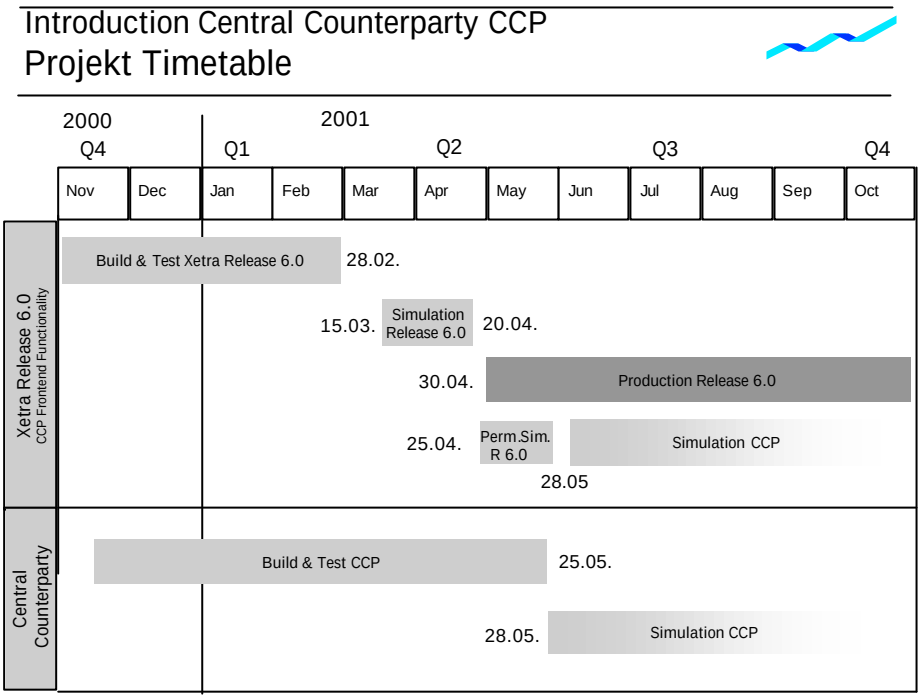


Figure 1: CCP Project Timetable

3.2.2 Production of CCP

After a successful simulation of the CCP, production start is planned for the 3rd quarter 2001.

3.2.3 Participation in Trainings in Connection with the Introduction of CCP

In order to give members the opportunity to become familiar with the new feature prior to the production start, Deutsche Börse AG will offer functional trainings for the members. In a first step, starting on March 15, 2001, roadshows are planned for Xetra Release 6.0 which will include the new CCP functionalities like Give-up/take-up and Netting. In a second step, prior to the production start of the CCP in the 3rd quarter 2001, special one-day trainings will be held for both frontoffice and backoffice staff.

Parallel thereto the regular Eurex trainings as Eurex system training “Trading” and Eurex system training “Clearing” will be offered.

All trainings provided in conjunction with the CCP will be planned and carried out in close cooperation with Eurex Clearing AG.

Participation in the trainings is strictly recommended by the Deutsche Börse AG and Eurex Clearing AG.

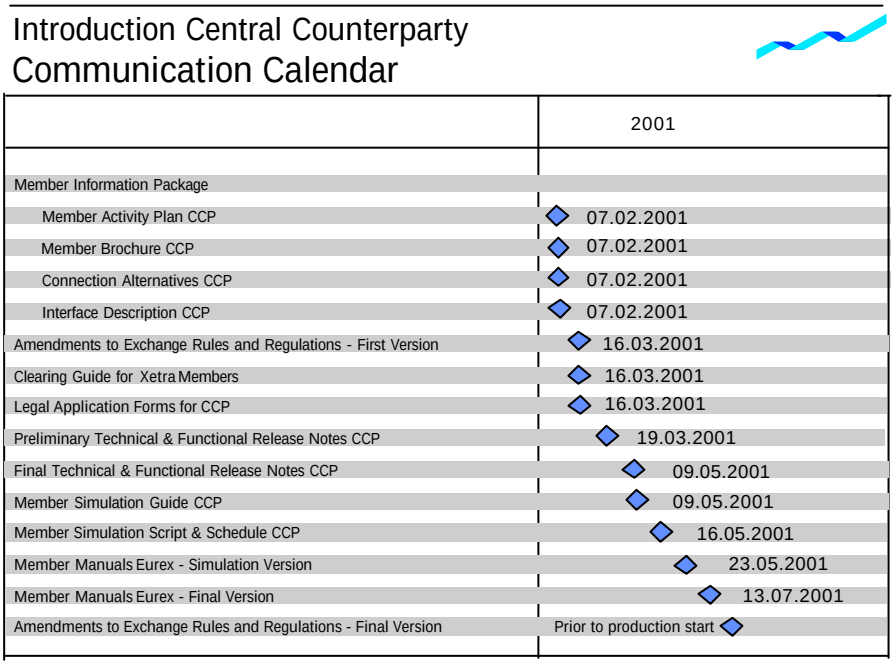
Further information regarding the functional training will be provided in advance by means of Xetra circulars.

4 Supporting Documentation

All documents published in connection with the introduction of the CCP will be made available over the Internet at the Deutsche Börse AG web-site www.xetra.de**.** In addition all Eurex documents will be published at the Eurex web-site www.eurexchange.com. The Xetra Central Circular Management will give notification of each publication by means of a Xetra circulars as well as Eurex Central Circular Management by means of a Eurex circulars. Deutsche Börse AG strongly recommends downloading all documents from the Internet on the corresponding dates. Please refer to the communication plan below for the publications in question.

All documents will be available in the English language only.

Figure 2: Communication plan for the introduction of CCP



Central Counterparty – Member Activity Plan CCP

Contents: background information on the simulation and introduction of CCP: schedule, necessary activities on participants' side during the various phases of the introduction (preparation, simulation, start of production)
Target group(s): project coordinators, traders, backoffice staff and system administrators

Central Counterparty – Member Brochure CCP

Contents: high level description of the CCP functionality
Target group(s): project coordinators, traders and backoffice staff

Central Counterparty – Connection Alternatives CCP

Contents: technical requirements of CCP clearing member (hardware and software components, network requirements)
Target group(s): system administrators

Central Counterparty – Interface Description CCP

Contents: description of all technical interfaces relevant for the CCP
Target group(s): system administrators

Central Counterparty – Amendments to Exchange Rules and Regulations – First Version

Contents: changes in rules and regulations concerning the CCP
Target group(s): project coordinators

Central Counterparty – Clearing Guide for Xetra Members

Contents: detailed guideline describing all necessary steps for equity clearing membership at Eurex Clearing AG
Target group(s): project coordinators

Central Counterparty – Legal Application Forms for CCP

Contents: legal admission forms for CCP
Target group(s): project coordinators

Central Counterparty – Preliminary Technical & Functional Release Notes CCP

Contents: description of the planned expansions of the Eurex system and the Eurex Clearing AG activities
Target group(s): project coordinators**,** system administrators, traders and backoffice staff

Central Counterparty – Final Technical & Functional Release Notes CCP

Contents: description of the expansions of the Eurex system and the Eurex Clearing AG activities
Target group(s): project coordinators**,** system administrators, traders and backoffice staff

Central Counterparty – Member Simulation Guide CCP

Contents: overview of key dates for the preparation of and participation in CCP Simulation
Target group(s): project coordinators, traders, system administrators and backoffice staff

Central Counterparty – Member Simulation Script and Schedule CCP
Contents: scripts and schedule for CCP Simulation (overview of the course and structure of the simulation)
Target group(s): project coordinators**,** traders and backoffice staff

Central Counterparty – Member Manuals Eurex - Simulation Version
Contents: updated Eurex user manuals reflecting the changes caused by the introduction of the CCP
Target group(s): project coordinators**,** traders, system administrators and backoffice staff

Central Counterparty – Member Manuals Eurex - Simulation Version
Contents: updated Eurex user manuals reflecting the changes caused by the introduction of the ECCP in a preliminary version
Target group(s): project coordinators**,** traders, system administrators and backoffice staff

Central Counterparty – Amendments to Exchange Rules and Regulations - Final Version
Contents: Final changes in rules and regulations concerning the CCP
Target group(s): project coordinators

5 Recommended Actions

5.1 General

The introduction of the CCP requires each Xetra member to adapt its project organization to its specific needs. The following section contains recommendations for activities, which have to be taken into consideration with regard to members in-house planning for CCP.

By using so-called “check points” related to key activities with regards to the simulation and introduction of CCP ensures a smooth and efficient implementation on the member-side. Any such activities are specified in the following list (“Chkpt” column).

5.2 Checklist

The introduction of CCP requires a project organization adapted to his specific requirements and the planning of migration activities of each member. See checklist as guideline which has to be supported by in-house specific tasks.

5.2.1 Establish Project Organization

The project organization must appropriately represent the special departments (trading, clearing, backoffice) and the departments affected by the introduction of CCP. The establishment of this project organization is not tied to any requirements and ought to have been finished early.

The following checkpoints should be taken into consideration:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Naming of contact persons	Contact persons and there represantative should be named latest on January 15, 2001.	Project Coordinator	Jan. 15, 2001	Ö
Set-up of internal organizational structure	• Designate one person responsible for CCP and a representative • Involve all relevant departments for the CCP roll-out in the project organization (esp. trading, backoffice and clearing)	Project Coordinator	Feb. 2001	
Resource organization	The project progress (even in holidays) must be guaranteed.	Project Coordinator	Feb. 2001	

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Internal and external feedback/reporting	• Progress reports to all involved departments, technical management, and recommended steering committees must be available. • In case of any questions, please refer to one of Deutsche Börse AG or Eurex Clearing AG support teams (see chapt. 5.3 Deutsche Börse AG Support).	Project Coordinator	Ongoing	

Given these conditions project organization should be as clear and straightforward as possible. In the easiest case, project organization consists of one single contact person; in a more complex case, project organization consists of a team from different fields.

5.2.2 Planning the Migration

The most important decision on the member side is to define its future clearing status. Depending on that decision all necessary migration processes have to be planned.
In the migration plan, necessary activites (concerning organization, technology, trading, staff) are put down with results, responsibilities, time expenses, deadlines and budgets.

When designing the migration plan, the following points should be considered:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Definition of work steps	Required work steps must be defined in all work fields, and responsible persons must be named for it.	Project Coordinator	Feb. 2001	
Interfaces to other teams	Interfaces to other teams/projects (parallel re-organization) should be revealed in the plan.	Project Coordinator	Feb. 2001	
Project risk control	• Single activity risks should be documented and controlled. • In order not to fall behind with the active management of critical paths and emergency plans, capacity reserves should be kept.	Project Coordinator	Feb. 2001	

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Resource planning	Required personnel and budget resources needed for the migration must be put down, and should be accessible in the whole project period.	Project Coordinator	Feb. 2001	
Inform Deutsche Börse AG and Eurex Clearing AG about any problems during the preparation phase	In case of any questions, please refer to one of the Deutsche Börse AG and Eurex Clearing AG support teams (see chapt. 5.3 Deutsche Börse AG Support)	Project Coordinator	Ongoing	

The migration plan should be set up until the end of February and should match with the member´s organization and all persons involved.

5.2.3 Re-definition of Internal Flow and Structural Organization

Based on identified process changes and new processes, these processes must be re-defined in detail, and put together as a new flow organization.

The following check-points can be useful:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Detailed process description	A detailed description of changed and new processes is available.	Project Coordinator	Mid of March 2001	
Documentation of proposed flows	A summary of proposed flow descriptions and changes is available.	Project Coordinator	Mid of March 2001	
Structural organization	Required changes on the structural organization, if needed	Project Coordinator	Mid of March 2001	

5.2.4 Definition of Legal Aspects

Define the necessary documents by means of the decision you've made on the future clearing status; request and sign the relevant documents.

The following checkpoints should be taken into consideration:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Definition of future clearing status	GCM DCM NCM	Management	End of Feb. 2001	
Preparation of legal admissions	• Set up of all necessary legal steps to achieve your clearing status • Apply for the necessary documentation	Legal Department (GCM/ DCM)	Mid. of March 2001	
Sign and mail the relevant documents	• Fill in relevant documents • Sign the relevant documents • Send documents to Deutsche Börse AG Legal Affairs-Membership Unit	Management (GCM/ DCM)	April to June 2001	
Establish GCM/NCM respectiveley DCM/NCM relationship	• Select an appropriate GCM or DCM • Prepare an GCM/NCM or DCM/NCM agreement • Sign the relevant documents	Management (NCM only)	April to June 2001	

For detailed information regarding supporting documents please refer to the "Clearer Guideline for Xetra Members" for publishing date see communication plan in chapter 4.

The legal basis for the participation are the Rules and Regulations for the CCP, which will be published during the roll-out.

5.2.5 Configuration and ordering of Technical Infrastructure

At this point, based on the current and future clearing status it must be determined which hardware configuration (servers, trader workstations, routers, network) and software will be used or which adaptions must be done. This requires an exact analysis of the already existing hardware infrastructure, software already used, and supported processes.

Define the infrastructure by means of the decision you have made on your future clearing status.

Focus / Activity	Description	Target	Deadline	Chk-pnt
Analysis and evaluation of the already existing infrastructure depending on your present/future clearing status	• A detailed evaluation concerning the usability of the already existing hardware and software is available.	System-administrator	End of Feb. 2001	
Define the technical requirements	By means of the decision define the necessary technical requirements as: • Eurex Infrastructure • Connections to Eurex • Backoffice applications (own, third party)	System-administrator (GCM/DCM)	End of Feb. 2001	
Expansion of the infrastructure	• Configuration takes the „Sizing Guidelines“ into account. • Requirements are completely ordered (unit list). • Competence and sufficient resources of the provider is guaranteed. • A detailed and synchronized deadline is set for all suppliers. • Delivery of hardware and software was effected. • Vendor selection has taken place if necessary	System-administrator (GCM/DCM)	End of Feb. 2001	

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Set up technical infrastructure	• Extend and operate the system infrastructure necessary for CCP • Integrate in-house applications • GCM set up Eurex infrastructure, hardware as well as software • DCM set up Eurex infrastructure, hardware as well as software • Backoffice applications	System-administrator (GCM/DCM)	Mid. Of March 2001	

To ensure proper technical connection, each applicant is required to submit a diagram of the technical equipment to Eurex for approval. For further information on the technical requirements, please refer to the "Sizing Guidelines" and "Connection Alternatives CCP".

5.2.6 Definition of Training Needs

In order to give members the opportunity to become familiar with the CCP prior to the production start, Deutsche Börse AG will offer functional trainings for the members.

The following check-points can be useful for a powerful inhouse-training:

Focus / Activity	Description	Target	Deadline	Chk-pnt
Valuation of training needs	• Which, and how many traders and backoffice (B/O) employees are concerned with respect to the introduction of CCP • Which training requirements result from the new functionalities ?	Trader, B/O staff, System-administrator	Feb. 2001	
Register for roadshow Xetra Release 6.0, functional trainings CCP and Eurex trainings	Fax registration sheets to “Member Training” team.	Traders,B/O staff	Feb. 2001 April 2001	

Focus / Activity	Description	Target	Deadline	Chk-pnt
Visit roadshows Xetra Release 6.0 and participate in functional trainings CCP and Eurex trainings.	The exact dates will be announced timely in circulars	Trader, B/O staff, System-administrator	March to May 2001	
Naming of in-house trainers	• For inhouse trainings, trainers function as multipliers. • Training by internal or external personnel. • Integration into an internal inhouse-training concept.	Project Coordinator	Mid. of March to April 2001 and June / July	
Resources	• Has the inhouse-training been sufficiently sketched with respect to time, personnel, and rooms?	Project Coordinator	End of March 2001	

Participation in the training is strictly recommended by the Deutsche Börse AG.

Further information regarding the functional training will be provided in advance by means of Xetra circulars.

5.2.7 Plan and carry out simulation

Purpose of the CCP simulation is to provide an opportunity for Deutsche Börse AG, Eurex Clearing AG and its members to test the whole process from order entry and trade management on the Xetra frontend to the backoffice processing and clearing. It is important for the GCMs and DCMs to test their connection and post-trade processing to Eurex Clearing AG.

Each GCM/DCM member has ensured that its Eurex technical infrastructure and Eurex clearing applications are in place.

This plan should focus on the schedule described in this document. The main aspects are:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Set up technical infrastructure	• Make sure that all technical infrastructure is in place	System-administrator	March 2001	

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Define the simulation processes	• Identify current workflows, document the flows as they should be. • Modify the structural organization	Project Coordinator	March 2001	
Define recources for simulation	• planning of recources	Project Coordinator	March 2001	
Registration for simulation	• fax registration form to Xetra Change Management Team	Project Coordinator	March 2001	
Carry out CCP simulation	• participation of traders and system administrators in the CCP simulation • connectivity test	Project Coordinator System-administrator	May 28, 2001	
Inform Deutsche Börse AG and Eurex Clearing AG about any problems during the simulation phase	In case of any questions, please refer to one of the Deutsche Börse AG and Eurex Clearing AG support teams (see chapt. 5.3 Deutsche Börse AG Support)	Project Coordinator	Ongoing	

For a detailed description of the course of the simulation, please refer to the document „Member Simulation Guide CCP“ and “Member Simulation Script and Schedule CCP”.

5.3 Deutsche Börse AG Support

Deutsche Börse AG and Eurex Clearing AG will provide intensive support for members preparations during the introduction of the CCP. The following teams may be contacted concerning any questions related to the preparation of and participation in the CCP Simulation and introduction:

5.3.1 Deutsche Börse Xetra Change Management Team

Tasks: Member support before and during the simulation and at production start: contact in case of questions related to functionalities, draw up of reports on participant's status and coordination of information material for members

Phone: ++49 (69) 2101 – 16 40

Fax: ++49 (69) 2101 – 16 41

Availability: 08:00 a.m. - 06:00 p.m. CET (on exchange trading days)

5.3.2 Deutsche Börse Trading Helpline Xetra

Tasks: functional support regarding questions about trading during simulation and production

Phone: ++49 (69) 21 01 – 14 00

Fax: ++49 (69) 21 01 – 14 01

Availability: 07:00 a.m. - 08:00 p.m. CET (on exchange trading days)

5.3.3 Xetra/Eurex Customer Service Technical Helpdesk

Tasks: support during delivery and installation of the software kits, support in case of technical problems during the simulation

Phone: ++49 (69) 21 01 – 84 00

Fax: ++49 (69) 21 01 – 84 01

Availability: 06:00 a.m. - 10:00 p.m. CET (on exchange trading days)

5.3.4 Xetra/Eurex Customer Service Technical Member Readiness

Tasks: co-ordination and support for the connection of new members

Phone: ++49 (69) 2101 – 13 90

Fax: ++49 (69) 2101 – 13 91

Availability: 08:00 a.m. - 06:00 p.m. CET (on exchange trading days)

E-mail: customer-service-xe@deutsche-boerse.com

5.3.5 Deutsche Börse Clearing Helpdesk Eurex

Tasks: functional support regarding questions about clearing

Phone: + +49 (69) 2101 – 12 50

Fax: + +49 (69) 2101 – 43 34

Availability: 07:30 a.m. – 09:00 p.m. CET (on exchange trading days)

Fax Reply
CCP

Please return before **February 16, 2001** to:

Deutsche Börse AG
Xetra Secondary Markets, Marketing & Sales
Xetra Change Management Team Fax +49 - (0)69 - 21 01- **16 41**

Returned by:

Company / Member ID _____ _____

_____

Name _____

Function _____

Telephone _____

Place/Date _____

Please give the following information with regard to the introduction of the central counterparty for equities:

I. Selection of the future clearing status

Non Clearing Member (NCM) ☐

Name of the potential Eurex-GCM _____

Direct Clearing Member (DCM) ☐

General Clearing Member (GCM) ☐

II. Status of the current Eurex and Eurex Clearing connection

Eurex infrastructure is implemented yes ☐ no ☐

Direct connection to Eurex Clearing AG is implemented yes ☐ no ☐

If yes, as a: GCM ☐

DCM ☐

III. Planned usage of the core functionalities of the central counterparty for equities

Netting Functionality:

Price-Level Netting yes ☐ no ☐

Order-Level Netting yes ☐ no ☐

Account-Level-Netting yes ☐ no ☐

Giveup / Take up: yes ☐ no ☐

Remarks: _____

_____

Thank you for your co-operation

_____
Signature