X-pand into the Future

e u r e x *circular 126/01*

Date: Frankfurt, 20 December, 2001
Recipients: All Eurex members and vendors
Authorized by: Jürg Spillmann

High Priority

1. Change to the Clearing Membership Requirement to Hold an Account at LZB Hessen
2. Change to the Covering Purchase Process in Clearing of Trades on Eurex Bonds and Eurex Repo

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Content may be most important for:	**Attachments:**
➲ Middle + Back Office ➲ Auditing / Security Coordination	Modified sections of the Clearing Conditions for Eurex Clearing AG: Chapter 1 section 1.1.2, Chapter II sections 1.1.2, 2.1.4, Chapter III sections 1.1.2, 2.7

1. Change to the Clearing Membership Requirement to Hold an Account at LZB Hessen

At their meeting on 12 December, 2001, the Management Board of Eurex Clearing AG made the decision to change one of the prerequisites for granting of a Eurex Clearing license. Currently, it is a requirement for Eurex Clearing Members to hold an account with the State Central Bank of Hessen - Main Office in Frankfurt of the German Federal Bank (Landeszentralbank in Hessen – "LZB").

With effect from 02 January, 2002 it will be possible for Eurex Clearing Members to hold an account with any of the State Central Banks of the Federal Republic of Germany.

The same change will apply to the Clearing Membership requirements for Eurex Bonds GmbH and Eurex Repo GmbH with effect from the same date.

Members wishing to change their LZB banking connection should contact Eurex Clearing AG.

2. Change to the Replacement Purchase Process in Clearing of Trades on Eurex Bonds and Eurex Repo

At the same meeting, the Board made the decision to extend the degree of freedom of Eurex Clearing AG in the process of replacement purchase in the event of default on delivery by a Clearing Member of Eurex Bonds GmbH or Eurex Repo GmbH. With effect from 02 January, 2002 Eurex Clearing AG will have full discretion on how and at what maximum price any replacement purchase of securities may be made.

The revised sections of the Clearing Conditions for Eurex Clearing AG, covering both decisions, can be found in the attachment.

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Clearing Conditions for Eurex Clearing AG

I Chapter
Clearing of Transactions at Eurex Deutschland and Eurex Zürich

1 Part

General Provisions

1.1 Subpart

Clearing Licenses

1.1.2 Prerequisites for Clearing Licenses

(1) Prerequisite for a General Clearing License is liable equity capital (haftendes Eigenkapital) of the applying institution of at least EUR 125 million, or the corresponding equivalent in the currency of the country in which the applying institution is domiciled. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

Prerequisite for a Direct Clearing License is liable equity capital of the applying institution of at least EUR 12.5 million or the corresponding equivalent in the currency of the country in which the applying institution is domiciled. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

When calculating the liable equity capital for granting a clearing license for clearing futures transactions carried out at the Eurex Exchanges, that equity capital shall be considered which the applicant has already provided evidence for when applying for a clearing license for clearing transactions carried out at Eurex Repo GmbH (Chapter III).

The liable equity capital or equivalent own funds shall be calculated in accordance with the legal provisions in force in the country in which the institution is domiciled. Evidence of the amount of the liable equity capital or the equivalent own funds shall be provided to Eurex Clearing AG together with the application as well as upon request at any time during the Clearing Membership. Eurex Clearing AG may assign an auditor for verification at the expense of the applying institution.

(2) Should the applying institution have insufficient liable equity capital or equivalent own funds for a Clearing License, Eurex Clearing AG may determine that the shortfall may be made up by a bank guarantee and/or collateral in cash or securities.

The bank guarantee shall be furnished by a bank domiciled in the European Union or Switzerland recognised by Eurex Clearing AG. The applying institution and the bank which furnishes the guarantee must be different legal entities. The form and extent of an admissible group relation between the applying institution and the bank which furnishes the guarantee shall be determined by Eurex Clearing AG. The bank guarantee shall contain the bank's unconditional and irrevocable obligation to provide for payment of the guaranteed amount into an account indicated by Eurex Clearing AG upon its first demand. The type, contents and form of the bank guarantee shall be determined by Eurex Clearing AG.

Cash margin shall be provided according to subsection 1.3.4. Securities collateral shall be provided via transfer of ownership by way of security or assignment for security purposes onto a safe custody with Clearstream Banking AG or SegaIntersettle AG to be determined by Eurex Clearing AG.

The bank guarantees as well as the cash and securities collateral shall safeguard compliance with the contractual obligations of the respective Clearing Member and with all other claims of Eurex Clearing AG vis-à-vis the respective Clearing Member in connection with the Clearing of its contracts (provision of margin).

(3) The applicant shall meet the following additional requirements:

(a) Evidence shall be provided for a securities account and a pledged securities account with Clearstream Banking AG or with SegaIntersettle AG;

(b) Evidence shall be provided for an account at a State Central Bank (Landeszentralbank, "LZB") within the Federal Republic of Germany and an account at the Schweizerische Nationalbank ("SNB"), including an SIC account, as well as the foreign currency accounts with a bank recognised by Eurex Clearing AG required for the settlement of the foreign currency products tradable at the Eurex Exchanges through which the Clearing Member will settle its transactions on the Eurex Exchanges; Eurex Clearing AG may allow the use of accounts of a correspondent bank recognised by Eurex Clearing AG for purposes of cash clearing with Eurex Clearing AG;

(c) The use of appropriate technical equipment (back-office facilities) to ensure the orderly recording, booking and supervision of all transactions, as well as the provision of margin and the calculation of margin requirements with respect to the customers pursuant to the minimum requirements of Eurex Clearing AG (clearing obligations); the Implementation Regulations of the Eurex Exchanges Concerning Technical Equipment shall apply mutatis mutandis in all other respects.

(d) The use of at least one sufficiently qualified member of staff in the back-office for the orderly fulfilment of the clearing obligations; a sufficient qualification shall be presumed if the aptitude test for members of staff of the back-office offered by Eurex Clearing AG ("Clearer Test") has been successfully passed; it is required that at least one sufficiently qualified member of staff is present at any time during the business day and that he or she is available by telephone or fax.

(e) Payment of the contribution to the Clearing Fund according to subsection 1.6.1.

(4) Evidence of compliance with the prerequisites set forth in subsection 1.1.2 paragraphs (1) to (3) must be provided upon submission of the application. Clearing Members are obligated, upon request by Eurex Clearing AG, to provide Eurex Clearing AG with evidence of compliance with the prerequisites for a Clearing License as set forth in subsection 1.1.2 paragraph (1) by no later than six months after the end of each fiscal year of the Clearing Member.

II Chapter
Clearing of Transactions at Eurex Bonds GmbH

1.1 Subpart

Clearing Licenses

1.1.2 Prerequisites for Clearing Licenses

(1) Prerequisite for a General Clearing License is liable equity capital (haftendes Eigenkapital) of the applying institution of at least EUR 50 million, or the corresponding equivalent in the currency of the country in which the applying institution is domiciled. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

Prerequisite for a Direct Clearing License is liable equity capital of the applying institution of at least EUR 5 million or the corresponding equivalent in the currency of the country in which the applying institution is domiciled. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

When calculating the liable equity capital for granting a clearing license for clearing transactions carried out at Eurex Bonds GmbH, that equity capital shall be considered which the applicant has already provided evidence for when applying for a clearing license for clearing transactions carried out at Eurex Repo GmbH (Chapter III).

The aforementioned prerequisites shall apply irrespective of the existence of a General Clearing License or a Direct Clearing License of the respective applicant for the clearing at Eurex Deutschland and Eurex Zürich.

(2) The liable equity capital or equivalent own funds shall be calculated in accordance with the legal provisions in force in the country in which the institution is domiciled. Evidence of the amount of the liable equity capital or the equivalent own funds shall be provided to Eurex Clearing AG together with the application as well as upon request at any time during the Clearing Membership.

(3) Should the liable equity capital or the equivalent own funds of the applying institution not be sufficient for granting a clearing license, Chapter I, section 1.1.2, paragraph (2) shall apply mutatis mutandis.

(4) The applicant shall meet the following additional requirements:

(a) Evidence shall be provided for a securities account with a central depository recognised by Eurex Clearing AG and a pledged securities account with Clearstream Banking AG or SegaIntersettle AG;

(b) Evidence shall be provided for an account at a State Central Bank (Landeszentralbank, "LZB") within the Federal Republic of Germany through which the Clearing Member will settle its transactions on Eurex Bonds GmbH; Eurex Clearing AG may allow the use of accounts of a correspondent bank recognised by Eurex Clearing AG for purposes of cash clearing with Eurex Clearing AG;

(c) The use of appropriate technical equipment (back-office facilities) to ensure the orderly recording, booking and supervision of all transactions, as well as the provision of margin and the calculation of margin requirements with respect to the customers pursuant to the minimum requirements of Eurex Clearing AG (clearing obligations); the Implementation Regulations of the Eurex Exchanges Concerning Technical Equipment shall apply mutatis mutandis in all other respects.

(d) During the business day of Eurex Clearing AG at least one sufficiently qualified member of staff must be present and available by telephone or fax at any time for the orderly fulfilment of the clearing obligations in the back-office.

2 Part

Settlement of Transactions at Eurex Bonds GmbH

2.1 Subpart

Settlement of Debt Securities of the Federal Republic of Germany and the Treuhandanstalt

2.1.4 Default in Delivery or Payment

(1) In the event that a Clearing Member which is obligated to deliver fails to deliver the debt securities sold by it on the value date and pursuant to the instructions of Eurex Clearing AG, Eurex Clearing AG shall be entitled or, on request of the Clearing Member which did not receive delivery in a timely manner, obligated to make a replacement purchase with respect to the undelivered debt securities as from the fifth business day following the value date and to deliver these to the Clearing Member which did not receive delivery in a timely manner. Eurex Clearing AG may determine at its complete discretion how replacement purchases of securities are to be made and up to which maximum purchase price such securities may be purchased.

(2) Measures set forth in paragraph (1) shall be binding on and accepted by the Clearing Member which did not receive delivery in a timely manner.

(3) Any costs arising from the measures taken in accordance with paragraph (1) must be paid by the Clearing Member obligated to deliver.

(4) In the event that the Clearing Member fails to provide the margin demanded for any business day or fails to pay when due a daily settlement payment or other fees in a timely manner, or if such Clearing Member has failed to fulfil any other obligation to Eurex Clearing AG arising under these Conditions, Chapter I subsections 1.7.1, par. 1 to 3 and subsections 1.7.2 through 1.7.3 shall apply mutatis mutandis.

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

III Chapter

Clearing of Transactions through the System of Eurex Repo GmbH

1.1 Subpart
Clearing Licenses

1.1.2 Prerequisites for Clearing Licenses

(1) Prerequisite for a General Clearing License is liable equity capital (haftendes Eigenkapital) of the applying institution of at least EUR 175 million, or the corresponding equivalent in the currency of the country in which the applying institution is domiciled. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

Prerequisite for a Direct Clearing License is liable equity capital of the applying institution of at least EUR 17,5 million or the corresponding equivalent in the currency of the country in which the applying institution is domiciled. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

When calculating the liable equity capital for granting a clearing license for clearing transactions carried out through the System of Eurex Repo GmbH, that equity capital shall be considered which the applicant has already provided evidence for when applying for a clearing license for clearing futures transactions carried out at the Eurex Exchanges (Chapter I) as well as for a clearing license for clearing transactions carried out at Eurex Bonds GmbH (Chapter II).

(2) The liable equity capital or equivalent own funds shall be calculated in accordance with the legal provisions in force in the country in which the institution is domiciled. Evidence for the amount of the liable equity capital or the equivalent own funds shall be provided to Eurex Clearing AG together with the application as well as upon request at any time during the Clearing Membership.

(3) Should the liable equity capital or the equivalent own funds of the applying institution not be sufficient for granting a clearing license, Chapter I, section 1.1.2, paragraph (2) shall apply mutatis mutandis.

(4) The applicant shall meet the following additional requirements:

(a) Evidence shall be provided for a securities account with a central depository recognised by Eurex Clearing AG and a pledged securities account with Clearstream Banking AG or SegaIntersettle AG;

(b) Evidence shall be provided for an account at a State Central Bank (Landeszentralbank, "LZB") within the Federal Republic of Germany through which the Clearing Member will settle its transactions at Eurex Repo GmbH; Eurex Clearing AG may allow the use of accounts of a correspondent bank recognised by Eurex Clearing AG for purposes of cash clearing with Eurex Clearing AG;

(c) The use of appropriate technical equipment (back-office facilities) to ensure the orderly recording, booking and supervision of all transactions, as well as the provision of margin and the calculation of margin requirements with respect to the customers pursuant to the minimum requirements of Eurex Clearing AG (clearing obligations); the Implementation Regulations of the Eurex Exchanges Concerning Technical Equipment shall apply mutatis mutandis in all other respects.

(d) During the business day of Eurex Clearing AG at least one sufficiently qualified member of staff must be present and available by telephone or fax at any time for the orderly fulfilment of the clearing obligations in the back-office.

2 Part

Settlement of Transactions through the System of Eurex Repo GmbH

2.7 Default in Delivery or Payment

(1) Default in delivery shall be governed by the following procedure:

(a) Default on the delivery day of the Front Leg:

In the event that a Clearing Member which is obligated to deliver fails to transfer the underlying securities on the delivery day of the Front Leg of the respective Repo Transaction and pursuant to the instructions of Eurex Clearing AG, Eurex Clearing AG shall be entitled or, on request of the Clearing Member which did not receive delivery in a timely manner, obligated to set the present business day, at the latest the delivery day of the Term Leg, as an advanced repurchase date of the Term Leg. As a consequence thereto, the mutual obligations arising out of the Repo Transaction which had originally been agreed upon, shall be offset against each other so that the parties, with the exception of the Repo interests agreed upon, do not owe each other any further payment or delivery. The payable Repo interests shall be calculated on the basis of the period of default, in each case for the period from the purchase date (inclusive) until the business day to which the Term Leg was advanced (exclusive).

At the same time, Eurex Clearing AG shall be entitled to set an earlier date as repurchase date for the Term Leg of the equivalent Repo Transaction concerned between Eurex Clearing AG and the Clearing Member which did not receive delivery from Eurex Clearing AG in a timely manner; the legal consequence thereof will be the same as described above.

(b) Default on the delivery day of the Term Leg

In the event that a Clearing Member which is obligated to deliver fails to deliver the underlying securities on the delivery day of the Term Leg of the respective Repo Transaction and pursuant to the instructions of Eurex Clearing AG, Eurex Clearing AG shall be entitled or, on

request of the Clearing Member which did not receive delivery in a timely manner, obligated to make a replacement purchase with respect to the undelivered securities as from the fifth day following the delivery date of the Term Leg and to deliver these to the Clearing Member which did not receive delivery in a timely manner. Measures set forth in paragraph (1) shall be binding on and accepted as performance by the Clearing Member which did not receive delivery in a timely manner. Eurex Clearing AG may determine at its complete discretion how replacement purchases of securities are to be made and up to which maximum purchase price such securities may be purchased.

(2) Measures set forth in paragraph (1) shall be binding on and accepted by the Clearing Member which did not receive delivery in a timely manner.

(3) Any costs arising from the measures taken in accordance with paragraph (1) must be paid by the defaulting Clearing Member.

(4) In the event that the Clearing Member fails to provide the margin demanded for any business day or fails to pay when due a daily settlement payment or other fees in a timely manner, or if such Clearing Member has failed to fulfil any other obligation to Eurex Clearing AG arising under these Conditions, Chapter I subsections 1.7.1 through 1.7.3 shall apply mutatis mutandis.

(5) The right to claim further damages shall be excluded for Eurex Clearing AG as well as for the Clearing Member which did not receive delivery in a timely manner.