X-pand into the Future

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ISE CCP: New Version of Buy-In Guide for Irish Stock Exchange

Related Eurex Circulars: 049/06

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Content may be most important for:	**Attachment:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Coordination	Buy-In Guide for securities traded on the Irish Stock Exchange

With this circular we are publishing an updated version of the "Buy-In Guide for securities traded on the Irish Stock Exchange".

The update is due to changes in the Clearing Conditions for Eurex Clearing AG, Chapter VI Transactions concluded at the Irish Stock Exchange (ISE), Subpart 2.1.5 Delay in Delivery or Payment, which came into effect on March 27, 2006.

The Buy-in auction process now consists of **up to three** instead of two Buy-in attempts. Consequently, Buy-in attempts result in:

T+18 – first Buy-in attempt (unchanged)

T+21 – second Buy-in attempt (new)

T+23 – third Buy-in attempt (unchanged)

For further details, please refer to the attached document.

Should you have any questions or require further information, please contact our Customer Support team at tel. +49-69-211-1 17 00.

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ISE CCP

Buy-In Guide
for securities traded on the Irish Stock Exchange

Introduction

This guide outlines the buy-in process of Eurex Clearing AG in its role as a central counterparty (CCP) for securities traded on the Xetra trading system of the Irish Stock Exchange.

The buy-in process is initiated to settle outstanding failed deliveries of a Clearing Member. A failed delivery is a late sell delivery instruction that is not settled within a specified number of days after its contractual settlement date.

Buy-in Initiation

In the event a Clearing Member fails to deliver the securities sold, Eurex Clearing AG is entitled to initiate a Buy-in attempt by announcing an auction. Each registered user (Buy-in Participant) receives a Buy-in auction announcement via email. By signing a Buy-in contract with Eurex Clearing AG, a market participant can become an authorized Buy-in Participant.

Each Buy-in Participant has access to the Buy-in auction tool and is invited to participate in every announced Buy-in auction.

Where the auction was successful the Buy-in Participant becomes counterpart and has to deliver the securities in place of the seller of the failed delivery.

If it is not possible to receive the total quantity of the failed delivery from one auction, further auctions can occur in order to receive the corresponding quantity of the failed delivery.

Buy-in Schedule

The first Buy-in attempt will take place at the earliest 15 business days after the intended settlement date (ISD+15). In the event of an unsuccessful (or partially unsuccessful) auction, the next auction follows on the 18th business day. In the meantime the Clearing Member may deliver the failed securities. In the event of an unsuccessful (or partially unsuccessful) auction, the last auction follows on the 20th business day. In the meantime the Clearing Member may deliver the failed securities.

Table: Buy-in schedule

ISD+15 (T+18)	1st Buy-in attempt
ISD+18 (T+21)	2nd Buy-In attempt
ISD+20 (T+23)	Last Buy-in attempt before cash settlement on T+24

Extraordinary Buy-in Schedule

Eurex Clearing AG has the right to initiate a Buy-in outside of the above mentioned schedule. This is for example for late trades not having reached their “Buy-in maturity” (late <ISD+15) and a value date = T+23. In such a case a Buy-in attempt has to be initiated on T+23 after closing of settlement in CREST.

Settlement of the Buy-in Trade

After the successful completion of the Buy-in attempt, the auction result will be confirmed by the auction tool. Each participant will either receive a trade confirmation via email on the sold quantity or a notice that he was not involved in the auction result. The committed party has to enter a matching delivery instruction (DEL) into CREST on a T+1 basis. The opposite side of the matching delivery instruction will be input by Eurex Clearing AG. The time period for the entry of the matching instructions is prior to the CREST deadline latest 10:30 a.m. UK-time (input disable diary event).

After the Buy-in trade has settled in the morning of the settlement date the Bundesbank account of the failing Clearing Member is debited with the required amount. The cash amount is calculated as the price difference between the cash amount (payable amount) of the failed delivery and the cash amount of the Buy-in trade.

The maximum price for a Buy-in trade is the settlement price determined by Eurex Clearing AG for the corresponding security plus an additional charge of 100% of such settlement price. Additionally, a Buy-in fee of € 250 will be charged to the Clearing Member for each failed class of shares and performed Buy-in auction.

The Buy-in Participant has an obligation to deliver the equities resulting from the Buy-in trade to Eurex Clearing AG. The seller of the failed delivery legally retains the obligation. The failed obligation remains in existence until its total quantity is either settled via Buy-in trades or via delivery by the failed seller.

If a Buy-in participant has not delivered the securities according to the settlement deadline a Buy-in fee of 0,04 % of the amount, at least € 1.000, will be charged.

Cash Settlement

In the event that a failed equity trade has not been fully settled until T+23 (S+20) a cash settlement will be initiated on T+24 (S+21).

It is expected that a cash settlement will occur only in a highly illiquid instrument – meaning that the market price for the security has risen significantly and that no market participant is willing to sell the equities. In such a situation the seller who failed the delivery may be unable to acquire the securities. Therefore, the buyer(s) with the “eldest” buy instruction(s) should receive compensation for not having received the securities they contracted for.

The cash settlement price is determined as the last official settlement price plus an add-on of 100%, whereas the average trade prices of the respective buy and sell instructions serve as floor. The cash amount required for the cash settlement is debited to the Clearing Member of the failed delivery and transferred to the buyer. It is calculated as the price difference between the defined cash settlement price and the average price of the failed sell instruction multiplied by quantity.

Eurex Clearing AG will debit the cash account of the selling Clearing Member at Deutsche Bundesbank. The Clearing Member of the identified buy instruction is credited with a corresponding compensation amount at Deutsche Bundesbank.