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High Priority

New Eurex Bonds Auction Trading Model

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Content may be most important for:

- Front Office / Trading
- Middle + Back Office
- Auditing / Security Coordination

Attachment:

- Eurex Bonds New Auction Trading Model (Powerpoint Presentation)

The trading platform Eurex Bonds will enhance its trading model for selected covered bonds and government guaranteed bonds by means of the introduction of intraday auctions. As of **July 20, 2009**, auctions of about two minutes each will take place at predefined times. During these auctions, orders and quotes can be entered in the order book. If there are no executable orders in the order book, “best bid“ and “best ask” prices are displayed together with the respective order volumes during the auction phase. As soon as a crossed order book exists, indicative prices and executable trading volumes are displayed during the auction phase. At the end of the auction, orders and quotes are executed if they can be matched against each other at the point in time of price determination.

Instruments selected for auctions will be announced in the following way:

- A list of selected instruments will be published by means of Eurex Bonds circulars. Auction times can be derived from the respective maturity buckets.
- On the website of Deutsche Börse AG **www.deutsche.boerse.com**, instrument trading data including the respective auction times will be provided via a CSV file.
- In “WM Datenservice“, the field **XD522WA** for bonds will contain the value “20“ in the auction model.

In cooperation with the market, it is planned to add further bonds to the auction model for the future.

For more details on the new Eurex Bonds Auction Trading Model, please refer to the following document.



Eurex Bonds
New Auction Trading Model
July 20, 2009

Auction Parameters

- Instruments within a defined maturity range are bundled in buckets
- Each maturity bucket will be traded in a specific auction
- Staggered auctions with a duration of 2 minutes each
  + approx. 10 sec random end time
- Auctions for Covered Bonds start at 11:00 a.m. (CET)
- Auctions for Guaranteed Bonds* start at 11:45 a.m. (CET)
- Complete auction phase per segment will last approx. 30 minutes
- Minimum order size and quote size: 1 million

* Including Agencies, Explicitly Government Guaranteed Bonds and State Bonds

Arrangement of Instruments

- Instruments will be organised in buckets
- Buckets will be setup according to the instruments' maturity
  - 6-months-buckets at the short end (up to 3 years)
  - 12-months-buckets for longer maturities

Auction Buckets	Instruments with maturity:	Year	
Bucket 1	until June 2009	Current Year	**Half Year Buckets**
Bucket 2	from July 2009 – December 2009		
Bucket 3	from January 2010 - June 2010	Current Year + 1	
Bucket 4	from July 2010 – December 2010		
Bucket 5	from January 2011 - June 2011	Current Year + 2	
Bucket 6	from July 2011 – December 2011		
Bucket 7	2012	Current Year + 3	**Year Buckets**
Bucket 8	2013	Current Year + 4	
…	…	…	

- Each maturity bucket will have a specific auction

Trading Model



Trading Phase for Selected Covered Bonds

- For a pre-defined selection of Covered Bonds, the Continuous Trading is interrupted by Intraday Auctions:
- Trading phase*:
  - Start Pre Trading: 07:25 am (CET)
  - Start Continuous Trading: 08:30 am (CET)
  - Covered Bond Auctions: 11:00 am – approx. 11:30 am (CET)
  - End Continuous Trading: 05:30 pm (CET)
  - End Post Trading: 07:00 pm (CET)

* Due to technical reasons, an auction must take place before continuous trading starts and after continuous trading ends. The opening auction runs at 08:29 am (CET) and the closing auction runs at 05:30 pm (CET) with a duration of maximum 10 seconds each. Please note, that orders with “Auction Only” trade restrictions might also be executed during the opening and closing auction.

Auction Schedule for Covered Bonds

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Intraday Auctions for Covered Bonds

Bucket	Time (CET)	Auction for instruments with maturity	In 2009
Bucket 1	11:00-11:02	1st half year of the current calendar year	January-June 2009
Bucket 2	11:02-11:04	2nd half year of the current calendar year	July-December 2009
Bucket 3	11:04-11:06	1st half year of the next calendar year	January-June 2010
Bucket 4	11:06-11:08	2nd half year of the next calendar year	July-December 2010
Bucket 5	11:08-11:10	1st half year of the current calendar year + 2	January-June 2011
Bucket 6	11:10-11:12	2nd half year of the current calendar year + 2	July-December 2011
Bucket 7	11:12-11:14	Current year + 3	January-December 2012
Bucket 8	11:14-11:16	Current year + 4	January-December 2013
Bucket 9	11:16-11:18	Current year + 5	January-December 2014
Bucket 10	11:18-11:20	Current year + 6	January-December 2015
Bucket 11	11:20-11:22	Current year + 7	January-December 2016
Bucket 12	11:22-11:24	Current year + 8	January-December 2017
Bucket 13	11:24-11:26	Current year + 9	January-December 2018
Bucket 14	11:26-11:28	Current year + 10	January-December 2019

Trading Phase for Selected Guaranteed Bonds

- For a pre-defined selection of Guaranteed Bonds, the Continuous Trading is interrupted by Intraday Auctions:
- Trading phase*:
  - Start Pre Trading: 07:25 am (CET)
  - Start Continuous Trading: 08:30 am (CET)
  - Guaranteed Bond Auctions: 11:45 am – approx. 12:15 am (CET)
  - End Continuous Trading: 05:30 pm (CET)
  - End Post Trading: 07:00 pm (CET)

* Due to technical reasons, an auction must take place before continuous trading starts and after continuous trading ends. The opening auction runs at 08:29 am (CET) and the closing auction runs at 05:30 pm (CET) with a duration of maximum 10 seconds each. Please note, that orders with “Auction Only” trade restrictions might also be executed during the opening and closing auction.

Auction Schedule for Guaranteed Bonds

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Intraday Auctions for Guaranteed Bonds

Bucket	Time (CET)	Auction for instruments with maturity	In 2009
Bucket 1	11:45-11:47	1st half year of the current calendar year	January-June 2009
Bucket 2	11:47-11:49	2nd half year of the current calendar year	July-December 2009
Bucket 3	11:49-11:51	1st half year of the next calendar year	January-June 2010
Bucket 4	11:51-11:53	2nd half year of the next calendar year	July-December 2010
Bucket 5	11:53-11:55	1st half year of the current calendar year + 2	January-June 2011
Bucket 6	11:55-11:57	2nd half year of the current calendar year + 2	July-December 2011
Bucket 7	11:57-11:59	Current year + 3	January-December 2012
Bucket 8	11:59-12:01	Current year + 4	January-December 2013
Bucket 9	12:01-12:03	Current year + 5	January-December 2014
Bucket 10	12:03-12:05	Current year + 6	January-December 2015
Bucket 11	12:05-12:07	Current year + 7	January-December 2016
Bucket 12	12:07-12:09	Current year + 8	January-December 2017
Bucket 13	12:09-12:11	Current year + 9	January-December 2018

Principles of Auction Trading

- Auctions will run for a pre-defined amount of time.
- Orders / quotes can be entered into the system during the auction phase, but no trading takes place until the auction ends and the price is determined.
- During the auction, if the order book is crossed, an indicative price is shown with volumes and bid- or ask-surplus. If there is no order book crossing, best bid / best ask with volumes will be displayed.
- At the end of an auction matching takes place if possible and the auction price is set; if matching is not possible, auction ends without price fixing.
- Match principle: Maximization of turnover with a minimum of surplus.
- After the auction, remaining quotes will be automatically transferred into the open order book for the following continuous trading phase.
- Orders can be marked as “auction only”.

Instrument Static Data

- For a differentiation of instruments selected for intraday auctions, following specification within WM-Datenservice for Eurex Bonds is used:

  WM Table F60, Trading Type → Field XD522WA

  - For Instruments with intraday auction -> '**20**'
  - For instruments without intraday auction -> '**30**'

- The setup data of the instruments in the Xetra trading system, including auction schedule, are provided by Deutsche Börse via a CSV-file.
- The file is updated daily and contains all Xetra listed instrument. A filter of "MIC Code"="XEUB" selects all listed instruments at Eurex Bonds.

  http://deutsche-boerse.com/dbag/dispatch/de/xetraCSV/gdb_navigation/trading/20_tradable_instruments/900_tradable_instruments/100_xetra

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