X-pand into the Future

e u r e x *circular 171/06*

Date: Frankfurt, August 10, 2006
Recipients: All Eurex members and vendors, CCP members, Eurex Repo and Eurex Bonds members
Authorized by: Thomas Lenz

CCP Release 3.1: Late Delivery Penalties and Buy-in Procedure

Related Eurex Circulars: 060/06, 100/06, 165/06

Contact: CCP Functional Helpdesk, tel. +49-69-211-1 19 40
Customer Support, tel. +49-69-211-1 17 00

Content may be most important for:	**Attachment:**
➲ Middle + Back Office ➲ IT / System Administration ➲ Auditing / Security Coordination	1. Application to Participate in the Buy-in Process of Eurex Clearing AG (FWB transactions and derivative transactions)

Summary:

We would like to draw your attention once more to the process of late delivery handling which will be modified for the Eurex derivatives market due to the introduction of CCP 3.1 on August 14, 2006.

The current procedure for late deliveries from notification or allocation of interest rate futures will basically remain unchanged. Merely the reference value will change from “nominal value of the contract per contract” to “nominal value of the defaulting delivery”.

The procedure for late deliveries resulting from exercises or assignments and notifications or allocations of equities and equity-style products with physical delivery will be changed to replace the current contractual penalties with a buy-in auction. Should the buy-in auction be (partially) unsuccessful, the new regulations stipulate cash settlement.

In connection with the amendment of the buy-in conditions, we are sending enclosed the application to participate in the buy-in process of Eurex Clearing AG. This application needs to be submitted to Eurex Clearing AG if your institution intends to take part in the buy-in procedure. If this is the case, kindly fill out and return the application to Eurex Clearing AG.

Buy-in participants who have already submitted this application for the buy-in procedure in connection with clearing of transactions concluded at Frankfurt Stock Exchange (“FWB”) or entered in the electronic trading system of FWB (“FWB Transactions”) need to submit the attached application form once again in order to be able to perform deliveries resulting from exercises or assignments (“Eurex derivatives market”).

If you have not yet submitted your application for participation in the buy-in process of the Eurex derivatives market, please fax the attached form **by August 14, 2006** to the number +49-69-211-1 17 01.

CCP Release 3.1: Late Delivery Penalties and Buy-in Procedure

We would like to draw your attention once more to the process of late delivery handling which will be modified for the Eurex derivatives market due to the introduction of CCP 3.1 on August 14, 2006.

The current procedure for late deliveries from notification or allocation of interest rate futures will basically remain unchanged. Merely the reference value will change from "nominal value of the contract per contract" to "nominal value of the defaulting delivery", compare: Clearing Conditions for Eurex Clearing AG ("Clearing Conditions"), Chapter II, Part 2, 2.3.6, (5).

The procedure for late deliveries resulting from exercises or assignments and notifications or allocations of equities and equity-style products with physical delivery will be changed to replace the current contractual penalties with a buy-in auction. Should the buy-in auction be (partially) unsuccessful, the new regulations stipulate cash settlement, compare: Clearing Conditions, Chapter V, Part 2, 2.2, and Eurex circulars 060/06 and 100/06).

The Clearing Conditions that will come into force on August 14, 2006 and the application to participate in the buy-in process of Eurex Clearing AG as well as the Conditions for Participation in the Buy-in Process of Eurex Clearing AG are available for downloading on the Eurex website under

www.eurexchange.com > Member Section > Documentation/Manuals CCP > CCP 3.1 > Legal Documents / Setup Accounts

Conditions for Participation in the Buy-in Process of Eurex Clearing AG

The Conditions for Participation in the Buy-in Process of Eurex Clearing AG ("Buy-in Conditions") govern the procedures that will be applied in case of late securities deliveries by a Clearing Member. The buy-in process is initiated by Eurex Clearing AG to settle outstanding failed trades or deliveries which were due for settlement at the Central Securities Depository but could not be settled, or which could not be forwarded for settlement due to the individual settings of a participant involved.

The regular buy-in process includes a sequence of three buy-in attempts, each consisting of a buy-in auction. Cash settlement attempts will take place in case the preceding buy-in attempts have (partially) been unsuccessful. Buy-in auctions are conducted using a web-based auction tool outside the CCP system. Trading Members with authorized Buy-in Member status have access to this auction tool.

Application to Participate in the Buy-in Process of Eurex Clearing AG (FWB transactions and derivative transactions)

In connection with the amendment of the buy-in conditions, we are sending enclosed the application to participate in the buy-in process of Eurex Clearing AG. This application needs to be submitted to Eurex Clearing AG if your institution intends to take part in the buy-in procedure. In this case, kindly fill out and submit the application to Eurex Clearing AG. Should you have any questions relating to the buy-in process, please call the CCP Functional Helpdesk at +49-69-211-1 19 40. Inquires about the application to participate in the buy-in process may be addressed to our Customer Support Team, tel. +49-69-211-1 17 00.

Buy-in participants who have already submitted this application for the buy-in process in connection with clearing of transactions concluded at Frankfurt Stock Exchange ("FWB") or entered in the electronic trading system of FWB ("FWB Transactions") need to submit the attached application form once again in order to be able to perform deliveries resulting from exercises or assignments ("Eurex derivatives market").

Eurex Clearing AG
D-60485 Frankfurt am Main
www.eurexchange.com

Customer Support
Tel. +49-69-211-1 17 00
Fax +49-69-211-1 17 01

Executive Board:
Andreas Preuß (Chairman), Daniel Gisler, Thomas Lenz, Peter Reitz, Jürg Spillmann

If you have not yet submitted your application for participation in the buy-in process of the Eurex derivatives market, please fax the attached form to the following number **by August 14, 2006:**

Markets Services / Customer Support
fax: +49-69-211-1 17 01.

The originals have to be sent by post to

Deutsche Börse AG
Markets Services
Customer Support, NB 5.1.004

60485 Frankfurt

Frankfurt, August 10, 2006

Application to Participate in the Buy-in Process
of Eurex Clearing AG (FWB transactions and derivative transactions)

Eurex Clearing AG

Customer Support

60485 Frankfurt am Main

Applicant

Name of applying exchange participant

Address

CCP participant code

First and last name of contact

Telephone number | Fax number

Application to participate in Eurex Clearing AG's Buy-in process in accordance with the most recent version of Eurex Clearing AG's terms of participation for the Buy-in process (Participation Terms)

1. We herewith declare that we accept the most recent version of the Eurex Clearing AG's terms of participation for the Buy-in process and we apply for authorization to participate in Eurex Clearing AG's Buy-in process as per subsection 2.1 of the Participation Terms.

   We hold a

   ☐ General clearing membership ☐ Direct clearing membership

   or we are a

   ☐ Non-clearing member of Eurex Clearing AG.

2. Delivery (We accept, that the participation in the Buy-in process assumes a respective account relationship (see below) for delivery):

   ☐ CBF-Account (Declaration necessary for Buy-in in Euro) for securities held in collective safe custody

Account-No.	Account holder	Linked CBF-Foreign-Account	Account holder

   and/or

   ☐ CBF-Creation-Account (Declaration necessary for Buy-in in Euro) for securities held in securities accounting

Account-No.	Account holder

   and/or

   ☐ SIS-Account (Declaration necessary for Buy-in Swiss Francs)

Account-No.	Account holder

3. We designate the following person as our authorized recipient, i.e. the person to whom Eurex Clearing AG will send electronic notification regarding, among other things, the outcome of an auction and all other electronic messages (e.g. in accordance with subsection 3.4 (6) of the Participation Terms):

Name	User password	Telephone number	E-mail address

4. We hereby confirm

- that we have the technical equipment and organizational structures which are necessary for orderly participation in the Buy-in process pursuant to the contract for Participation in the Buy-in Process of Eurex Clearing AG.
- that we meet the technical requirements for connection to the electronic auction platform pursuant to the contract for the participation in the Buy-in Process of Eurex Clearing AG.
- that the users deployed by us are informed of all relevant regulations for participation in Eurex Clearing AG's Buy-in process, and that they further more have the necessary reliability and technical qualifications for the Buy-in process. Specifically, we are not aware of any circumstances during their period of employment for us or from an earlier period that would raise any doubt as to their personal reliability and/or technical qualifications. If such circumstances should arise at a later time and/or come to our attention, we shall delete the user authorization of the respective users immediately.

5. We are aware that we are required to inform Eurex Clearing AG immediately in writing, of any and all legal or factual changes which can lead to the revocation of the participation authorization.

Place and date	Buy-in-Participant Company stamp (Company name in capitals) and authorized signature
Place and date	Securities account holder CBF-account Company stamp (Company name in capitals) and authorized signature
Place and date	Securities account holder CBF-creation-account Company stamp (Company name in capitals) and authorized signature
Place and date	Securities account holder SIS-account Company stamp (Company name in capitals) and authorized signature