X-pand into the Future

e u r e x *information*

Date: Frankfurt, 15 May, 2001
Recipients: All Eurex Clearing members and vendors
Authorized by: Gregor Althoff

Equity Central Counterparty – CCP Information 14/01

Contact: Functional Member Readiness: Tel. +49-69-2101-1700

Content may be most important for:	**Attachments:**
➲ Equity CCP Coordinators	1. CCP Information 14/01(English/Deutsch) 2. ECCP Member Simulation Guide Phase 1 (English / Deutsch)

Please find attached a copy of the Equity Central Counterparty information 14/01 sent to Xetra and FWB members and vendors on 14 May, 2001.

The 'ECCP Member Simulation Guide Phase 1' is also attached, describing the simulation approach and activities to be performed by participants for successful simulation beginning on May 28, 2001.

Eurex Deutschland
D-60485 Frankfurt am Main
www.eurexchange.com

Functional Member Readiness
Tel. +49-69-2101-1700
Fax +49-69-2101-1701

Alternative
Tel. +49-69-9770-1700
Fax +49-69-9770-1701

Management Board:
Rudolf Ferscha, Jürg Spillmann,
Thomas Lenz, Michael Widmer
Daniel Gisler

CCP Information 14/01

Deutsche Börse

To the FWB Members, Xetra® Members and Vendors

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

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

Central Counterparty – CCP May 14, 2001
ECCP Member Simulation Guide Phase I

Dear Sir or Madam,

As announced in the current communication calendar, we are sending you today the Member Simulation Guide for the first simulation phase of the Central Counterparty (CCP).

Aside from the functionalities of the simulation model, this document describes the two-phase simulation approach and the activities that need to be performed by the participants for a successful execution of simulation phase I.

In the near future, Deutsche Börse will provide two documents about the software version that will be available from the simulation start on May 28, 2001: Functional Documentation Simulation Software Version 1 / Technicalal Documentation Simulation Software Version 1.

Should you have further questions or need additional information, 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
On behalf of the Management

Enrico Isceri Jens Hachmeister

Enclosure

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:

Edward Backes
Dr. Heiko Beck
Rudolf Ferscha
Frank Gerstenschläger
Volker Potthoff

Deutsche Börse



Equity CCP

ECCP Member Simulation Guide Phase I

Table of Contents

Abbreviations		3
1	**Introduction**	**4**
1.1	Purpose of this Guide	4
1.2	Intended Audience for this Guide	4
2	**Overview Equity Central Counterparty**	**5**
3	**Objectives of the ECCP Simulation**	**7**
4	**Overview of the ECCP Simulation**	**8**
5	**Simulation Model**	**9**
5.1	Functionality	9
5.1.1	Post-Trade-Anonymity	9
5.1.2	Risk-based Margining	9
5.1.3	Give-Up/ Take-Up	10
5.1.4	Settlement Netting	11
5.1.5	Shaping	12
5.2	Interfaces	12
5.3	Trading Locations	15
5.3.1	Xetra	15
5.3.2	XONTRO Order (FWB Floor)	15
5.4	Process Chain Coverage	15
6	**Simulation Approach**	**16**
6.1	Two-Phase Approach	16
6.1.1	Simulation Phase I	16
6.1.2	Simulation Phase II	17
6.2	Target Group of the Simulation	17
6.3	Simulation Schedules for Phase I	18
6.4	Simulation Calendar for Phase I	19
6.5	Simulation Data Set-up	20
7	**Member Activities**	**21**
7.1	Membership, Admission and Connection	21
7.2	Preparation Activities for all Members	23
7.3	Member Activities during the Execution of Simulation Phase I	23
8	**Simulation Support**	**25**
8.1	Supporting Documentation	25
8.2	Online Inquiry of Xetra-Schlussnoten in Simulation	25
8.3	Available Support	27

Abbreviations

AM	Additional Margin
AP	Access Point
BaWe	Bundesaufsichtsamt für Wertpapiere
CBF	Clearstream Banking Frankfurt
CCP	Central Counterparty
CLV	Current Liquidation Value
CM	Clearing Member
DCM	Direct Clearing Member
ECCP	Equity Central Counterparty
FWB	Frankfurter Wertpapier-Börse
GCM	General Clearing Member
IC	Integrated Clearinghouse
IP	Internet Protocoll
MISS	Member Integrated System Server
NCM	Non Clearing Member
WS	Workstation

1 Introduction

1.1 Purpose of this Guide

This document describes Phase I of the Equity CCP simulation. It provides key data and planning considerations for the preparation activities members need to complete in order to get familiar with the new processes regarding the Equity CCP.

Additional information will be provided as described in the current communication calendar and further details regarding the specific phases will be provided in due time (e.g. Member Simulation Script & Schedules CCP Phase I and II, ECCP Simulation Guide Phase II).

1.2 Intended Audience for this Guide

This document is a guide for the members project coordinators and the involved parties responsible for coordinating the introduction of the Equity CCP functionality and processes on the member side. Various member departments as well as third parties may be involved in the effort for Equity CCP simulation, such as:

- Equity trading
- Clearing/Settlement and other back-office functions
- IT departments
- Network operations (WAN and LAN)
- Organisational departments
- Relevant departments of the Clearing Member
- Software vendors – if desired
- Training departments.

The number of tasks to be performed prior to and during Equity CCP simulation will require discipline on the members' as well as on Deutsche Börse Group's side to be executed successfully. We recommend that this document is communicated as soon as possible within the members' project teams and beyond to the line organisations where applicable. All parties involved must be aware of their tasks and their dependencies before the actual start of simulation.

2 Overview Equity Central Counterparty

The Equity Central Counterparty (ECCP) is part of Eurex Clearing AG and extends the current CCP processing which is already in place as a functionality for derivatives and bonds. The introduction of the Equity CCP implies that the Equity CCP automatically becomes a party to each relevant trade at the time it is executed on the trading platform. It becomes a buyer to each seller and a seller to each buyer. By this, the Equity CCP protects the clearing members (CM) from settlement risks.

With the Equity 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 trades to the Equity CCP as the counterparty, with associated risk management and Eurex CMs to guarantee and perform settlement of trades. Supported trading platforms in the first release of the Equity CCP are Xetra and the Floor of the Frankfurter Wertpapierbörse (FWB). The Equity CCP is connected to Clearstream Banking Frankfurt (CBF) as its Central Securities Depository (CSD). This CSD provides settlement and settlement-related services to participants. In general the settlement processes remain unchanged.

The Equity CCP functionality is available in the first release for equities that are subject to CSC (Collective Safe Custody = “Girosammelverwahrung”) and are listed on Xetra. Equities subject to NCSC (Non Collective Safe Custody = “Wertpapierrechnung”), as well as exchange-traded bonds, are not part of the first release. Company-issued warrants or other option-like securities are not part of the CCP functionality in this release either, with the only exception of subscription rights (“Bezugsrechte”) in supported securities, which come to life with a corporate action. Securities traded on the relevant trading system, which are not subject to CCP processing, will continue to be bilaterally conducted trades as today and remain subject to EK-Neu risk management. OTC trades conducted on the trading platform are not in the scope of this release either.

In the following four areas of the post-trading process the Equity CCP will perform core functions:

- Trade Management

  The CCP provides optional functions that result in a reduction of settlement instructions to participants of the supported trading platforms. Post-trade-anonymity of the order book is extended to the clearing and settlement process for all specified securities. Furthermore, give-up/take-up functionality is provided.

- Risk Calculation

  CM default risk will be covered by margin calculation based on the net settlement obligation of a CM and contributions to a clearing fund as further line of defence. It includes the calculation of the participant’s specific risk exposure using the net positions (segregated between agent and principal positions for General Clearing Member (GCM), Direct Clearing Member (DCM), und Non Clearing Member (NCM)) of pending deliveries and the comparison against the evaluated collateral, subsequent collateral requests and other risk management functions.

- **Collateral Management**

  Collateral Management is provided by the already existing Eurex functionality and includes collateral accounts and fee accounts. It allows for efficient allocation of collateral by netting of long vs. short trades. Moreover, it supports cross-collateralisation and cross-margining with trades in other cash market trading platforms and equity derivatives listed at Eurex. Information about settled deliveries are received from the CSD (Clearstream Banking Frankfurt).

- **Late/Failure Management**

  The status of outstanding settlements has to be monitored. In case of late deliveries and/or member default the Eurex Clearing AG would take adequate action to protect the receiving party as well as itself.

Functionalities, which will be introduced and therefore can be simulated in Phase I of the Equity CCP simulation, are described in more detail in chapter 5.1.

During Phase II of the Equity CCP simulation an even more enhanced functionality of the Equity CCP will be available for the members to experience. For details please see the document ECCP Simulation Guide Phase II, which will be provided in due time.

3 Objectives of the ECCP Simulation

The purpose of Equity CCP Simulation is to provide an opportunity for FWB members and Deutsche Börse Group to become familiar with the new and enhanced functionality introduced by Equity CCP and to install and test their technology and business procedures prior to production.

To assure this opportunity, the key objectives of the Equity CCP Simulation are as follows:

- **Familiarisation with Equity CCP and Eurex Clearing**
  Clearing and Non Clearing members can familiarise with the new clearing procedures related to the introduction of the Equity CCP.
- **In-house processes and systems test**

  Members can test their in-house processes and systems together with the Equity CCP as well as the simulation enables the vendors to test their systems related to the Equity CCP.
- **Early issue identification on both sides (Member and Deutsche Börse Group)**
  By providing a production-like set-up and encouraging early and frequent participation of the members, Equity CCP related issues that might otherwise come up in Equity CCP Production can be detected much earlier.
- **Support for production readiness**

  The simulation supports the readiness of all members prior to the Equity CCP production start.
- **High quality simulation**

  Through periods of concentrated simulation activity with early involvement of relevant departments of Deutsche Börse Group a high quality simulation will be enabled.

4 Overview of the ECCP Simulation

During the Equity CCP simulation members will be able to experience for the first time the new features of the Equity Central Counterparty in Xetra and Eurex Clearing. In order to offer the simulation as early as possible, the overall ECCP simulation is split up into two phases:

Phase I	**May 28, 2001**	**-**	**July 12, 2001**
Phase II	**(to be defined)**		

Phase I of the simulation offers to practice the features mentioned in chapter 6.1.1. The simulation will be closed for a short period between June 12, 2001 and June 19, 2001. Phase I will be a non-guided simulation. XONTRO Order will not be included in Phase I.

During the course of Phase II of the simulation the remaining new features of the Equity CCP will be made available to the participants as well. Phase II will be partly a guided simulation. A separate document ECCP Simulation Guide Phase II will be distributed to the members prior to the start of Phase II and will contain all necessary information for Phase II.

The Central Counterparty for Equities is integrated in all processes for clearing and settlement of FWB as well as Eurex. For that reason the Equity CCP simulation will comprise FWB trading systems as well as Eurex Clearing systems. While trading of equities is done within Xetra and XONTRO, the margins will be calculated through the Equity CCP. As a result, the margin and collateral reports from the Eurex Clearing AG will be delivered to the member via the existing Eurex infrastructure.

The settlement systems of Clearstream will be included during the simulation in Phase II. This is also important because back-office processes of the members are affected by the introduction of the ECCP functionality.

For further information please see the following chapters. Furthermore, a full set of functional and technical documentation will be provided as described in the communication plan in chapter 8.1.

5 Simulation Model

The Central Counterparty for Equities (ECCP) is part of Eurex Clearing AG and extends the current CCP processing which is already in place as a functionality for derivatives and bonds provided by the Eurex Clearing AG. Supported trading platforms in the new release of the ECCP software, IC 2.0, are Xetra and the Floor of the Frankfurter Wertpapierbörse (FWB). NCMs and their respective GCMs receive information about each trade. Please note, however, that XONTRO Order will participate only in Phase II of the simulation.

The Equity CCP is connected to Clearstream Banking Frankfurt (CBF) as Central Securities Depository (CSD). This CSD provides settlement and settlement-related services to participants. Please note, however, that Clearstream Banking Frankfurt will participate only in Phase II of the simulation.

In the following the most important aspects of the simulation are outlined.

5.1 Functionality

The functionality covered by the ECCP simulation in Phase I includes the following:

5.1.1 Post-Trade-Anonymity

The implementation of a Central Counterparty for Equities has impact on the existing trade management. Exchange members enter all orders into the trading systems in the same manner as currently. With the execution of the orders, however, the ECCP contractually becomes the counterparty in the defined securities. There is no bilateral contract between Exchange Members for these securities at any stage. Each execution indicates the ECCP as the buyer to every seller and the seller to every buyer (post–trade-anonymity).

5.1.2 Risk-based Margining

An adapted risk-based margining concept will be used as basis for the Equity CCP. By taking the risk-reducing effect of combinations of positions into account when calculating the amount of collateral, it allows to achieve the required degree of security with a minimum amount of collateral having to be provided by the market participants.

Generally, the risk-based margining follows the same principles as the one used by Eurex Clearing. This includes among other things the risk-based margining of derivatives, the roles of CMs and NCMs, the handling of rounding during calculations, the number of valid decimal places.

The risk-based margining of the Equity CCP is based on risk positions. The general approach to calculate margin consists of two steps. The first step is the mark-to-market principle, which results in Current Liquidation Values (CLV). This step is essential to avoid any accumulation of loss. The second step is to calculate the so-called Additional Margin (AM). This component is calculated to cover the risk of an adverse one-day price movement in the security. This approach is implemented for Eurex derivatives, bonds, and repos and is not changed for equities.

To follow this approach for equity positions (including corresponding delivery obligations), the following two steps have to be performed:

- First, the current risk of the Equity CCP at a specific point of time is covered by requiring members to provide collaterals to cover the potential losses in their equity positions for a holding period of one day. These potential losses are calculated with a risk parameter of a specified percentage rate taken into consideration. In order to determine the amount of collateral, the current value to the Equity CCP of each of its positions vis-à-vis the member is determined by using market prices or settlement prices. This value is also referred to as the Current Liquidation Value (CLV) of a position.
- Second, the Equity CCP covers the risk that market movements increase the potential's losses by requiring the posting of Additional Margin (AM). The amount of AM is set to cover potential losses. These potential losses are calculated with a risk parameter of a specified percentage rate taken into consideration. The calculation is based on the same valuation formula used for calculation of CLV. The variation in the market value of the equity serves as calculation basis.

This risk-based margining system allows equities to be assigned to newly defined margin classes, together with Eurex derivatives based on the same underlying, if applicable. By doing so and in connection with assigning margin classes to groups, cross margining benefits can be obtained.

Please note, however, that cross-margining will only be made available during Phase II of the Equity CCP simulation.

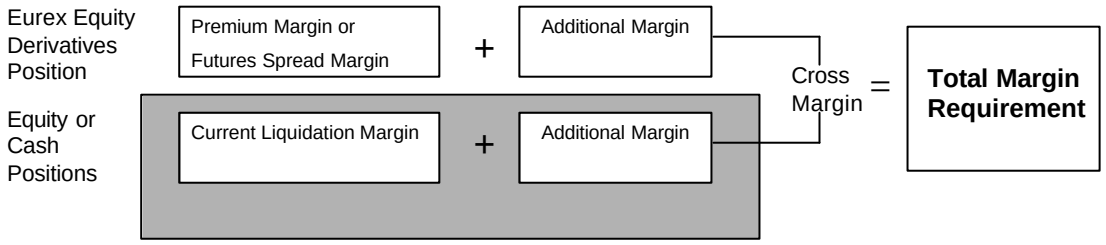


Figure 1: Overview of the Risk-based Margining Procedure

5.1.3 Give-Up/ Take-Up

The give-up/take-up trade functionality[1] enables participants to allocate trading and clearing services among different exchange members. It allows the execution of an order by an exchange member and the reassignment of the resulting trade to another exchange member. Trades must be designated (given up) by the sending exchange member and accepted (taken up) by the receiving exchange member on the same trading day. The take-up has to be explicitly agreed to by the receiving exchange member and must occur before the end of the trading day. The approval by the respective CMs for give-up and take-up (of their NCMs) 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 can be taken up in the "Agent", "Proprietary", "Designated Sponsor", "Issuer" and "Liquidity Provider" account types when applicable according to the trading model of the instrument.

[1] Only available for trades executed on the trading platform Xetra and is not available for Floor Trading in the first step.

Give-up functionality is likewise available for all trading members. A CM can only request information on all give-up trades and the take-up activities of all NCMs for whom clearing services are provided. Furthermore, a GCM has to approve the give-up trades and the take-up trades of their NCMs. Senior traders can give-up or take-up trades on behalf of their subgroups. Eurex Clearing does not execute give-up/take-up on behalf of members.

The process of a give-up/take-up has to be completed before the end of post trading, otherwise the trade is reassigned to the original "Give-Up"-member. The number of give-up/take-up transactions is not limited by member or by instrument. It is not possible to perform trade modifications for pending give-up trades. Historical give-up transactions are not supported.

If 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.

5.1.4 Settlement Netting

Settlement netting is the form of aggregating and balancing ("verrechnen") trades within the same product of the same underlying (long versus short). Optional settlement netting can be performed on various levels like on price, order or account level:

- Price Level Netting

  In case of price level netting, each order/ quote of a member which is matched against several orders and quotes at the same price within the same matching transaction is netted.

- Order Level Netting

  In case of order level netting, different prices resulting from partial executions for one order/ quote are averaged.

- Account Level Netting

  In case of account level netting, the same netting rules as for order level netting apply during the online trading day. Furthermore all trades with the account level netting indicator set will be netted together per instrument, account type, trade side (buy, sell), settlement location and settlement account during the end-of-day processing.

  The result is that delivery and payment obligations arising from trading are netted to reduce the number of settlement instructions.

  The strongest form of account level netting is the so-called "balancing", where buy and sell information for one instrument, account type, settlement location and settlement account are combined into a single resulting obligation. Please note that balancing is only available in the ECCP simulation from June 20, 2001 on.

In Xetra, netting is a member specific parameter. The member has to be authorised to use settlement netting. It is possible for the member to choose between different specifications: The member can be authorised either to net all trades of all account types, to net all trades of the proprietary account type, and no netting. If the member is authorised, it is possible to choose on order entry the appropriate kind of netting. In the simulation all members are authorised for all account types.

5.1.5 Shaping

In case of account level netting, the resulting settlement instruction may be subject to shaping if a certain volume is reached. This means, that a large settlement instruction is divided in smaller portions. The purpose of shaping is to reduce the 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 is provided in a final trade confirmation and a “Schlussnote” if requested per relevant instrument, account type and settlement account, which contains a new trade number as reference for the resulting delivery instruction.

5.2 Interfaces

Together with the implementation of the Equity CCP the existing interfaces between Xetra, XONTRO, Eurex, Clearstream systems and the members will be used where possible. Nevertheless some interface changes will be necessary with the introduction of the Equity CCP. The following paragraph gives an overview over the flow of information with Xetra and describes changes concerning the interfaces in Phase I. In Figure 2 the process chain for Xetra trades with regard to the Equity CCP is outlined.

After sending an order which is executed on the trading platform, the member receives an execution confirmation containing relevant information for trading on each order execution. Additionally, the member receives trade confirmations from Xetra during the business day. Trade confirmations are sent to the member immediately after the trade has been matched and will contain (with the introduction of order and account level netting) both the individual trade information and the current status of the cumulative settlement instruction. In order to do so, the existing trade notes will contain additional fields, which will be relevant for settlement documentation. For every partial execution during the day, an update trade confirmation will be sent to the member. The update trade confirmation has the same trade number as the first trade confirmation of the same order.

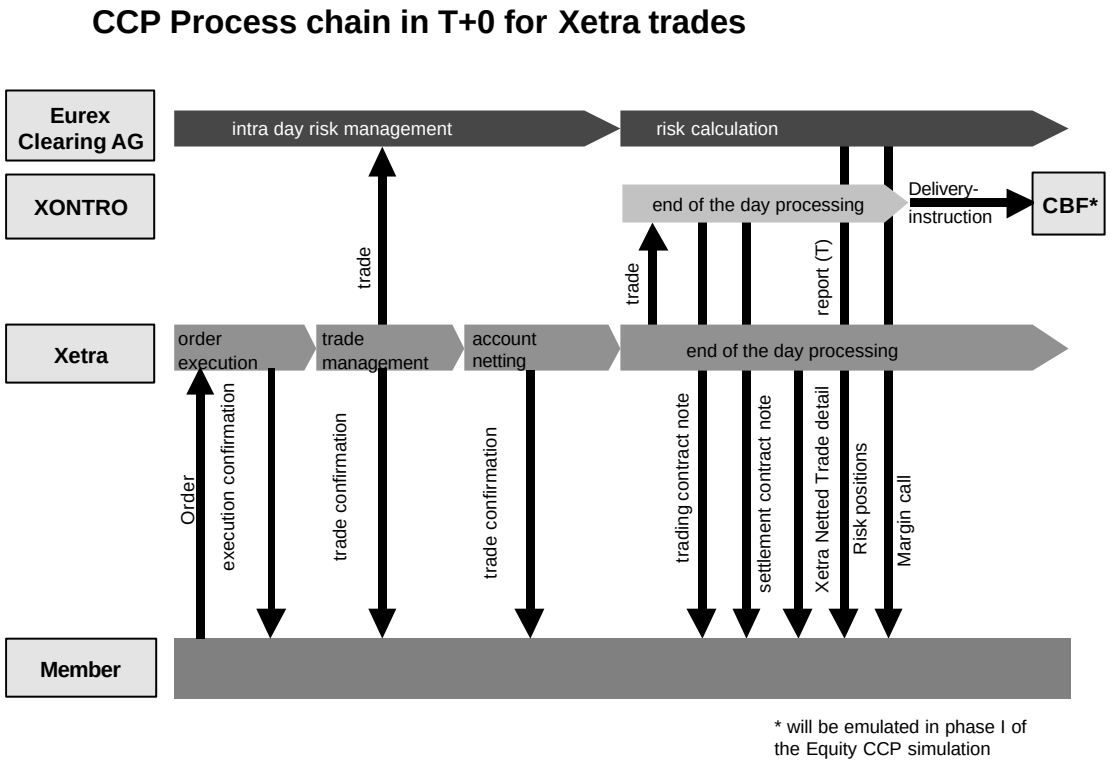


Figure 2 Process Steps for Equity CCP Simulation in T+0

The member also receives contract notes ("Schlussnoten") from XONTRO Trade at the end of the day. With the introduction of the Equity CCP two different services are offered with regard to information in contract notes format. One service offers trading contract notes that contain information about each individual execution quantity, execution price and execution time. This service can be used for documenting trading activity and to serve as input for regulatory trade reporting to the "Bundesaufsichtsamt für den Wertpapierhandel (BaWe)".

The second service, the settlement contract notes, contains information about delivery instructions according to the netting type specified on order entry. Therefore individual partial executions for an order are not visible in the settlement contract note anymore. Both, the settlement contract note and the trading contract note will be available in the simulation from June 30, 2001 on. As in a Xetra simulation the contract notes will be available via online access in the simulation environment of XONTRO Trade.

Xetra netted trade Detail Reports will be send via Xetra to the members at the end of each trading day and will give more information regarding all CCP transactions of the current trading day. The report will contain the underlying order-level trades of all netted trades.

In Phase I of the simulation the Clearstream systems will not participate. In order to provide the full functionality during simulation, Deutsche Börse uses a special system to emulate the settlement processing of Clearstream. This emulator ensures that all trades will be completely and automatically settled inT+2. In Phase I of the simulation no corporate actions will be available.

All risk and collateral reports are distributed by Eurex. NCMs with no access to the Eurex infrastructure will be able to receive from June 30, 2001 on their Clearing reports through the Xetra infrastructure.

It is planned that Clearstream systems will participate during Phase II of the Equity CCP simulation (see Figure 3). For details please refer to the upcoming Equity CCP simulation guide for Phase II.

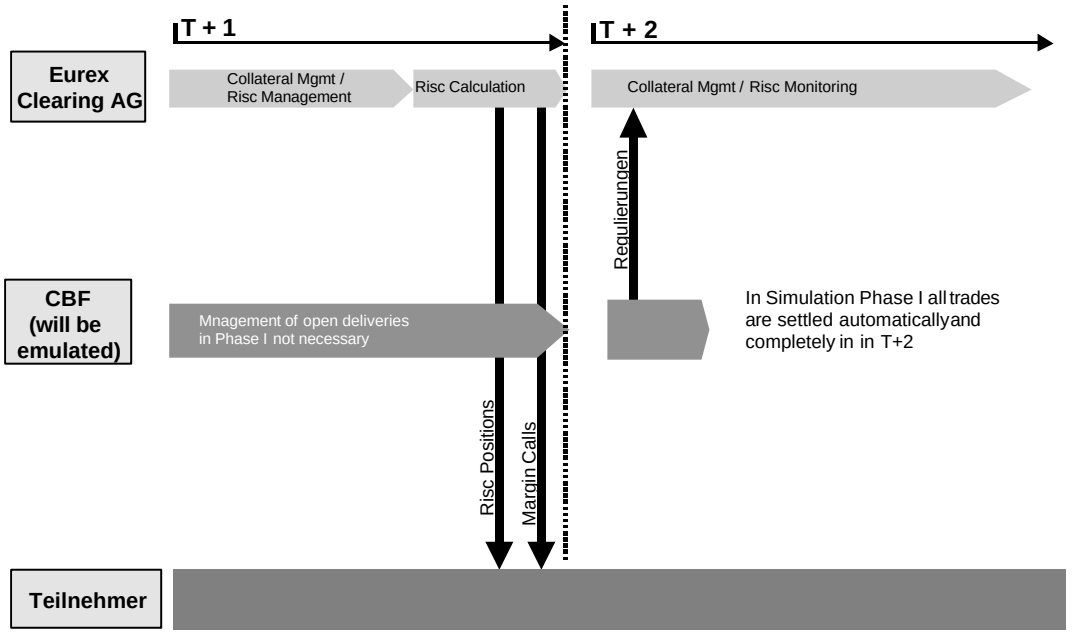


Figure 3: CCP Process chain in T+1 und T+2 for Xetra Trades in Phase I of the ECCP Simulation

For more information about interfaces please see also the following documents:

- "Schnittstellenbeschreibung"
  (available via Internet, contains description of interface changes caused by ECCP introduction in the areas trade management, risk management, collateral management and delivery management)
- Xetra Release 6.0 Values API Programming Version, Volume 5 – Xetra Application Requests, Responses and Subscriptions
  (sent out February 02, 2001, contains detailed description of trade confirmations)
- S.W.I.F.T.-Nachrichtenformate für Schlussnoten und Geschäftsbestätigungen aus XONTRO Trade
  (available via Internet, contains detailed description of contract notes)
- Preliminary Functional Release Notes – Equity CCP, and Preliminary Technical Release Notes
  (sent out April 4, 2001, contain detailed descriptions of risk and collateral management reports)

5.3 Trading Locations

5.3.1 Xetra

Orders entered in Xetra will be simulated from the very beginning of the Equity CCP simulation.

5.3.2 XONTRO Order (FWB Floor)

Orders entered on the FWB Floor using XONTRO will be simulated during Phase II of the Equity CCP simulation.

5.4 Process Chain Coverage

The simulation will cover the complete process chain from order entry to fulfilment (please note, however, the distinction described below between Phase I and Phase II). The member enters an order via Xetra and receives an execution confirmation in return. Order matching is performed and after a successful match a trade confirmation is generated. If order or account level netting is activated, update trade confirmations are generated in case of partial executions. After the end-of-day-processing the member receives a trading contract note and a settlement contract note. The following Eurex batch run generates any required margin calls.

In Phase I of the simulation the settlement process in the Clearstream Systems will be emulated. Thus, no CBF interfaces will be supported in Phase I. During Phase II delivery instructions will be passed to the Clearstream systems. Clearstream will process the delivery instructions and provide the “Lieferliste” and the “Regulierungsdatenträger”.

6 Simulation Approach

This section describes the approach chosen for the Equity CCP simulation in detail. It explains the two-phase-approach already mentioned in the Simulation Overview and provides detailed information about simulation schedule, calendar, and simulation data. The activities to be undertaken by the members during simulation preparation and execution are described in the next chapter “Member Activities”.

6.1 Two-Phase Approach

In order to open the simulation environment as early as possible the simulation will take place in two major phases. Xetra, XONTRO, Eurex and Integrated Clearinghouse (IC) will participate in the Equity CCP simulation. The interfaces of these platforms to their members will be part of the simulation as well. In addition, the Clearstream systems and XONTRO Order will be part of the simulation in Phase II.

The simulation will take place in the following two phases:

Phase I	**May 28, 2001**	**-**	**July 12, 2001**
Phase II	**(to be defined)**		

The Equity CCP simulation will be similar to the former release simulations of Xetra or Eurex. The technical interfaces to the customers will be simulated in the same manner. That means Xetra and the IC interfaces will be served as in the productive environment and XONTRO Trade online access for the contract notes will be available.

The following section gives detailed information about the simulation in Phase I and an overview of the planned simulation Phase II.

6.1.1 Simulation Phase I

Phase I will focus on the member trading interfaces and risk and collateral management interfaces. That means for the simulation Phase I the systems Xetra, XONTRO Trade, Eurex and IC will be available.

The Eurex simulation environment, the Xetra simulation environment and the XONTRO simulation environment (as normally used for a Xetra Release simulation) will be available for the Equity CCP simulation Phase I from Mai 28, 2001 to July 12, 2001. There will be no simulation between June 12, 2001 and June 19, 2001 during Phase I when the simulation will be closed. The simulation Phase I will be a non-guided simulation.

In Phase I the following functionalities will be available at the defined times (for a description of the particular functionalities please refer to section 5.1):

Functionality available at the start of Phase I (28.5.2001):

- Xetra: Give-up/Take-up Functionality
- Xetra: Settlement Netting (aggregate netting)
- IC: Risk Management
- IC: Collateral Management

Functionality available during simulation Phase I (current planning: 20.6.2001):

- Xetra: Settlement Netting (balancing)
- Xetra: Shaping

Functionality available during simulation Phase I (current planning: 30.6.2001):

- XONTRO Trade: Provision of settlement contract note and trading contract note (Schlussnoten)

In simulation Phase I the following interfaces will be available at the defined times (for a description of the particular interfaces please refer to section 5.2):

Interfaces available at the start of Phase I (28.5.2001):

- Xetra: Trade confirmations
- Eurex: Margin and Collateral Reports
- Xetra netted trade detail report

Interfaces available during simulation Phase I (current planning: 30.6.2001):

- XONTRO Trade: Trade contract notes and settlement contract notes

6.1.2 Simulation Phase II

During Phase II of the Equity CCP simulation the members will be able to test also the remaining features of the Equity CCP. The Phase will include all relevant systems for the Equity CCP, namely Xetra, Eurex, XONTRO (Order and Trade), and Clearstream (Lion, CASCADE).

Phase II will be partly a guided simulation.Special time slots will be distributed to the members. For details please see the upcoming document ECCP Simulation Guide Phase II which will be distributed to the members prior to the start of simulation Phase II and will provide the members with all necessary information for Phase II.

6.2 Target Group of the Simulation

All members of FWB (Xetra and Floor), all Equity Clearing and Non Clearing Members as well as the vendors (Front- and back-office software) are asked to participate in the simulation.

6.3 Simulation Schedules for Phase I

The following table shows the simulation schedules for Phase I of the Equity CCP simulation as currently planned. As the start times of the trading phases will be initiated manually, there might be slight divergences concerning these start times.

Trading Schedule "ECCP Simulation" (Phase I)			
Phase	**Instruments in Continuous Trading**	**Instruments in One Auction Only**	**Instruments in Continuous Auction**
Pretrading (only on days after a batch)	10:00 AM – 10:20 AM	10:00 AM – 02:10 PM	10:00 AM – 10:15 AM
Opening Auction Call (only on days after a batch)	10:20 AM – 10:30 AM	–	–
Price Determination Opening Auction	From 10:30 AM on	–	–
Continuous Trading	[After Price Determination Opening Auction] – 02:00 PM	–	–
Intraday Auction Call (Monday and Wednesday)	02:00 PM – 02:05 PM	02:10 PM – 02:15 PM	–
Price Determination Intraday Auction (Monday and Wednesday)	From 02:05 PM on	From 02:15 PM on	–
Continuous Trading	[After Price Determination Intraday Auction] – 03:25 PM	–	–
Closing Auction Call (only on days with batch)	03:25 PM – 03:30 PM	–	–
Price Determination Closing Auction (only on days with batch)	From 03:30 PM on	–	–
Intra-day Closing Auction Call (Monday and Wednesday)	–	–	–
Price Determination Intra-day Closing Auction (Monday and Wednesday)	–	–	–
Continuous Trading	–	–	–
End-of-day Auction Call (only on days with batch)	–	–	–
Price Determination End-of-day Auction (only on days with batch)	–	–	–
Continuous Auctions	–	–	10:15 AM – 03:29 PM
Post-Trading	[After Price Determination Closing Auction] – 04:00 PM (only on days with a batch)	[After Price Determination Intraday Auction] – 04:00 PM (until intraday auction of next day if no batch scheduled).	From 03:29 PM[2] to 04:00 PM (until continuous auctions of next day if no batch scheduled).
Ready for Batch (only on days with batch)	04:00 PM	04:00 PM	04:00 PM

[2] Last time for instruments to go to post trading. There will be instruments that will switch earlier to post-trading due to technical restrictions.

6.4 Simulation Calendar for Phase I

The simulation calendar below covers all parts of Equity CCP simulation for Phase I. During the entire simulation the simulation environment will be available 24h with two batch runs per week to provide vendors and members with additional time to develop and test their applications. The XONTRO batch run is planned for 8:30 pm.

The simulation calendars of Eurex and Xetra are synchronised with respect to business days and batch runs. After completion of Eurex batch run the Eurex reports are available.

Monday 28-Mai-2001 Business Date 28-Mai-2001	Tuesday 29-Mai-2001 Business Date 31-Mai-2001	Wednesday 30-Mai-2001 Business Date 31-Mai-2001	Thursday 31-Mai-2001 Business Date 31-Mai-2001	Friday 01-Juni-2001 Business Date 04-Juni-2001	Saturday 02-Juni-2001 Business Date 04-Juni-2001	Sunday 03-Juni-2001 Business Date 04-Juni-2001
Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading
Monday 04-Juni-2001 Business Date 04-Juni-2001	Tuesday 05-Juni-2001 Business Date 07-Juni-2001	Wednesday 06-Juni-2001 Business Date 07-Juni-2001	Thursday 07-Juni-2001 Business Date 07-Juni-2001	Friday 08-Juni-2001 Business Date 11-Juni-2001	Saturday 09-Juni-2001 Business Date 11-Juni-2001	Sunday 10-Juni-2001 Business Date 11-Juni-2001
Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading
Monday 11-Juni-2001 Business Date 11-Juni-2001	Tuesday 12-Juni-2001	Wednesday 13-Juni-2001	Thursday 14-Juni-2001	Friday 15-Juni-2001	Saturday 16-Juni-2001	Sunday 17-Juni-2001
Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Simulation closed	Simulation closed	Simulation closed due to holidays	Simulation closed	Simulation closed	Simulation closed
Monday 18-Juni-2001	Tuesday 19-Juni-2001	Wednesday 20-Juni-2001 Business Date 20-Juni-2001	Thursday 21-Juni-2001 Business Date 21-Juni-2001	Friday 22-Juni-2001 Business Date 25-Juni-2001	Saturday 23-Juni-2001 Business Date 25-Juni-2001	Sunday 24-Juni-2001 Business Date 25-Juni-2001
Simulation closed	Simulation closed	Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading
Monday 25-Juni-2001 Business Date 25-Juni-2001	Tuesday 26-Juni-2001 Business Date 28-Juni-2001	Wednesday 27-Juni-2001 Business Date 28-Juni-2001	Thursday 28-Juni-2001 Business Date 28-Juni-2001	Friday 29-Juni-2001 Business Date 02-Juli-2001	Saturday 30-Juni-2001 Business Date 02-Juli-2001	Sunday 01-Juli-2001 Business Date 02-Juli-2001
Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading
Monday 02-Juli-2001 Business Date 02-Juli-2001	Tuesday 03-Juli-2001 Business Date 05-Juli-2001	Wednesday 04-Juli-2001 Business Date 05-Juli-2001	Thursday 05-Juli-2001 Business Date 05-Juli-2001	Friday 06-Juli-2001 Business Date 09-Juli-2001	Saturday 07-Juli-2001 Business Date 09-Juli-2001	Sunday 08-Juli-2001 Business Date 09-Juli-2001

Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading
Monday 09-Juli-2001 Business Date 09-Juli-2001	Tuesday 10-Juli-2001 Business Date 12-Juli-2001	Wednesday 11-Juli-2001 Business Date 12-Juli-2001	Thursday 12-Juli-2001 Business Date 12-Juli-2001	Friday 13-Juli-2001	Saturday 14-Juli-2001	Sunday 15-Juli-2001
Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	Equity CCP Simulation 10:00 AM Start Pre Trade System Open for Trading	Equity CCP Simulation System Open for Trading	Equity CCP Simulation System Open for Trading 4:00 PM Begin Batch	No Simulation	No Simulation	No Simulation

The Simulation Calendar for Phase II will be published in the upcoming ECCP Simulation Guide Phase II.

6.5 Simulation Data Set-up

For the Equity CCP simulation, the following set-up will be provided to support members' simulation activities:

Xetra:

- Technical member data (i.e., IP address, node name, logical name, node password, network password, primary and backup access point, hardware type, 2 report nodes, application identifier, etc.) will be taken from Xetra Release 6.0 Permanent Simulation.
- Functional member data (i.e., member name, member address, KV number, member type, clearing type, settlement account, fee package, etc.) will be taken from Xetra Release 6.0 Permanent Simulation.
- Functional user data (i.e., user name, account type, user password, activation status, etc.) will be taken from Xetra Release 6.0 Permanent Simulation. Additional users may be set up by the members' security administrators during the Equity CCP Simulation.

XONTRO Trade

- To access the XONTRO Trade Simulation environment, the already known password, XETRASIM, can be used. User IDs have the format kkkk199800, where kkkk is the member's Kassenvereinsnummer. For further information, please contact Deutsche Börse Xetra Trading Helpline.

IC/Eurex Clearing

- Relevant technical and functional member data (member name, member address, clearing account, node names, etc.) will be taken from the permanent Simulation Integrated Clearinghouse.
- New Equity CCP Eurex CMs will be included in the Equity CCP simulation in a timely manner.

7 Member Activities

An overview of the member's activities during Equity CCP simulation were first outlined in the Member Brochure CCP. Further information for Phase I will be given in this chapter. Additionally, complementary information on simulation preparation will be delivered to the members on an as-needed basis using the usual communication means of circulars with attached documents and distribution via the internet.

7.1 Membership, Admission and Connection

A present equity market participant, who will process equity trades through Eurex Clearing AG as the central Counterparty for equities, shall be Eurex CM or shall have a NCM-GCM-Agreement with an Equity GCM.

Editorial Note:

- 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).
- Non Clearing Member (NCM): The Non Clearing Member is a participant at one of the supported trading platforms that take 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 Eurex Clearing AG. A NCM uses a Clearing Member to clear its trading business.

A clearing membership for equity clearing will be either an extension of a current Eurex Clearing membership, or a new Eurex Clearing membership for equity clearing needs to be established. An Eurex Clearing membership for equity clearing is subject to minimum capitalisation requirements specified by the Eurex Clearing AG.

New Eurex CMs will also need to set up the required Eurex technical infrastructure. Please refer to the Common Front-end Sizing Guidelines (available on the Xetra web-site www.xetra.de) for further details.

Existing Eurex members that already use the Eurex Clearing GUI (@X-tract) and plan to obtain an equity clearing license will not need to extent their current technical infrastructure The existing front end fully supports the functions required for using the Equity CCP functionality.

CMs will only receive clearing reports via the Eurex Clearing system. The reports will be distributed by overnight batch processing.

Future equity only NCMs without an Eurex membership and therefore without any Eurex infrastructure will receive the new equity related reports via an existing Xetra infrastructure from June 20, 2001 on.

A future equity CM, having currently no Eurex front-end connection may select between the connection alternatives Premium, Combined and iAccess.

Premium Access enables the member to connect to the Exchange Network via duplicated leased lines, Combined Access enables a connection through a combination of leased lines and Internet

Access, and iAccess enables the access exclusively via the Internet. All three connection alternatives can be differentiated by different levels of guaranteed performance and availability.

The Premium Access combines highest availability with high performances, while the Combined Access enables high availability with the high performance associated with a dedicated leased line, which represents the primary connection for this method. iAccess offers medium availability with normal performance. All three connection alternatives are shown in the following diagram below.

Since recently it is possible for members to use the Internet-enabled router Cisco 1720 which less cost-intensive than the model Cisco 2610 supported so far. This leads to a further reduction of the members infrastructure cost for Internet-based connection alternatives.

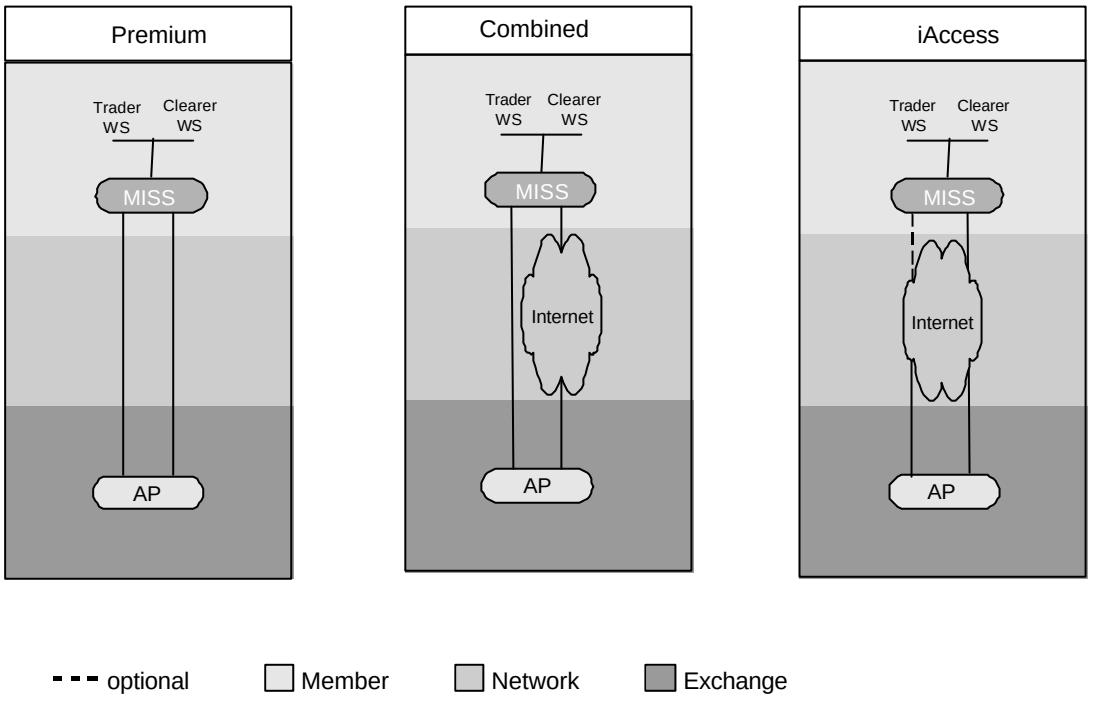


Figure 4: Front end Connection Alternatives
Legend: AP = Access Point
MISS = Member Integrated System Server
WS = Workstation

For further and more detailed information regarding the Eurex-Clearing Membership and Connection Alternatives please refer to the following documents:

- Eurex Guideline for Clearing Members
  Available in English and German, covering the admission process, showing the legal, financial requirements as well as the admission schedule and all necessary application forms.

- Connection Alternatives CCP
  Available in English and German, covering in more details all mentioned connection alternatives tailored for the Equity CCP. The document was part of the member information package and was delivered to the members on February 8, 2001.

7.2 Preparation Activities for all Members

The following steps have to be performed by members before they can join the Equity CCP simulation:

- Decide on the desired form of the Eurex Clearing membership.
- Identify and confirm resources for timely installation and connection to the simulation environment (Xetra and Eurex).
- Self-developed or third party software ready, if its usage is intended.
- Set up technical infrastructure and relevant connections to systems of Deutsche Börse Group.
- Set up related in-house systems to simulate subsequent processing.
- Identify and confirm resources for participation in simulation on the days specified in the simulation calendar.
- Define member specific simulation objectives and scenarios – if desired.
- Establish member internal issue management process and organisation.
- Define and report to Deutsche Börse Group resources for the communication of issues and problems arising during the simulation to the Deutsche Börse Systems.
- Define and report to Deutsche Börse Group resources to communicate the progress in the simulation and the completion of the simulation Phase I.

If a member encounters any problems adhering to the schedule, we urge that member to inform the Deutsche Börse Group immediately and in advance of the escalation of the problem.

7.3 Member Activities during the Execution of Simulation Phase I

Participation of all members in the simulation is strongly recommended in order to ensure the successful start of the Equity CCP. The simulation Phase I is a non-guided simulation.

The members need to ensure the following activities during simulation Phase I:

- Participation on every day the simulation is active (please see simulation calendar).
- Inform Deutsche Börse Group directly if participation cannot be realised and why.
- Inform Deutsche Börse Group immediately about any problems occurring during the simulation Phase I.
- Inform Deutsche Börse Group about those areas which have been successfully simulated.

Please keep in mind that additional preparatory activities for Phase II might become necessary during the execution of Phase I.

8 Simulation Support

8.1 Supporting Documentation

A number of supporting documents will be made available for the members. Below the publication schedule for all member-relevant documents regarding the simulation is shown. In addition Deutsche Börse will provide a documentation of the software as available in the Equity CCP simulation starting on May 28, 2001 ("Simulation Software Version 1 – technical" and "Simulation Software Version 1 – functional"). These documents will be available soon.

Central Counterparty Introduction
Communication Calendar

	2001
Member Information Package	
Member Activity Plan CCP	08.02.2001 ✓
Member Brochure CCP	08.02.2001 ✓
Connection Alternatives CCP	08.02.2001 ✓
Interface Description CCP	08.02.2001 ✓
Preliminary Technical & Functional Release Notes CCP (English Version)	04.04.2001 ✓
CCP Sizing Guidelines	25.04.2001 **New document**
CCP Interface Information	02.05.2001 **New document**
Final Technical & Functional Release Notes CCP	09.05.2001
Member Simulation Guide CCP	14.05.2001 **New Date**
Clearing Guide for Xetra Members	**To be defined** *)
Amendments to Exchange Rules and Regulations - First version	**To be defined** *)
Legal Application Forms for CCP	**To be defined** *)
Member Simulation Script & Schedule CCP	21.05.2001 **New Date**
Member Manuals Eurex - Simulation Version (Phase I)	23.05.2001
Member Manuals Eurex - Final Version	**To be defined** *)
Amendments to Exchange Rules and Regulations - Final Version	Prior to production start

* depending on Frankfurt Stock Exchange Council committee

8.2 Online Inquiry of Xetra-Schlussnoten in Simulation

All trades entered during Xetra Simulation will be available online as Schlussnoten (Contract Notes) in XONTRO Trade within the test environment IMS27 after the next batch run. This service will be provided throughout the entire time table of simulation from June 30, 2001 until July 12, 2001. In order to login to the IMS environment with the members' own Clearstream Account number or Clearing Member Account number, the steps listed below should be followed:

- Open a 3270-Terminal-Emulation

- Enter *IMS27* in the corresponding field of the login mask
- Enter ID-KZ: xxxx199800 (xxxx = Clearstream Account/ Clearing Member Account) and PW: XETRASIM

Personal XONTRO Trade Schlussnoten (Contract Notes) containing the Xetra trades are available using transaction code TRAN: BCAG and FC: AL. In the following mask, *X* for Xetra needs to be entered in the field *Abrufgruppe* and *1* in the field *Abruf-Nummer*. It is possible to filter the display by entering an Instrument ID (WKN or abbreviation). In this case, no entry is allowed in the field *Abruf-Nummer*. When referring to business data as of the previous day, please replace *J* in the field *Lfd. Boersentag* by *N* or enter the required business date in the DDMMYY format (this is possible for up to five business days ago).

Function keys PF8 or PF7 can be used to turn to the next or previous display mark respectively. To logout from this dialogue, use PF11.

8.3 Available Support

Deutsche Börse will provide support to the members to facilitate successful participation in the simulation. Members can reach Deutsche Börse with their questions and comments regarding Equity CCP simulation using the familiar helpdesk numbers:

Deutsche Börse Trading Helpline Xetra

- Telephone: +49 - 69 - 21 01 - 14 00
- Fax: +49 - 69 - 21 01 - 14 01
- Hours: 7:00 a.m. - 8:00 p.m. CET (on exchange trading days)

Deutsche Börse Customer Technical Services

- Telephone: +49 - 69 - 21 01 - 84 00
- Fax: +49 - 69 - 21 01 - 84 01
- Hours: 6:00 a.m. - 10:00 p.m. CET (on exchange trading days)

Deutsche Börse Change Management Xetra

- Telephone: +49 - 69 - 21 01 - 16 40
- Fax: +49 - 69 - 21 01 - 16 41
- Hours: 8:00 a.m. - 6:00 p.m. CET (on exchange trading days)