e u r e x *circular 75/98*

To: All Eurex members and vendors

Date: Frankfurt, 1st December 1998

Position Management on Eurex

Dear Sir or Madam,

Due to the forthcoming expiry of the December contracts of the Eurex-traded Capital Market Futures, particularly the Bund-Future, we would like to inform you of the following points:

Order Entry / Position Management

In accordance with the Eurex Conditions for Trading, section 1.3.1 'Types of Orders and Quotes', paragraph 3, orders must be identified on entry as for your own account or client orders, and when recorded, they must indicate whether they are position opening or position closing transactions. In the case of a closing transaction, a buy position and a corresponding sell position are cancelled against each other.

Due to the fact that positions on the A account and on the P accounts are not netted, it is possible that a high number of open positions are built on both the long and short side, when orders are routinely recorded with the 'To Open' indicator.

Netting

Three possibilities exist in the Eurex system for netting accumulated positions:

1. The recording of a new trade as a closing transaction.
2. The subsequent alteration of a trade using a Trading Close Adjustment, at the latest by the end of the Post-trading phase of the following trading day.
3. Carrying out a Position Close Adjustment to reduce the open Long- and Short-positions equally.

Late-Closing Fee

In the Eurex system a distinction is made between cost-free and fee-liable Position Close Adjustments. Cost-free closable contracts amount to the sum of all contracts traded 'to open' (long and short) in the appropriate series, per trading day and per position account, taking into account special cases such as Give-ups etc. Until 13.30 CET on the day following the day of the transaction, positions can be closed, free of costs, by means of a Position Closing Adjustment . The potential number of contracts that can be closed without costs (the zero-cost quantity) is shown on the screen J020 'Member Positions' or on the RPTCB067 report.

Contracts in excess of this number may also be closed, but the transaction will be fee-liable. The amount, the Late-Closing Fee, is a function of a product-related fee and the number of closed contracts exceeding the zero

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cost quantity. The resulting number is multiplied by 2, given that closing of a position involves two transactions on the market (e.g. the Late-Closing Fee for a Bund contract is DM 1,--).

We would ask you to make full use of the facilities available in the Eurex system for position management, since late position closure may result in a considerable amount of Late-Closing Fees.

Please ensure that this circular is distributed to the correct departments in your institution, in particular the management of the clearing department.

If you have any further questions, please contact our Functional Helpdesk - Clearing on +49 (069)-2101-1250.

Yours sincerely,

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