X-pand into the Future

e u r e x *circular 067/03*

Date: Frankfurt, June 27, 2003
Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

1. Changes to the Crossing Regulations

2. Reminder of the Reporting Obligations

Related Eurex Circulars: 011/01

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Content may be most important for:

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

Attachments:

1. Conditions for Trading at Eurex Frankfurt and Eurex Zürich, Section 2.3: Cross Trades and Pre-arranged Trades
2. Notification to HüSt

Summary:

1. Changes to the Crossing Regulations

The Exchange Council of Eurex Deutschland and the Advisory Board of Eurex Zürich decided by circulation procedure and in their meeting on June 25, 2003 respectively, to modify the Conditions for Trading at Eurex Deutschland and Eurex Zürich with respect to the Crossing Regulations. The changes will take effect on July 1, 2003.

A crossing is an intentional matching of orders and quotes which refer to the same contract or to a system-supported combination of contracts entered knowingly by an exchange participant. In order to invalidate the character of intentionality, the new regulation will offer participants the possibility to submit to the Market Surveillance Office of Eurex Deutschland (HüSt) or to the Surveillance and Enforcement Office of Eurex Zürich the internal and external technical connection structure. The submission of such description to one of the two before-mentioned Surveillance Offices of the Eurex Exchanges shall be deemed transmitted to both (Trading) Surveillances Offices of Eurex. On the basis of such description and the unambiguous classification of each order, the Boards of Management of the Eurex Exchanges shall assess each case as to its intentionality.

2. Reminder of the Reporting Obligations

As a reminder to all Eurex participants we would like to point out once again the reporting obligations according to number 3.11 of the Exchange Rules of Eurex Deutschland and Eurex Zürich (BörsO) , in which it is stipulated that any changes of factual or legal nature as a result of which the conditions for admission pursuant to section 3 may cease to be met, must be notified promptly to the Board of Management of the respective Eurex Exchange.

The Clearing Members are recalled their reporting obligations pursuant to chapter I, number 1.1.3 of the Clearing Conditions of Eurex Clearing AG in case of any changes which affect the prerequisites for granting a clearing licence according to numbers 1.1.1, paragraph 3, and 1.1.2.

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Attachment 1 to this circular comprises the revised Conditions for Trading at Eurex Deutschland and Eurex Zürich which shall become effective on July 1, 2003. For detailed information as the requirements of the Market Surveillance Office, please see attachment 2.

Should you have questions with regard to the report to the Market Surveillance Office of Eurex Deutschland, please contact the HüSt team at tel. +49-69-21 01-13 50. Questions with regard to the report to the Surveillance and Enforcement Office of Eurex Zürich will be answered by the Trading Surveillance team of Eurex Zürich at tel. +41-1-229-25 25.

2. Reminder of the Reporting Obligations

As a reminder to all Eurex participants we would like to point out once again the reporting obligations according to number 3.11 of the Exchange Rules for Eurex Deutschland and Eurex Zürich (BörsO), in which it is stipulated that any changes of factual or legal nature as a result of which the conditions for admission pursuant to section 3 may cease to be met, must be notified promptly to the Board of Management of the respective Eurex Exchange (e.g. change of address, change of name, change of admitted traders or nominated persons).

The Clearing Members are recalled their reporting obligations pursuant to chapter I, number 1.1.3 of the Clearing Conditions of Eurex Clearing AG in case of any changes which affect the prerequisites for granting a clearing license according to chapter I, numbers 1.1.1, paragraph 3, and 1.1.2 (such as change/deletion of the settlement account at the respective branch of the Central Bank of Germany (Deutsche Bundesbank – LZB) and at the Schweizerische Nationalbank (SNB).

Frankfurt, June 27, 2003

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1 Part: General Provisions

2 Part: General Trading Rules

2.1 …

2.2 …

2.3 Cross Trades and Pre-arranged Trades

(1) Orders and quotes relating to the same contract or to a system-supported combination of contracts may, in case they could immediately be executed against each other, neither be entered knowingly by an Exchange Participant (a cross trade) nor pursuant to a prior understanding by two different Exchange Participants (a pre-arranged trade), unless the conditions according to paragraph (~~2~~3) have been fulfilled. The same shall apply for the entry of orders as part of a quote.

(2) An Exchange Participant may submit a description of his internal and external links to the EDP system of the Eurex Exchanges to the Market Surveillance Office of Eurex Germany or to the Surveillance and Enforcement Office of Eurex Zürich, with a view to a decision on whether the Exchange Participant acted knowingly within the meaning of paragraph 1. The details of the specifications of the description of the IT linkage pursuant to sentence 1 shall be determined by the Surveillance Offices of Eurex Germany and Eurex Zürich in agreement with the Boards of Management of the Eurex Exchanges. The specifications shall be subject to publication. Disclosure of said specifications to one of the two Surveillance Offices named above shall be deemed to be disclosure to both Eurex Surveillance Offices.

~~(2)~~(3) A cross trade or a pre-arranged trade is admissible if the ~~purchaser~~/ a participant in a cross-trade or a pre-arranged trade, prior to entering his order or quote, enters a cross request. The purchasing Exchange Participant shall bear responsibility for the compliance of the entry of the cross request. The purchas~~er~~ing participant and the sell~~er~~ing participant must enter the order or quote giving rise to the cross trade or pre-arranged trade five seconds at the earliest and 65 seconds at the latest after having entered the cross request. The order or quote hereby must refer to at least a minimum size of contracts. …

~~(3)~~(4) Paragraphs (1) and (~~2~~3) shall not apply to transactions consummated during the netting process in the opening period (subsection 1.3 paragraph (2)).

(5) Paragraph 1 shall apply mutatis mutandis to other behaviour constituting evasion of this regulation.

2.4 **…**

2.5 **…**

2.6 **Binding Nature of Transactions / Erroneous Entries**

(1) …

(2) …

(3) …

(4) All entries into the EDP system of the Eurex Exchanges which occur via other entry systems and / or EDP systems, especially order routing systems, shall be considered to be those of the Exchange Participant concerned.

…

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Notification to HüSt

Information of the possibility of preliminary notification to the Market Surveillance Office of the Eurex Exchanges

Step 1 – Submission of Internal and External Technical Links

- **Notification to the Eurex Market Surveillance Office shall take place in two steps:**

- **1. Preliminary notification composed of:**

A Explicit determination and identification of the users of Order Routing (subsidiaries, clients)

A 1 Determination and identification of all interfaces or trading persons,, assignment of a code (e.g. by consecutive numbering)

A 2 Grouping of authorised trading persons

B Trading mode (program trading vs. manual trading)

C Optional: Trading strategy (Arbitrage, Hedging etc.)

Step 2 – Information upon Order Entry

Example for the identification of a trade after submission of technical structure

