XETRA Circular 81/04

Deutsche Börse

To the Xetra® Members and Vendors

Recipients: General, Traders, Technical Contacts,
Project Coordinators,
System Administrators – all platforms

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Xetra Release 7.1
Functional and Technical Documentations June 25, 2004

Dear Sir or Madam,

With this circular we are sending you the second member information package associated with the introduction of Xetra Release 7.1 scheduled for December 6, 2004.

The following documents are attached:

- Functional Description Xetra R7.1 (German and English versions)
- Member Information Package Xetra R7.1 (English version)

Functional Description Xetra R7.1
The “Functional Description Xetra R7.1“ document provides information about the functional structure of Xetra Release 7.1, which will be available for the market participants. This document is distributed in German and English.

Member Information Package Xetra R7.1
The "Member Information Package Xetra R7.1" describes the procedure and the special features of subscription rights trading on Xetra, which will be introduced with Xetra Release 7.1. This document will be provided first in English only. As of July 9, 2004, the German version will be available for downloading on the Internet, in the Members Only section.

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XETRA

Bitte beachten: neue Telekommunikationsnummern
Please note our new telecommunication numbers

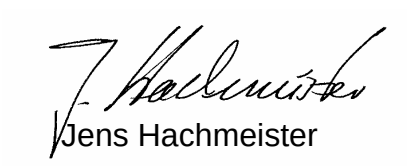
The following document was published today on the following website www.deutsche-boerse.com/trader/Members Only/Xetra/Xetra Release 7.1 for download:

Technical Description Xetra R7.1
The "Technical Description Xetra R7.1" document, which primarily addresses network and system administrators of the Xetra members, gives an overview of the technical components of Xetra Release 7.1.

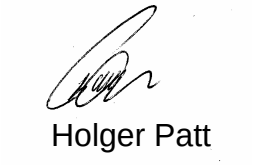
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Yours faithfully



Jens Hachmeister



Holger Patt

Enclosures

Deutsche Börse



Xetra® Release 7.1

Functional Description R7.1

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1 Introduction

The electronic trading system Xetra is enhanced through individual releases. The latest release, Xetra Release 7.1 will be launched on December 6th, 2004.

Xetra Release 7.1 will extend the existing trading functionality, among others, by the functions listed below:

- Introduction of subscription rights trading on Xetra
- Provision of an Online Times and Sales Sheet

The *Functional Description R7.1* document contains information on the functional structure of Xetra Release 7.1. It describes the functionality provided to market participants by Xetra Release 7.1. The graphical trading user interface (Xetra J-Trader) supports trading in stocks, bonds, warrants and exchange traded funds on the Xetra back end.

The functional description is primarily targeted at those people who are charged with the implementation of Xetra at the participants' sites. This document is designed to provide this group of people with an overview of all Xetra Release 7.1 features. This includes the description of the menu structure, the Xetra process components and the Xetra front end functionality.

Note

All information contained in this document represents the current planning status.

2 Fundamentals

2.1 Differentiation and Definition of the Releases

The core of the electronic trading system Xetra has been introduced by the first two releases, Release 1.0 and 2.0. Over the years, several releases added further functionality to the trading system. The development process is ongoing. The following figure provides an overview of the individual Xetra releases and the current planning status of their implementation:

Release	Date	Content
1	**10.06.1997**	**Introduction Xetra front end** Provision of the new Xetra front end: • Client-server architecture • Introduction of a modern graphical user interface for IBIS and IBIS-R
2	**28.11.1997**	**Introduction Xetra back end** Equity-Wholesale trading initiated (replacement IBIS for equities): • Opening and closing auction as well as continuous trading via order book • Volatility interruption • Round lot trading
2.1	**30.03.1998**	**Front end release** Based on member requirements: • Enhanced front end functionality • Enhanced front end operation architecture
3	**12.10.1998**	**Xetra "Grundstufe":** Market model for on-exchange trading is implemented for stocks and bonds: • Completion of trading functionality • Trading all order sizes • Intraday auction • "Designated Sponsor" • Increased number of securities • OTC trades
3.1	**03.05.1999** **20.09.1999**	Extensions of Xetra: • Support of the first price determination of an IPO • Extensions of the Designated Sponsor functionality • Extended volatility interruptions • Maximum order validity 90 days

Release	Date	Content
4	**02.05.2000**	Extensions of Xetra: • Implementation of the market model for warrant trading • Extensions of the transparency during auctions • Multiple settlement accounts per member • Introduction of an IPO matching range • Increased number of securities
5	**02.10.2000**	Extensions of Xetra: • Support of multiple exchange support capability • Implementation of European Alliance requirements • Introduction of OTC broadcasts • Introduction of dynamic profiles • Implementation of the market model Xetra XXL
6	**30.04.2001**	Extensions of Xetra: • Introduction of netting functionality • Introduction of Give up/Take up functionality • Prices without turnover for warrants, certificates and reverse convertibles • Intraday closing auction
6.5	**19.11.2001**	Extensions of Xetra: • Introduction of complete trading functionality with java-based front end (Xetra J-Trader) • Introduction of order completion flag • Enhancements for Xetra XXL
7	**19.08.2002**	Extensions of Xetra: • Implementaion of the the Xetra BEST market model • Abolition of the C++ based front end Xetra Trader • Enhancements for the CCP • Performance enhancements • Creation of the prerequisite for the introduction of a new transaction based excessive usage fee concept
7.1	**06.12.2004**	Extensions of Xetra: • Enhancements for subscription rights trading • Introduction of an Online Times and Sales Sheet window

Figure 1: Xetra Release Overview

With the first release, Deutsche Börse AG provided participants with front end applications for using the IBIS and IBIS-R cash market systems.

With Release 2.0, Deutsche Börse AG set up the Xetra overall architecture consisting of a new network infrastructure, a new Xetra back end and the required software. On this basis, stock wholesale trading was transferred from IBIS to Xetra.

Release 2.1 increased the operational efficiency of the Xetra front end functionality.

With the introduction of Release 3.0, the market model for "on-exchange trading" was fully implemented for both stocks and bonds. Among other things, this enables the trading in all order sizes with an increased number of instruments. In addition, the introduction of Designated Sponsors ensures sufficient liquidity even for stocks which are less liquid.

Release 3.1 has further improved the front end functionality for the Designated Sponsor, created the basis for an IPO, complemented the range of protective measures in auctions by the extended volatility interruption feature and has set the maximum order validity to 90 days.

A new market model for warrant trading has been implemented with Release 4.0. Besides an increased transparency in auctions for highly liquid instruments, multiple settlement accounts and a "matching range" for the initial price determination for an IPO have been introduced.

With Release 5.0 the requirements of the European Alliance, multiple exchange support capability and dynamic profiles have been implemented.

The fundamentals for the CCP (central counterpart) have been introduced with Release 6.0 (e.g. netting, give up/take up). Also, the intraday closing auction and prices without turnover for warrants, certificates and reverse convertibles have been implemented.

With Xetra Release 6.5 the complete trading functionality for the java-based front end Xetra J-Trader has been introduced. Furthermore an order completion flag and enhancements for Xetra XXL have been implemented.

The focus of Xetra Release 7.0 has been the introduction of the new Xetra BEST market model. In addition further enhancements for the CCP have been introduced.

2.2 Functional Features of Xetra Release 7.1

The existing functionality of Xetra is further extended by Release 7.1. Listed below is an overview of the main Xetra Release 7.1 features. All central functional modifications of Release 7.1 are written in bold type.

Criterion	**Xetra Release 7.1**
Member/type of trading	Wholesale and retail trade.
Trading hours (main trading phase)	8:50 a.m. – 5:30 p.m.
Trading models	• Continuous trading with opening auction, intraday auction and closing auction. Xetra BEST functionality is only available during continuous trading. • Several auctions per day. • One auction per day. • Continuous auction trading. • Xetra XXL (Block Crossing functionality in Xetra).

Criterion	Xetra Release 7.1
Auction phases	Pre-call phase, call phase, price determination phase, order book balancing phases, IPO call phase and freeze phase.
Instruments	All stocks traded at the Frankfurt Stock Exchange (FWB), selected benchmark bonds as well as warrants, certificates, reverse convertibles, **subscription rights** and exchange traded funds.
Order size	Round lots or multiples thereof, odd lots. Xetra BEST orders can only be entered up to a maximum order size which is defined by the exchange. **For subscription rights a minimum order size exists.**
Order types	(BEST) limit orders, (BEST) market orders, market-to-limit orders, iceberg orders, stop limit orders, stop market orders and (BEST) quotes, auction quotes and public quotes.
Order attributes	Detailed identification (bid/ask, limit, volume) and in addition, variable and flexible execution conditions and validity constraints as well as allocation to the trading form. Validity for a maximum of 90 days from date of entry; all open orders are transferred to the following trading day. Orders without validity restriction are good for day. Xetra BEST orders have to be entered with an executor ID. A netting type might be chosen on order entry level.
Order prioritisation	• Price/time priority. • Volume/time priority for Xetra XXL.
Order book	Order book (accumulated display for each limit) for each instrument (for open order book only); unlimited number of own orders.
Market transparency	- Open order book with full market depth (accumulated per limit with number of orders for each limit) in continuous trading and during the pre-call and call phases of Newex instruments. - Partially closed order book in stock trading auctions and during the call phase of continuous auction trading in warrants. When the market imbalance indicator is activated, additional information is available during partially closed order book auctions regarding surplus and executable volume. - Closed order book during the pre-call phase of continuous auction trading in warrants, certificates and reverse convertibles. - Totally closed order book during the pre-call and call phase for Xetra XXL.
Trading form, matching process	Auctions and continuous trading with automatic matching; (extended) volatility interruptions and market order interruptions.
Matching rules	Logical matching rules mapped by the system for order matching; special matching rules for the first quotation of new issues, continuous auction trading, Xetra BEST and Xetra XXL.

Criterion	Xetra Release 7.1
OTC trade entry	Possible via "Open OTC Trading" function in the Xetra J-Trader.
Order/quote confirmation	Via trader screen, workstation or member server (MISS[1]).
Execution confirmation	Via trader screen, workstation or member server (MISS).
Trade confirmation	Trade confirmations for exchange transactions, Xetra BEST transactions and over-the-counter business (OTC) transferred to trader screen, workstation and MISS (including fees and in bond trading including accrued interest); may be forwarded to in-house systems . For netted trades update trade confirmations are provided. Additional trade confirmations in XONTRO Trade contract note format on completion of online trading day.
Accounting cut-off	Upon completion of online trading day.

Figure 2: Xetra Features Overview

[1] Member Integration System Server

3 Menu Structure of Xetra J-Trader

Via the Xetra J-Trader graphical user interface, Release 7.1 offers exchange members access to the Xetra trading system of Deutsche Börse AG. The menu structure of the windows (Figure 3) represents the functionality provided by the Xetra trad ing user interface in Release 7.1.

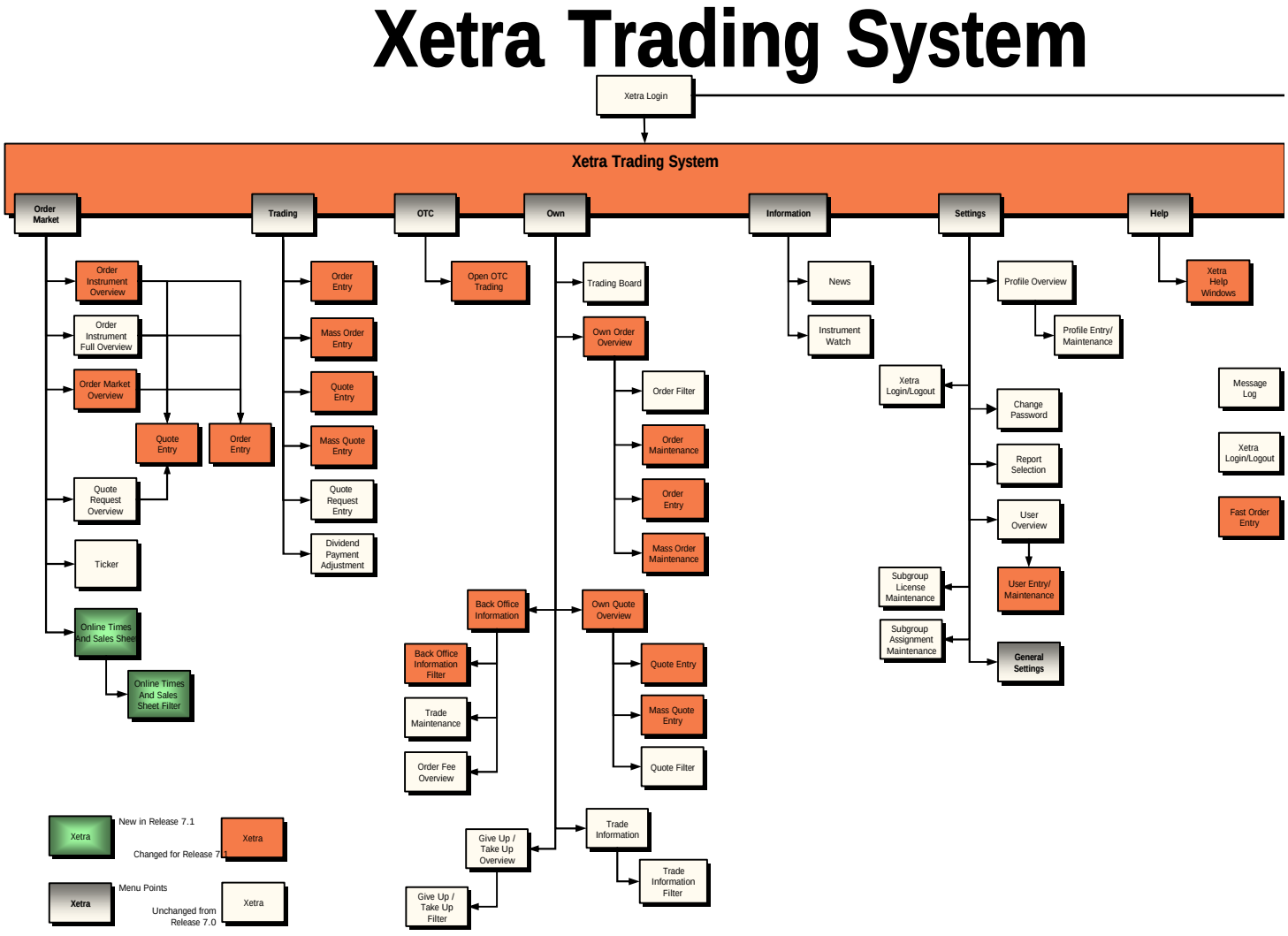


Figure 3: Xetra J-Trader R7.1 menu structure

3.1 Login

Allows the user to log into the Xetra front end. By entering both user ID and password, access to the Xetra front end main menu ('Xetra Trading System') is provided. The *Xetra Login/Logout* window provides access to different exchanges.

3.2 Message Log

The *Message Log* window opens automatically after the Xetra login. All major exception codes as well as instrument suspensions, volatility and market order interruptions, fast market situations and high priority news are displayed.

If the *Open OTC Trading* window is not open the button „OTC Alerts/No OTC Alert" is active.
Phase changes from pre-call to call in the Xetra XXL market model are displayed in the *Message Log* window as well.

3.3 Window

Allows the user to log out from the Xetra front end application.

Below the menu item *Window* all opened overview windows will be displayed. Clicking on the menu item lists all overview windows that are currently open. The items of this menu item are dynamically updated. The title of a window will reflect the currently selected filter criteria as displayed in the window title bar at the point of time the *Window* menu item is opened. When selecting an item of the list the respective window will pop up automatically. Iconized windows will pop up with the same size as before minimizing.

3.4 Order Market

Contains windows which provide an overview of the order situation for one or more instruments. In the order market windows, instruments of different exchanges can be displayed. If a cross exchange profile is chosen only the instruments of the exchanges the user is logged into are displayed. The specific submenu contents of the order market are outlined briefly in the figure below.

Window	**Content**
Order Instrument Overview	This window provides detailed order book information on both continuous trading and the auction of a single instrument. This includes, for example, information on the accumulated order size per limit for the best 10 bid or ask side limits as well as the number of orders for each limit and a variety of instrument data regarding the current trading day (last price, size and time of last trade, highest and lowest exchange price, valuation price, daily transaction volume, etc). Prices without turnover are indicated with a "bid" in the price columns. When the market imbalance indicator is activated, additional information is available during auctions with a closed order book regarding surplus and executable volume. The last price, quantity and volume as well as the accumulated volume and the total number of Xetra BEST trades are published in separate columns. For the *Order Instrument Overview* window a quick filter functionality exists.

Window	Content
Order Instrument Full Overview	This window provides detailed order book information on both continuous trading and open auction of a single instrument, i.e. information on the accumulated order volume per limit for the entire order book depth. For the *Order Instrument Full Overview* window a quick filter functionality exists.
Order Market Overview	The *Order Market Overview* provides an overview of the market activity for a variety of instruments. This includes e.g. information on the accumulated order size per limit for the best ten bid or ask side limits as well as the number of orders for each limit and data on the most recent trade executions. When the market imbalance indicator is activated, additional information is available during auctions with a closed order book regarding surplus and executable volume. The last price, quantity and volume as well as the accumulated volume and the total number of Xetra BEST trades are published in separate columns. For the *Order Market Overview* window a quick filter functionality exists.
Quote Request Overview	This window provides a detailed overview of any quote requests received for one or more selected instruments. For the *Quote Request Overview* window a quick filter functionality exists.
Ticker	The *Ticker* window contains the current values for individual indices (e.g. DAX, MDAX, Dow Jones STOXX 50) and displays both prices and executed volumes which are based on profiles defined by the user. Prices without turnover that have been determined in Xetra are displayed with the indicator “bid”. Xetra BEST prices are displayed with the indicator “XB”. For the *Ticker* window a quick filter functionality exists.
Online Times and Sales Sheet	**The *Online Times and Sales Sheet* window allows members to inquire all trade prices and quantities of an instrument for the current and any of the previous four business days. The *Online Times and Sales Sheet* window offers a quick filter functionality.**

Figure 4: Order market submenus

3.5 Trading

Contains windows for detailed entry of orders, quotes, BEST quotes, auction quotes and public quotes for different exchanges. Orders, quotes, BEST quotes, auction quotes and public quotes can only be entered for instruments of the exchanges the user is logged into. The following table describes the trading functionality submenus.

Window	Content
Order Entry	Detailed order entry. For instruments a Designated Sponsor, Liquidity Manager or Issuer is available, manual quote requests can be sent to all Designated Sponsors, Liquidity Managers or the Issuer via the S*end QR* button. An agent order can be specified as a BEST order if the executor ID is filled with the member ID of a BEST Executor.

Window	Content
Quote Entry	Detailed entry of quotes, BEST quotes, auction quotes, public quotes and matching ranges. BEST quotes are entered with relative limits and additional parameters.
Quote Request Entry	Entry of quote requests for Designated Sponsor, Liquidity Manager and Issuer instruments.
Mass Order Entry	Simultaneous entry of multiple orders. An agent order can be specified as a BEST order if the executor ID is filled with the member ID of a BEST Executor.
Mass Quote Entry	Simultaneous entry of multiple quotes, BEST quotes, auction quotes and public quotes. BEST quotes are entered with relative limits and additional parameters.
Fast Order Entry	Quick entry of single orders after selection via the trading window. For instruments Designated Sponsors, Liquidity Managers or an Issuer is available, manual quote requests can be sent to the Designated Sponsors, Liquidity Managers or the Issuer via the *Send QR* button. The *Order Entry* window can be opened prefilled with the values of the *Fast Order Entry* window via the *OE* button.
Dividend Payment Adjustment	Mass function for limit adjustment.

Figure 5: Trading submenus

3.6 OTC

Enables users to enter over-the-counter business (OTC) into Xetra and request information on these trades for different exchanges. OTC trades can only be entered for instruments of those exchanges the user is logged into.

Window	Content
Open OTC Trading	This window dynamically displays information on incoming OTC trades that have not yet been confirmed. Also, the window is used to enter over-the-counter business (OTC) into Xetra. OTC trades entered by the counterparty can be approved by selecting the trade via a double click and pressing the *Approve* button.

Figure 6: OTC trading activities submenu

3.7 Own

Contains windows that provide an overview of own orders, quotes, BEST quotes, auction quotes, public quotes and trades as well as the associated inquiry functions for different exchanges. In these windows, instruments of different exchanges can be displayed. If a cross exchange profile is chosen, only the instruments of the exchanges the user is logged into are displayed.

Window	**Content**
Trading Board	The *Trading Board* window is an individual configurable frame set which includes the information and functionality of several windows.
Own Order Overview	Based on a user-defined profile, this window provides an overview of own orders. In order to individually define and display any selection, the selection can be filtered in accordance with a variety of criteria using the *Order Filter* window. Via the *Own Order Overview* window single or multiple orders can be deleted. Additional windows can be used to enter or modify single orders (via *Order Maintenance* window) and to modify multiple orders (via *Mass Order Maintenance* window) in accordance with the filter. For the *Own Order Overview* window a quick filter functionality exists.
Own Quote Overview	Based on a user-defined profile, this window provides an overview of own quotes, BEST quotes, auction quotes and public quotes, which can also be deleted, held and released via this window. The quote entry is accessible using the respective buttons. In order to individually define and display any selection, quotes, BEST quotes, auction quotes and public quotes can be filtered in accordance with a variety of criteria using the *Quote Filter* window. For the *Own Quote Overview* window a quick filter functionality exists.
Back Office Information	This window lists all securities transactions (exchange and off-exchange) performed by the relevant user. Xetra BEST trades can be identified by the trade type “XB”. For netted trades additional information is provided (e.g. average price, accumulated quantity, netting type). Using the *Instrument Selection* or the *Back Office Information Filter* (entry of selected filter criteria) window, users can opt to view trade information (e.g. average bid price/ask price, accumulated trade quantities) regarding a specific instrument or a range of different instruments. The *Trade Maintenance* window allows for the modification of individual attributes (e.g. settlement account) of own trades. The *Trade Maintenance* window also allows the give up of a trade. After the approval of the clearing member of the take up member a trade is not displayed anymore in the *Back Office Information* window. The *Order Fee Overview* window can be used to view any accumulated fees for a variety of orders. For each trade confirmation in the *Back Office Information* window it is shown whether the underlying order has been partially or fully executed. For the *Back Office Information* window a quick filter functionality exists.
Trade Information	This window gives an overview of all execution confirmations, providing users directly with relevant information on a specific order execution. Xetra BEST executions can be identified by a flag. The *Trade Information Filter* window can be used to filter the display of execution confirmations, for example on the basis of the selected profile. For the *Trade Information* window a quick filter functionality exists.

Window	Content
Give Up/Take Up Overview	This window gives an overview of all trades that are available to be taken up by the designated receiving member with the respective status of the trade. In order to individually define and display any selection, trades can be filtered in accordance with a variety of criteria using the *Give Up/Take Up Filter* window. Trades can be taken up by selecting one or several trades and pressing the *Take Up* button. For the *Give Up/Take Up* window a quick filter functionality exists.

Figure 7: Own trading activities submenus

3.8 Information

Contains windows for the representation of both general market information (messages) and individually set alerts for different exchanges. In the information windows, only the information of the exchanges the user is logged into are displayed. The following table provides an overview of the content of the Information submenus.

Window	Content
News	The Exchange can use this window to transmit information to market participants in the form of freely formatable texts (e.g. introduction of new trade instruments).
Instrument Watch	The *Instrument Watch* window provides an overview of any alerts entered. These alerts are designed to inform members of changes in the market when individually set limits are either fallen short or exceeded. Also, the *Instrument Watch* window allows to enter/maintain alerts.

Figure 8: Information submenus

3.9 Settings and Help

Contain windows for trader-specific configuration (e.g., profiles, colors, fonts) and a context-sensitive system help function. The following table outlines the setting function submenus.

Window	**Content**
Profile Overview	This window allows for creation, modification and deletion of profiles. Profiles may be created and modified using the *Profile Entry/Maintenance* window**.**
Login/Logout	This window can be used for logging into and out of Xetra. The window also allows to log into or out of several exchanges at once.
Change Password	The *Change Password* window provides users with the functionality for modifying their user-specific Xetra password.
Report Selection	This window allows for the selection of specific reports (e.g. trade confirmations). Upon completion, reports selected by members are made available as standard reports. In addition, individual reports may be retrieved in the form of raw data.
User Overview	Using the *User Overview* window, members can carry out the administration of their own users. Via the *User Entry* window the user authorizations, the accounts (e.g. Agent, Proprietary, Liquidity Manager, BEST Executor) and the maximum order value (value has to be entered in the exchange currency) can be determined. The *User Maintenance* window allows to modify the attributes of an user. The attributes of a user (i.e. user code, user name, resource access levels, senior indicator and agent/proprietary accounts) can easily be copied from one exchange to another. The copied user will be assigned to the default settlement account of the target exchange.
Subgroup License Maintenance	This window can be used to assign or revoke the Designated Sponsor, Liquidity Manager and BEST Executor licence with regard to specific trader subgroups.
Subgroup Assignment Maintenance	This window allows for the assignment of individual instrument groups to specific trader subgroups.
General Settings	The *General Settings* window is a tabbed pane window, which allows the user to select fonts and colors, configure the increments of limits and quantities, set up user-defined text field context menus, set up the default timing for highlighting and quote request indicators, define the display of time and date formats, enable yield calculation, raise quote alerts, and turn tool tips on and off.

Figure 9: Settings submenus

All windows within this menu structure are non-modal, i.e. the user can interact with all windows at the same time. The Xetra front end enables users to save their individual window configuration. This means that location, size, column scaling, setting of filters and profiles of all currently opened dynamically updated windows can be saved. This also applies to each individual window. Therefore, the individually saved settings are available when logging in next.

4 Xetra Release 7.1 Functionality

4.1 Exchange Members and User IDs

In order to participate in Xetra Frankfurt, exchange members must meet the admission requirements of a German stock exchange. They are required to ensure proper settlement of trades. Exchange members who are not directly involved in Clearstream clearing transactions are required to nominate a settlement member.

Once a new member has been admitted, the Exchange enters the member with the associated access rights into the Xetra system and assigns a Member ID (e.g., ABCFR). User IDs are allocated, then entered and maintained in the Xetra system by the members themselves (e.g., TRD001).

User IDs for trading functions are authorized by the Exchange following admission/verification. Admission is a prerequisite for entry, modification and deletion of orders and quotes. All other user IDs are authorized for inquiries only.

The Exchange creates instrument groups which can be allocated to the individual members by the Exchange. The members have to use these predefined instrument groups for authorization of trader subgroups.

Changes in access rights covered by a specific user ID are carried out by the members themselves and recorded by the Exchange. They are made available to members at the end of the day in form of standard reports and raw data. Therefore users of the system can be divided into several categories:

- Traders
  Traders are individuals admitted for exchange trading. A trader can act as agent trader (account A), as proprietary trader (account P). As Designated Sponsor (account D) or as Liquidity Manager (account Q) the traders can enter quotes into the system to provide additional liquidity.

- Issuers
  Issuers participate by entering auction quotes into the system (“Issuer”, account I). An auction quote consists of a simultaneous entry of a limit buy and a sell order and is flagged accordingly. In addition, Issuers permanently provide public quotes for the purposes of limit surveillance.

- Liquidity Providers
  Liquidity Providers provide liquidity by entering quotes into the system (“Liquidity Provider”, account L). In addition, Liquidity Providers permanently provide matching ranges for the purposes of limit surveillance.

- BEST Executors
  BEST Executors participate as traders by offering BEST execution services to their own customers or customers of Flow Providers by entering BEST quotes into the system (“BEST Executor”, account E).

- Traders with preliminary admission
  Traders with preliminary admission are individuals who support a trader admitted for exchange trading. Each trader with preliminary admission is assigned to one trader only who, in turn, is responsible to the Exchange for the entries of the trader with preliminary admission.

- Other users
  Administrators are users who are not admitted or authorized for trading (they assign and maintain authorization rights for the member’s personnel). This category also includes personnel in settlement, operation, supervision and information users.

4.2 Market Transaction Process

The entire process of entry, processing and settlement of all transactions in Xetra Release 7.1 is outlined below.

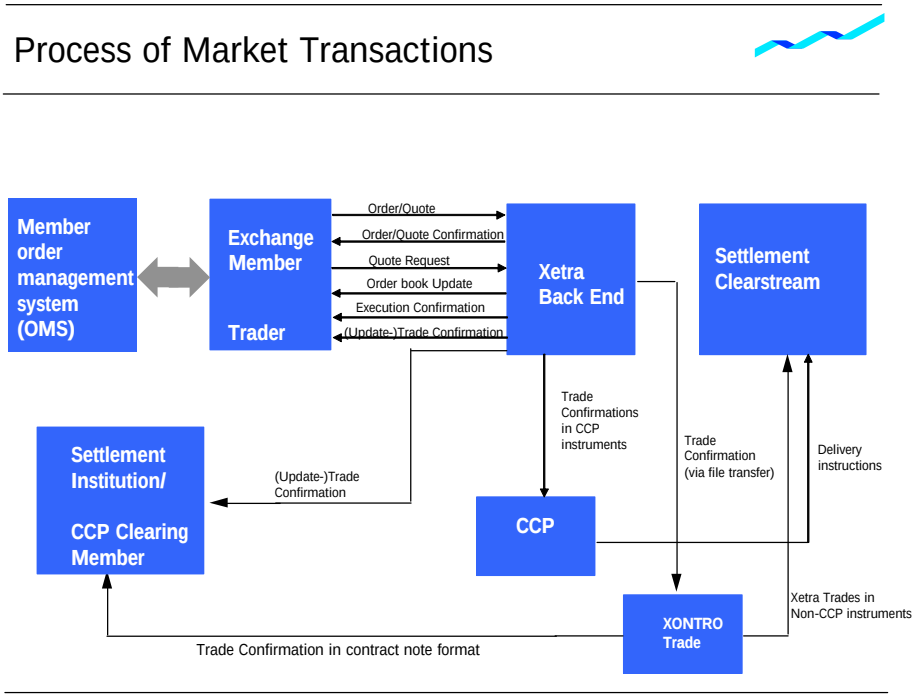


Figure 10: Process of market transactions

Traders enter orders, BEST orders, quotes, BEST quotes, auction quotes and quote requests using their Xetra front end. These are forwarded to the Xetra back end where they are processed in accordance with set attributes.

In every phase of the transaction process, members obtain information on the state of their entered orders, BEST orders, quotes, BEST quotes, auction quotes and public quotes as well as on executed trades. While orders, BEST orders, quotes, BEST quotes and auction quotes are located on the back end, public quotes are held on the issuer's MISS. Once the entry of an order, BEST order, quote, BEST quote or auction quote has been accepted by the Xetra back end and entered into the order book, an order or quote confirmation is forwarded to the trading member. When a trade is executed, an execution confirmation is forwarded to the member in a timely manner. This confirmation details essential order information (order dates, execution price and volume, execution time). Almost simultaneously, an (update-) trade confirmation is also forwarded. All trade confirmations are displayed on the trading screen and are available to the relevant exchange member, CCP clearing member and the settlement institution via the server (MISS).

During the online day trade confirmations in CCP instruments are forwarded to the CCP. At the end of the online trading day, all trade confirmations are forwarded via File Transfer to the XONTRO Trade system. In XONTRO Trade, trade confirmations are created for Deutsche Börse AG members in contract note format. The exchange members, CCP clearing members and settlement institutions can receive these trade confirmations in contract note format. The Xetra trades of Deutsche Börse AG members in non-CCP instruments are automatically forwarded to Clearstream for initiation of the settlement process. For CCP instruments delivery instructions are sent from the CCP to Clearstream.

4.3 Order Types

Round lots as well as odd lots are tradable on Xetra. Round lot quantities for the individual instruments will be defined in connection with determining both trading segments and trading parameters. For subscription rights a minimum order size exists.

4.3.1 Order Types and Order Specification

All orders entered in Xetra are anonymous. The trading members do not receive any information as to which member has entered an order into the order book. As a general rule, limit, market, market-to-limit, and iceberg orders can be entered into the system during exchange trading. The trading restrictions detailed in Figure 11 are supported for market and limit orders, whereas execution restrictions are supported for market, market-to-limit and limit orders. The validity constraints are supported for all order types. However, iceberg orders can only be entered with the validity constraint “Good-for-Day (GFD)”. In addition, stop limit and stop market orders can be entered in Xetra. A netting type can only be chosen for instruments with a central counterparty.

BEST orders have to be entered with an executor ID. Only market orders and marketable limit orders (limit orders, which can be executed immediately against a BEST quote) are subject to Xetra BEST. BEST orders that can not be executed immediately within Xetra BEST are routed into the Xetra order book and are shown as regular limit or market orders in the order book.

Orders are valid for a maximum of 90 days from the date of entry. This applies also to those validity constraints that do not define automatic order expiry at a fixed point in time (i.e., GTC).

During the order book balancing phase of an auction, members can execute any remaining surplus, i.e., orders which are executable at the auction price, but could not be executed at this point. For this purpose, Xetra provides a special order type, the accept surplus order.

Only members who are registered in the system as Designated Sponsors, Liquidity Managers, Issuers, or Liquidity Providers can enter quotes or auction quotes into Xetra. A quote or an auction quote is the simultaneous entry of a limited buy and sell order in Xetra. Quotes and auction quotes entered into the system are always ‘good-for-day’. A newly entered quote or auction quote in an instrument will overwrite any existing quote or auction quote of the same trader subgroup in the order book. A quote or auction quote cannot be modified. At any time, for each trader subgroup, there is only one quote or auction quote per instrument in the order book. In addition, Issuers can enter public quotes in Xetra. Public quotes are used for limit surveillance in the continuous auction trading model.

Only members who are registered in the system as BEST Executors can enter BEST quotes into Xetra. A BEST quote consists of different parameters and dynamically adapts to the current order book situation on a relative basis. The parameters of BEST quotes are described in Figure 12. BEST quotes entered into the system are always ‘good-for-day’. A newly entered BEST quote will overwrite any existing BEST quote of the member. BEST quotes cannot be modified. At any time, for each member, there is only one BEST quote per instrument in the order book.

4.3.2 Iceberg Orders

The order type “iceberg order” can be used by a trader to avoid adverse price movements due to a large order size.

Iceberg orders are orders with quantities only partially visible in the order book. An iceberg order is characterized by its overall quantity, the peak quantity which characterizes the visible part of the order and the mandatory limit. The peak quantity and the overall quantity must always be a round lot. If the overall quantity divided by the peak quantity leaves a rest, the last peak creates a smaller order than the original peak, but also of a round lot size.

Iceberg orders have different behaviours in continuous trading and in auction trading. In continuous trading, as soon as the peak quantity (i.e., the visible order quantity) is fully executed, another peak with the same limit and quantity is entered into the order book, as long as there is a remaining quantity. This newly entered peak receives a new timestamp. It is sorted with all other orders already available at the respective limit according to time priority (i.e., the new quantity of the iceberg order does not have time priority within the respective limit). Price priority is guaranteed. The iceberg order will be completely matched before the next limit in the order book is executed. The order number remains the same for the entire iceberg order.

In auction trading, the complete quantity of the iceberg order is considered for the (indicative) auction price calculation. During the call phase (if the market imbalance indicator is switched on) the complete order quantity and during the order book balancing phase the remaining order quantity is used to calculate the surplus.

If the iceberg order has only been partially executed during the auction, a new order with the peak quantity is entered into the order book for continuous trading. It does not matter whether the order has been executed against an odd or a round lot order. If it is not possible to completely refill the peak quantity and if the new peak consists of a round lot and an odd lot part, the iceberg order will be treated as follows: The round lot part will be traded in continuous trading whereas the odd lot part can only be executed in the next auctions.

If a volatility interruption in continuous trading occurs the complete quantity of the iceberg order is considered. Iceberg orders are not applicable for the trading models continuous auction and Xetra XXL. For Xetra BEST iceberg orders are not supported.

Execution and trade confirmations are created after each partial execution. An increase of the peak or overall quantity leads to a new timestamp – loosing time priority - and a new order number, whereas a reduction maintains the original timestamp and order number.

The order type ‘I’ always has to be entered if an iceberg order is entered. All order entry and maintenance windows support iceberg orders. It is not possible to modify an iceberg order to a different order type and vice versa. The *Own Order Overview* window displays the iceberg order with remaining quantity, peak quantity, and executed quantity.

The minimum overall quantity and minimum peak quantity is defined on instrument level. Iceberg orders can be entered during pre-trading and post-trading. Iceberg orders entered in pre-trading can be executed for the first time in the opening auction. Iceberg orders entered in post-trading are deleted after post-trading because iceberg orders can only be entered with the validity constraint “Good-for-Day”. Trading restrictions and execution restrictions are not supported.

4.3.3 Market-to-Limit Orders

With the order type “market-to-limit order”, Xetra provides an order type giving a trader a high execution probability (like a market order) combined with a protection against unintended price impact (like a limit order).

In continuous trading a market-to-limit order is executed against the best limit available on the opposite side of the order book. If the order is not executed completely, the order is entered into the order book with a limit equal to the partial execution for the remaining quantity. The incoming market-to-limit order is only accepted if there are only limit orders on the opposite side of the order book. If there are no orders, or only market orders, or market and limit orders on the opposite side of the order book, the incoming market-to-limit order is rejected.

Market-to-limit orders entered during an auction (including volatility interruptions and market order interruptions) are treated like market orders.

At the end of an auction, the market-to-limit order is executed at the auction price. Market-to-limit orders can trigger market order interruptions and volatility interruptions. If the order can not be fully executed (irrespective whether the order is partially executed or not executed at all) the rest of the order is offered during the order book balancing phase. If at the end of this phase the order has only been partially executed or not executed at all, the order is entered into the order book with a limit equal to the auction price. If there is no auction price, market-to-limit orders which were entered during the call phase of the auction are deleted.

Market-to-limit orders can also be entered during pre-trading and post-trading. Those orders are considered for the next auction and treated as described above.

Market-to-limit orders can not be changed to a different order type during order maintenance. For market-to-limit orders all validity constraints are supported. If the execution restriction “Fill-or-Kill” or “Immediate or Cancel” is selected the validity constraint must be “Good-for-Day”. No trading restrictions (e.g., auction only) are supported.

The order type ‘T’ always has to be entered if a market-to-limit order is entered. All order entry windows allow the entry of a market-to-limit order.

Market-to-limit orders are not supported with the continuous auction trading models and the trading model Xetra XXL. For Xetra BEST market-to-limit orders are not supported.

4.3.4 Order Attributes

Xetra Release 7.1 enables members to clearly identify their orders. The order attributes are shown in the table below.

Order Attribute	**Description/Content**	**Mandatory**
Bid/ask	Bid/ask.	yes
Instrument	Securities identification number, ISIN or short name.	yes
Volume	Order size depends on tradable unit (number of securities/nominal value) **and the minimum order size of an instrument. The minimum order size is a multiple of the minimum tradable unit.**	yes
Limit	Limit (without specification: market order).	Only for limit and iceberg orders.
Order type	- market order (M) - limit order (L) - market-to-limit order (T) - iceberg order (I)	Only for market-to-limit and iceberg orders.
Peak quantity	Peak quantity for iceberg orders.	Only for iceberg orders.
Validity constraints	- Good-for-Day (GFD), - Good-till-Date (GTD), - Good-till-Cancelled (GTC) (without specification: GFD) Valid for a maximum of 90 days from date of entry. Iceberg orders are only valid Good-for-Day.	no
Execution restrictions	- Immediate-or-Cancel (IOC) - Fill-or-Kill (FOK) (In the continuous auction trading models the execution restrictions IOC and FOK are only available in connection with an accept surplus order) - stop market order (STP) - stop limit order (STP) Executions restrictions and stop orders are not available for Xetra XXL. Execution restrictions	no

Order Attribute	Description/Content	Mandatory
	are not available for iceberg orders.	
Trading restrictions	- Opening Auction only - Auction only - Closing Auction only - End-of-day Auction only - Main Trading Phase only - Auctions in Main Trading Phase only (Auction restrictions are not available for orders traded in the continuous auction trading model.) - Accept Surplus (Entry possible only during order book balancing and only as IOC or FOK order.) For Xetra XXL only the trading restriction Closing Crossing is supported. Trading restrictions are not available for iceberg orders and market-to-limit orders.	no
Text field	Freely usable.	no
Member internal order number	Freely usable.	no
Executor ID	Member ID of the BEST Executor the BEST order will be sent to.	no
Account identification	- A (“Agent“) - P (“Proprietary“) - D (“Designated Sponsor“) - Q (“Liquidity Manager”) - I (“Issuer“) - L (“Liquidity Provider”) - E (“BEST Executor”)[2]	yes
Netting type	- No netting - Order Level Netting The chosen netting type has to fit to the member’s netting setting.	no
Member ID	Xetra-specific identification assigned by the Exchange.	yes

[2] Orders cannot be entered on the BEST Executor account. However the BEST Executor account is used for automatically generated orders on the Xetra back end to ensure order book consistency for orders with a limit better than or equal to the execution price of Xetra BEST.

Order Attribute	Description/Content	Mandatory
User ID	Xetra-specific identification assigned by the member.	yes
Xetra order number	Xetra-specific identification assigned by the system.	yes
Time stamp	Xetra-specific identification assigned by the system.	yes

Figure 11: Order attributes of Xetra Release 7.1

4.3.5 Quote Attributes

The quote functionality enables Designated Sponsors, Liquidity Managers, Issuers and Liquidity Providers to enter limited buy and sell orders (quotes and/or auction quotes) simultaneously. In addition, the Issuer can enter public quotes for limit surveillance using this functionality. The quote functionality enables BEST Executors to enter BEST quotes.

Quote Attribute	Description/Content	Mandatory
Exchange	Exchange at which the instrument is being traded.	yes
Instrument	Securities identification number, ISIN or short name.	yes
Bid limit	Limit of bid side. BEST quotes have to be entered with relative limits.	yes
Ask limit	Limit of ask side. BEST quotes have to be entered with relative limits.	yes
Bid quantity	Bid quote quantity depends on tradable unit (number of securities/nominal value). For BEST quotes the bid quantity defines the maximum executable quantity for one BEST order, which is subject to execution against the bid leg of the BEST quote. A public quote, which is used for limit surveillance purposes only, exists if both a bid quantity and an ask quantity of zero are entered for an instrument traded in the continuous auction trading model. Public quotes can only be used in the continuous auction trading model.	yes
Ask quantity	Ask quote quantity depends on tradable unit (number of securities/nominal value). For BEST quotes the ask quantity defines the maximum executable quantity for one BEST order, which is subject to execution against the ask leg of the BEST quote. A public quote, which is used for limit surveillance purposes only, exists if both a bid quantity and an ask quantity of zero are entered for an instrument traded in the continuous auction trading model. Public quotes can only be used in the continuous auction trading	yes

Quote Attribute	Description/Content	Mandatory
	model. Auction quotes with a bid quantity greater than zero and an ask quantity equal to zero may be entered for instruments traded in the continuous auction trading model. The described auction quote may be used only for sold-out warrants.	
Account identification	- D (“Designated Sponsor“) - Q (“Liquidity Manager”) - I (“Issuer“) - L (“Liquidity Provider”) - E (“BEST Executor”)	yes
Netting type	- No netting - Order Level Netting The chosen netting type has to fit to the member’s netting settings.	no
Bid boundary	Upper bound for the execution against the bid leg of the BEST quote (only for BEST quotes).	no
Ask boundary	Lower bound for the execution against the ask leg of the BEST quote (only for BEST quotes).	no
Bid reserve quantity	Reserve quantity for executions against the bid leg of a BEST quote.	only for BEST quotes
Ask reserve quantity	Reserve quantity for executions against the ask leg of a BEST quote.	only for BEST quotes
Member ID	Xetra-specific identification assigned by the Exchange.	yes
User ID	Xetra-specific identification assigned by the member.	yes
Xetra order number	Xetra-specific identification assigned by the system.	yes
Time stamp	Xetra-specific identification assigned by the system.	yes

Figure 12: Quote attributes of Xetra Release 7.1

4.4 OTC Trade Entry

Throughout the entire trading day (pre-trading, main trading and post-trading phases), all members have the possibility to enter OTC trades in Xetra. In principle, entry is possible for all securities, which are part of the exchange trading in Xetra Release 7.1.

Entered OTC trades must be confirmed by the counterparty. Subsequently, both counterparties receive a trade confirmation generated by the system. Any unconfirmed trade entries are automatically deleted by the system at the end of the trading day. Xetra transmits confirmed OTC trades to the settlement systems for subsequent processing.

It is possible to specify both the value date and the type of settlement for OTC trades.

Open OTC trades are disseminated to the counterparty and the originator of the OTC trade. In case of an entered, deleted or approved OTC trade the *Open OTC Trading* window will be updated dynamically. If the *Open OTC Trading* window is not opened, an OTC alert toggle button in the *Message Log* window will be enabled if an OTC trade is entered, deleted (*Message Log* window of the counterparty) or approved (submitter's *Message Log* window). The label of the button shows "OTC alerts" if it is enabled. Once the enabled button is pressed, it will be disabled again until the next alert occurs.

In 2005 it is planned that the CCP will also support Xetra trades concluded "over the counter". CCP will only process OTC trades if the Xetra member opted for the settlement code "DVP" (Delivery versus Payment)**.** CCP immediately becomes the legal counterparty to both members as soon as the trader of the counterparty has approved such Xetra trade. Approved OTC trade information distributed to the members via the Xetra trade **c**onfirmation will show CCP's member identifier as counterparty, as well as the original counterparty's identifier. OTC trades in CCP instruments that are entered with the settlement codes "DAP" (Delivery and Payment) or "DFP" (Delivery Free of Payment) will still be processed as non-CCP trades via CBF's LION system. This means that the CCP will not enter into these trades as the central counterparty.

4.5 Administrative Trading Support

4.5.1 Electronic Confirmations in Xetra

Throughout the entire transaction process, the trading members are supplied with electronic confirmations. This enables them to trace the status of their orders at any given moment. Using an order entry as an example, Figure 13 below summarises in which phase of the transaction process electronic confirmations are forwarded to the members.

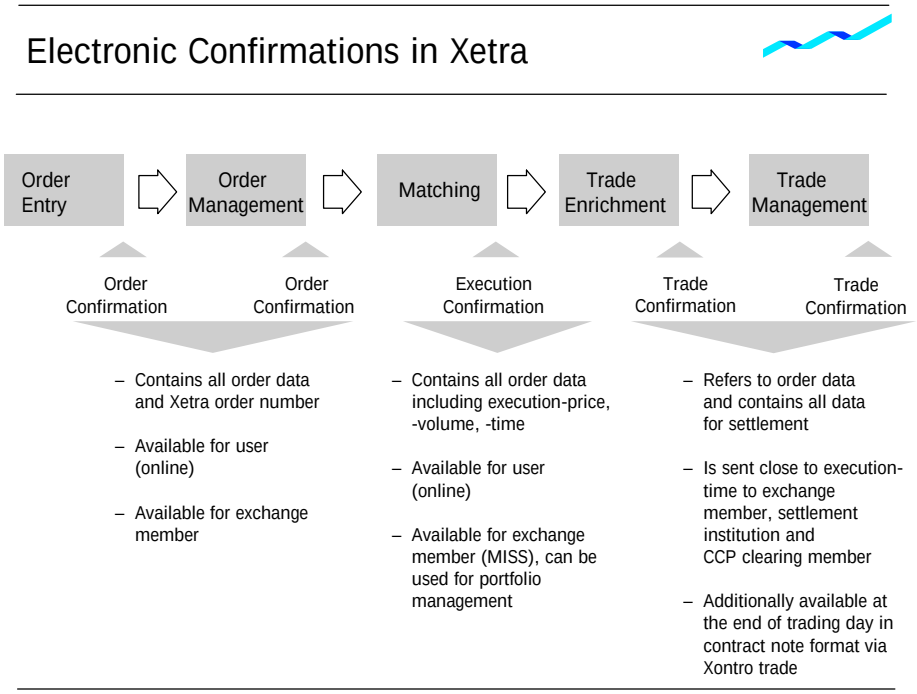


Figure 13: Electronic Confirmations in Xetra

When it is possible to fully execute an order immediately in continuous trading, the relevant member does not receive an order confirmation but only an electronic execution confirmation for each trade.

According to the Market Model Xetra BEST in some cases orders on the BEST Executor account are generated on the back end to ensure order book consistency. These orders are not entered by a trader. Therefore members acting as a BEST Executor have to be able to process execution confirmations without having entered an order. Trade confirmations based on the execution of an automatically generated order can by identified by the combination of the trade type „XP" and the account „E" (BEST Executor).

Executions based on the entry of a BEST quote do not have the same order number as the entered BEST quote. These executions can be linked to the entered BEST quote via the member internal order number and the text field which are inherited to the executions.

4.5.2 Trade Enrichment

The Xetra system will automatically add to all trades (both exchange transaction and over-the-counter business entries) all transaction data required for settlement. This transaction data includes determination of settlement amount, calculation of accrued interest for bonds, addition of KV-number to the member ID, etc.

The main trade attributes are listed in the table below.

Trade Attributes	**Description/Content**
Trade number	Identification number for the specific trade; assigned by the Exchange.
Exchange	Exchange at which the instrument is being traded.
Trade Type	- XP (“Xetra trade”), - XB (“Xetra BEST trade”), - OTC (“OTC trade”), - EXT (“External trade”).
Instrument	Securities identification number, ISIN, short name.
Price	Price of the (last partial) execution.
Average price	Average price based on market value and netted quantity.
Quantity	Quantity of the (last partial) execution.
Accumulated quantities	Accumulated quantities of underlying executions (only for netted trades).
Settlement amount	Sum of money to be settled.
Accrued interest	Accrued interest contained in settlement amount.
Accrual days	Number of days for which interest accrues.
Settlement date	Day on which the trade is due for settlement.
Account identification	- A (“Agent“) - P (“Proprietary“) - D (“Designated Sponsor“) - Q (“Liquidity Manager”) - I (“Issuer“) - L (“Liquidity Provider”) - E (“BEST Executor”)
Counterparty Member ID	Counterparty in a trade (for instruments with a central counterparty/post trade anonymity always filled with a generic value).

Trade Attributes	Description/Content
Counterparty Clearing Member ID	Clearing member via whom the counterparty settles the trade (for instruments with a central counterparty/post trade anonymity always filled with a generic value).
Kassenvereinsnummer of the counterparty	Kassenvereinsnummer of the counterparty in a trade (for instruments with a central counterparty/post trade anonymity always filled with a generic value).
Kassenvereinsnummer of the Clearing Member	Kassenvereinsnummer of the settlement member via whom the counterparty settles the trade (for instruments with a central counterparty/post trade anonymity always filled with a generic value).
Xetra order number	Xetra-specific identification assigned by system (not for over-the-counter business entries).
Order completion flag	Information of completion status of underlying order. The order completion flag may have the value • 'F' if the trade results from a full order execution which means that there will be no additional (update) trade confirmation resulting from further executions of the underlying order, • 'P' if the trade results from an order execution with a remaining positive order quantity, • blank (initialised) for imported floor trades, OTC trades and taken up trades.
Member internal order number	Freely usable.
Text field	Freely usable.
Executor ID	Member ID of the BEST Executor the order has been sent to within Xetra. **Original Counterparty for CCP OTC trades.**
Netting Type	Netting type of the trade.
Execution time	Time at which the order was executed (determined by the system).
Kind of depository	Specification how the instrument is deposited by Clearstream.
Fees	Fees charged for (partial) order execution, taking into consideration caps and floor as well as all previous partial order executions of the current exchange trading day.

Figure 14: Overview of trade attributes

4.5.3 Multiple Settlement Accounts per Member

Each member has a maximum number of 16 available setllement accounts at Clearstream. Xetra members, who settle Xetra trades for a number of non-clearing members, have at their disposal 16 settlement accounts for each non-clearing member and also for themselves. This enables market participants to keep any trades which are separated during trading also separate during settlement.

The maximum of 16 settlement accounts is entered by the Exchange and available to the member as of the following trading day. One of the settlement accounts provided is nominated by the member as the member default settlement account.

The maximum of 16 settlement accounts operated by the member is available to all traders of this member. The member has the option to explicitly allocate one of these 16 settlement accounts to each individual trader as a default for any trades executed by the particular traders. Where a trader is not allocated an individual default settlement account, all trades executed by the particular trader are settled via the member default settlement account. The default settlement account is assigned to all trades.

Any changes to member and trader default settlement accounts become effective on the following trading day.

4.5.4 Trade Management

In the case of executed trades, any trade attributes which are not subject to the counterparty's approval (e.g., settlement account, member internal order number, text, etc.) may be modified. This applies to exchange trades, BEST trades and over-the-counter business entries. Every modification results in a new trade confirmation.

In connection with trade processing, the trader can replace the settlement account of a specific trade using one of the remaining 15 settlement accounts of the relevant member during the same business day. If a settlement account is modified, a new trade confirmation will be forwarded to both counterparties.

4.5.5 Netting

Netting will only be available for instruments with a central counterparty. Furthermore, netting is only provided in accordance with the member's netting settings which can be specified for the agent and the proprietary accounts in general. The settings for the proprietary account are also valid for the Designated Sponsor, Liquidity Manager, Issuer, Liquidity Provider and BEST Executor accounts.

It is possible that one order[3] is matched against several other orders of different members. Netting describes the accumulation of single trades. On Xetra no netting and order level netting is supported for CCP instruments. Only order level netting is described in detail in this chapter as the handling of trade confirmations with no netting does not differ from the from the handling of trade confirmations in non-CCP instruments.

Upon order entry/modification it is validated whether or not the netting type is consistent with the member's netting settings. In case the netting type field is left blank the netting type will be filled with the member's netting settings.

Each trade confirmation for a CCP instrument contains the CCP as counterpart, i.e., each execution leads to a minimum of two trade confirmations with a minimum of two trade numbers. The trade confirmation contains information about e.g. the weighted average price, accumulated volume and netting type.

[3] The term order is used as a synonym for orders and quotes in paragraph 4.5.5.

The concept of execution confirmations is not changed with the introduction of netting.

Order level netting

For an order with the netting type „order level netting“ only one trade number is assigned independent of the number of partial executions.

If a partially executed order with the netting type “order level netting” is not fully executed until the end of the trading day the order is deleted or kept in the order book depending on the expiry date. On the next trading day a new trade number is assigned if the order is executed. The weighted average price and accumulated volume in the trade confirmation does not include the executions of the previous day.

- If the order is fully executed against several orders at one limit, one execution confirmation and one trade confirmation is sent to the member.
- If the order is fully executed against several orders at different limits, an execution confirmation for each single execution price is sent to the member with the respective price. One (update-) trade confirmation with a weighted average price for each particular price within one matching transaction is sent to the member. The weighted average price is rounded according to „kaufmännischer Rundung“.
- If the order is partially executed against several orders at one limit, one execution confirmation and one trade confirmation with a weighted average price (in this case equal to the limit) and accumulated volume is sent to the member. The remaining quantity is written into the order book. For each further partial execution an execution confirmation and an update trade confirmation is sent to the member. The update trade confirmation includes the weighted average price and the accumulated volume based on all partial executions of the order for the current trading day as well as the price and volume of the last execution.
- If the order is partially executed against several orders at different limits, one (update-) trade confirmation for each particular price within one matching transaction with the weighted average price and the accumulated volume and one execution confirmation for each single execution price is sent to the member with the respective price. The remaining quantity is written into the order book. For each further partial execution an execution confirmation and an update trade confirmation is sent to the member. The update trade confirmation includes the weighted average price and the accumulated volume based on all executions of the order for the current trading day as well as the price and volume of the last execution.

Fee calculation is based on the executed order. After each execution the fees are updated.

Order modification and trade modification

In Xetra orders can be modified. In case the netting type is changed it has to fit to the member’s netting settings. If the modification of the order changes its price/time priority, this modification will result in the deletion of the order and entry of a new order (i.e., new time stamp, new order number). For orders entered with a netting type this has also an impact on the trade confirmations for partially executed orders.

Partially executed orders with a netting type can not be modified, i.e., the attributes (e.g., text) that would not lead to a new time stamp of the order are not modifiable. The attributes that lead to a new time stamp are modifiable. In this case a new order number is assigned. The netting for the trade resulting from the new order starts again and the executions of the „old“ order are not taken into account. The calculation of accumulated volume and average price for the new trade is only based on the executions of the new order.

In case an order with a netting type has been partially executed and the resulting trade has been modified, further executions of the (original) order do not lead to update trade confirmations. Any further execution of the order will lead to a new trade confirmation and an update of this new trade confirmation according to the chosen netting type of the order. The only exception is that a trade has been selected for modification and is sent to the back end with the same values (not modified). In this case netting continues for this trade.

Account modifications of trades and not yet executed orders are only possible if the netting type of the order/trade fits to the netting type of the target account.

Trade Reversal

With the introduction of the CCP the same trade number is not assigned to both counterparties of the trade anymore. As described in the paragraph “order level netting” one trade can consist of several executions against several members. For each trade the CCP is assigned as counterparty. Therefore a trade reversal is always a reversal of two trades, i.e., the trade of member A against the CCP and the trade CCP against member B have to be reversed.

If only one partial execution of a netted trade is reversed an update trade confirmation is sent to the member. The update trade confirmation will lead to a decrease of the volume and a recalculation of the average price.

4.5.6 Reports

Release 7.1 enables members to obtain evaluations of their trading activities in the form of standard reports. These reports may be obtained formatted or as raw data. Selected reports (daily trade confirmation, fees per executed order) may be forwarded to a settlement service provider.

The Xetra back end currently provides members with the following standard reports which can be requested via the trading user interface.

Report	Content	Availability
Daily Order Maintenance	Provides an overview of all (BEST) orders entered, modified or deleted during the trading day.	Daily; standard report and raw data
Daily Quote Maintenance	Provides an overview of all quotes and auction quotes entered or deleted during the trading day.	Daily; standard report and raw data
Daily BEST Quote Maintenance	Provides an overview of all BEST quotes entered or deleted during the trading day.	Daily; standard report and raw data
Open Order Detail	Provides an overview of all orders in the order book at market close, sorted according to trader and instrument.	Daily; standard report and raw data
Daily Trade Confirmation	Provides an overview of all trades (including given up and taken up trades) during the trading day.	Daily; standard report and raw data
Daily Open-OTC Maintenance	Provides an overview of all open off-exchange trades not confirmed by the counterparty. These entries are automatically deleted by Xetra at the end of the relevant trading day.	Daily; standard report and raw data
Daily Trade Statistics	Provides an overview of all trading activities in all instruments on any given day.	Daily; standard report
User System Security Maintenance	Documents all modifications to user authorizations during the trading day.	Daily; standard report
User System Security Status	Identifies and documents status of user authorizations.	Daily; standard report and raw data
User Instrument Maintenance	Documents all modifications in the allocation of instruments to members.	Daily; standard report

Report	Content	Availability
Fees per Executed Order	Overview of charges per executed (BEST) order, including cap and floor (and inclusive of over-the-counter business entries).	Daily; standard report and raw data
Fee Overall Summary	Overview of charges incurred on any given trading day.	Daily; standard report
Fee Statement	Detailed statement of charges for completed month.	Monthly; standard report
System Transaction Overview	Overview of all transactions for each trading day, sorted by transaction type.	Daily; standard report
Transaction Overview	Overview of all transactions that are relevant for the calculation of excessive usage fees.	Daily; standard report and raw data

Figure 15.: Standard reports 1

The *User Instrument Status* report will be created on the MISS as a formatted text file (RPTT125) and in raw data format (RAWT125); members have to expressly request this report if and when required. The below report is very comprehensive and should not be required on a daily basis.

Report	Content	Availability
User Instrument Status	Provides an overview of both the current instrument groups and the instrument allocation for each member and trader subgroup (including Designated Sponsor admissions).	Can be requested on MISS on a daily basis, when and as required; standard report and raw data.

Figure 16: Standard reports 2

Additionally performance reports and rating reports are created as standard reports for Designated Sponsors, Liquidity Managers, Issuers and BEST Executors and can be called up via the MISS.

4.6 Initial Price Determination for an IPO

Xetra supports special functions supporting the initial price determination for new issues (IPOs). One functionality is a matching range preset by the lead bank. The “IPO matching range” defines the lower and upper limits for the first price determination, offering both lead bank and members certainty that there will be no erratic price fluctuations during the first price determination.

This first price determination will only be available once, either as an opening auction (in the case of instruments traded in continuous trading or using several auctions throughout the trading day) or as a single intraday auction (for instruments traded with a single auction only). Initial price determinations will take place by way of auctions which differ from existing Xetra auctions with respect to auction flow and transparency.

Market Supervision will always run auctions for the purpose of initial price determination manually. Auctions commence with the IPO call phase. During the IPO call phase, information on the indicative price or the best bid and/or ask limit are not published. During this phase, the lead bank of the IPO will be enabled to enter an IPO matching range via Market Supervision. This price indication is published using the *Newsboard* function available to Market Supervision.

During the IPO call phase, market participants will be able to enter orders or quotes, and to modify or delete existing orders or quotes. The procedures regarding the assignment of new quote and order execution priorities following modifications will apply without changes. In the Continuous Trading trading model orders with the trading restriction “OA – Opening Auction Only” are only valid in the IPO auction.

Following completion of the IPO call phase, Market Supervision will switch to the freeze phase. During this phase, market participants will still be able to view their own orders and the quotes of their user group, however, the entry, modification or deletion of orders/quotes will be disabled. The order book is frozen in order to allow the lead bank to assess the market situation. Having done so, the lead bank will be able to enter orders via Market Supervision, by way of trading on behalf. Market Supervision will then manually initiate the price determination phase, executing existing orders at the auction price within the IPO matching range.

If the IPO matching range is modified during the freeze phase, the lead bank can broadcast a new price indication via the *Newsboard* function. In this case, Market Supervision will switch back to the IPO call phase, allowing the market to react upon the new price indication by entering, modifying or deleting orders. This second IPO call phase will again be followed by a freeze.

For instruments traded in the continuous trading trading model, the IPO auction is followed by an intraday auction. Continuous trading is re-initiated at the end of the intraday auction. For instruments traded in a different trading model, trading is resumed in accordance with the applicable trading model.

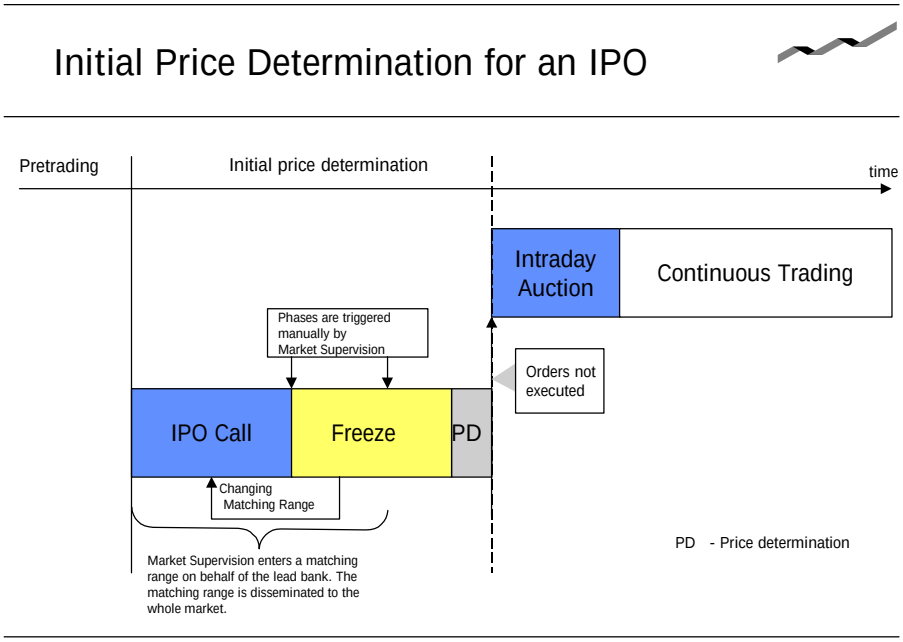


Figure 17: Initial Price Determination for an IPO

4.7 Market Models

With Xetra Release 7.1 stocks, bonds, warrants, exchange traded funds and subscription rights are tradable on Xetra. Detailed information about this can be found in the documents „Market Model Stocks“, „Market Model Warrants“, „Market Model Xetra BEST” and „Market Model Xetra XXL”. The market model for subscription rights is included in the market model stocks.

Deutsche Börse



Xetra® Release 7.1

Member Information Package R7.1

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1 Introduction

The aim of this document is to describe the necessary basis for trading of subscription rights on Xetra continuously within the environment of Xetra Release 7.1.

Note

All information contained in this document represents the current planning status.

2 Short background of subscription rights trading on FWB

Currently, subscription rights are traded on the floor system only. The exchange rules specify the trading model for such rights.

For the growing number of non-German market participants on Xetra (market share in Xetra around 50%) without any floor access the current model for trading of subscription rights on FWB Floor is unsatisfactory for the following reasons:

- No direct access to FWB Floor or other floor exchanges in Germany, only via intermediary
- Intransparent trading model on the floor (closed order book)
- Lack of continuous trading which is international standard also for subscription rights

As trading of subscription rights follows own trading conventions, the current Xetra market models have to be modified to comply with the different needs.

The current market model on the FWB Floor remains unchanged and will be mandatory for all subscription rights also in future.

In the following, the document describes in general the admission and trading processes of subscription rights on Xetra and points out different specifications (trade parameters etc.) to be taken into account.

This is a preliminary document and subject to change in the development of Xetra Release 7.1, which will be documented separately including different components of this document.

3 Set-up and admission of subscription rights on Xetra

In general all subscription rights of continuously traded underlyings on Xetra are eligible for continuous trading on the electronic trading platform Xetra. In contrast to existing processes for the admission of subscription rights on the FWB Floor the Issuer and/or Lead Managers must, in order to make a subscription right tradable on Xetra, actively apply for continuous trading for the instrument on Xetra with the DBAG Listing Department. The application must reach the respective department at least 10 trading days before the first trading day of the subscription right. All necessary instrument data will be forwarded to “Wertpapiermitteilung” (WM) including the necessary information on minimum order sizes to be introduced on Xetra (see topic 4).

Besides the direct request for continuous trading of subscription rights on Xetra the respective Lead Manager or a third party appointed by the Lead Manager must additionally apply as Designated Sponsor (DS) for the subscription right (for the whole subscription right trading period). Both the request for trading on Xetra as well as the application as DS are - in combination - prerequisites for the inclusion of the respective right on Xetra. A corresponding Designated Sponsor Application Form must therefore be provided to DBAG Sales Support also at least 10 trading days before the first trading day of the right.

4 Minimum Order Size

A minimum order size is introduced for the trading of subscription rights on Xetra. The minimum order size is defined as a minimum quantity in shares accepted by the Xetra system.

The minimum order size will be 1000 units for subscription rights valued at 1 € or more and 5000 units for rights valued less than 1 €[1]. The order size information will be made available in WM (Wertpapiermitteilung). In the existing WM fields XD527W and XD528W the value "key 2" of the associated WM table F39 will be used to identify and document the minimum order size of an instrument. The usage of this key in the mentioned WM fields will explicitly identify an instrument as having a minimum order size.

The check for the minimum order size will be performed for every order entry and again when an order quantity is changed or the order is partially executed.

Price limit changes are possible for all orders entered into and accepted by the Xetra System. Restrictions merely exist for order size modifications. Any reduction of the order size of an entered order below the minimum order size will be rejected and the original order will remain in the order book. A deletion of the original order is still possible. In case of order size changes to partially executed orders with a remaining order size below the minimum order size, changes further reducing the number of shares will be rejected. Increasing the remaining quantity is accepted by the Xetra system. For iceberg orders, the total quantity of the order entered is used to compare it with the minimum order size. In case the total quantity is less than the minimum order size, the iceberg order is rejected.
The minimum order size does not apply for Xetra OTC trades.

5 Lead Manager/Designated Sponsor obligations

As mentioned above, the Lead Manager or a third party appointed by the Lead Manager/Issuer must apply as Designated Sponsor (DS) for the respective subscription right to be traded on Xetra. A DS will be admitted for the first day of the subscription right trading period. The performance of the Designated Sponsor will be measured for the whole trading period and a performance report will be offered on a daily basis to the Sponsor on his Xetra MISS (Report Name: RPTDS004). The regular DS refund scheme as mentioned in the Designated Sponsor Guide 5.0 applies.

[1] Calculated value of a subscription right based on the Xetra closing price of the respective share either at the 10th trading day before start of subscription right trading period or at least at the day when the subscription price is fixed

Designated Sponsoring requirements do not apply in the IPO auctions on the first and last trading day of the subscription right. Besides the Lead Manager any eligible Xetra trading member can equally participate as DS.

5.1 General definition and communication process

- The calculation of maximum spread and minimum quotation volume in subscription rights (SR) is based on the DS requirements in the respective underlying.
- For the calculation of the respective parameters for SR of stocks in Liquidity Class 5 (DAX30 and further highly liquid equities) the DS requirements of Liquidity Class 1 apply.
- Parallel weekly update and communication of DS requirements aligned for underlying and SR: Designated Sponsor parameters are communicated weekly on Monday for Tuesday, based on the closing prices of the underlying on the preceding Friday.

5.2 Summary: requirements for Designated Sponsors and fee refund:

Maximum Spread:	equals the maximum spread for the underlying weighted with the ratio of the calculative stock price "ex SR" to the calculative value of the number of subscription rights needed to subscribe one new share.
Minimum Quotation Volume:	equals the minimum quotation volume in the underlying (in number of shares) times the subscription ratio
Average quotation time:	90% of effective trading time
Maximum response time:	Until price determination
Minimum participation in auctions & volatility interruptions:	90% of all auctions and interruptions

Only if all Designated Sponsor requirements are fulfilled a full refund of transaction fees is granted.

5.3 Example for the calculation of the max. spread for subscription rights:

Underlying stock price: € 12,00

Price of new shares: € 9,85

Subscription ratio: 5:1

Calculative subscription right price: (€ 12,00-€ 9,85) / (5+1) = € 0,36

Calculative stock price "ex SR": € 11,64

Designated Sponsor requirements in the underlying instrument: Max. Spread 2.5% (1.25% up/down)

$$\text{Max. Spread of the underlying} * \frac{\text{Calculatory stock price "ex SR"}}{(\text{Calc. stock price "ex SR"} - \text{Price of new share})} = \text{Max. Spread of SR}$$

$$2.5\% * \frac{€11{,}64}{(€11{,}64 - 9{,}85)} = 16.3\%$$

The 16.3% spread is the relevant figure for the max. spread to be offered by the Lead Manager/Market participant as a Designated Sponsor in the subscription right.

5.4 Example for the calculation of the min. quotation volume:

DS requirements in the underlying: Minimum quotation volume € 20,000

$$\frac{\text{Minimum Quotation Volume of the underlying}}{\text{Calc. stock price "ex SR"}} * \text{Subscription ratio} = \text{Number of SR}$$

$$\frac{€20.000}{€11{,}64} * 5 = 8.591$$

The number of shares is rounded up to the next hundred subscription rights (here: 8600; minimum size: 1,000).

6 Market Model

Within the trading period of the subscription right on Xetra the existing market model “Continuous Trading” will be used with the exception of the first trading day, where trading will begin with a Xetra IPO auction in parallel to the single FWB Floor auction. The last trading day will offer a simultaneous auction (IPO auction on Xetra) on both platforms in order to facilitate the execution of all remaining, open customer orders by market participants.

First trading day

The first trading day begins with Xetra IPO auction simultaneous to the FWB Floor auction for the subscription right. The Xetra IPO functionality implies that during the full duration of the auction (call phase, order book freeze, price determination) the order book remains closed. Market participants will only be informed about the price range within which the auction price can be determined. The price range will be distributed via Xetra news board to all market participants by Market Supervision after consultation with the Lead Manager. Further information such as indicative auction price, auction volume and surplus will not be broadcasted at any time of the IPO auction phases.

After the price determination phase in the IPO auction, the first intraday auction is triggered to uncross the order book. With the start of the first intraday auction the level of transparency is analogue to the underlying equity of the subscription right (indicative price, volume, imbalance indicator on). The trading schedule following the first intraday auction is similar to the underlying equity. The obligation for the Lead Manager/Market Participant to act as DS and comply with the respective requirements begins with the start of this first intraday auction.

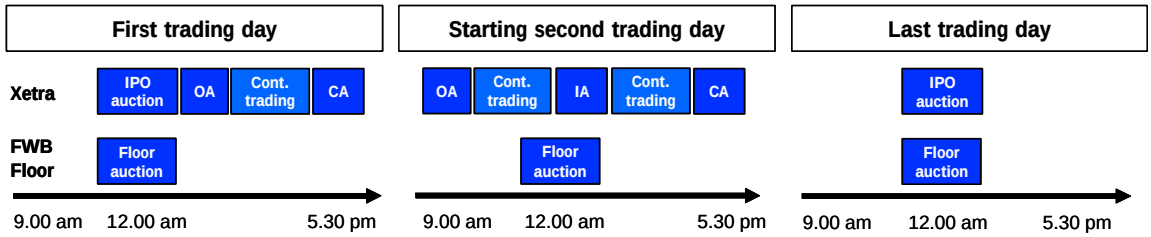
Second to second-last trading day

The trading schedule during this time period is the same as for the underlying equity. No auctions using the IPO functionality occur. All open orders remaining in the order book at the end of the second to last trading day will be deleted and will have to be re-entered the following day.

Last trading day

On the last trading day the trading schedule is changed and only a single auction (Xetra IPO auction) will be offered for price determination. The auction time will be aligned with the FWB Floor auction. Price quality on both platforms has to be ensured by the Lead Manager. The Lead Manager will be obliged to fully balance the IPO auction book in case of surplus on either side in order to ensure full execution of all remaining orders.

The following table shows the different market models used in a specific period:



7 Other specifications

Transparency

Except for the two auctions using the Xetra IPO functionality on the first and last trading day, transparency standards on Xetra are the same as for the underlying equity of the subscription right.

Order types

All order types used in Xetra equity trading are also available for subscription rights, from the first to the last trading day.

Instrument prices

Subscription rights will be handled as regular stocks and therefore a third decimal place will be provided for instruments with a value < € 0,25.

Settlement and Clearing process

Currently subscription rights are handled in a pure settlement process. Inclusion into the CCP process could be an option for the future depending on release scopes and customer support. The clearing & settlement process will in any case be identical for Xetra and the FWB floor.

Post Regulation

Neither post regulation nor trading of fractions will be offered for subscription rights traded on Xetra.

8 In preparation of the introduction of rights on Xetra

As the introduction of the minimum order size on Xetra is release-relevant, the introduction of subscription rights trading on Xetra will depend on the time line of the Xetra Release 7.1 scheduled to be introduced in December 2004. Any delays in the release schedule will automatically entail postponement of the introduction of the market model for subscription rights on Xetra. Trading of these instruments on the FWB Floor will not be affected by Xetra release changes.

In preparation to the release launch a release simulation will be made available during which a guided simulation/focus days will be offered to market participants to test the subscription right trading on Xetra. Details to the simulation calendar will be provided in due time within the regular release communication process.