eurex*bonds* circular 19/02

Recipients: Eurex Bonds Participants
Date: May 16, 2002
Authorized by: Christian Klapproth

Priority: high
Response required

Content may be most appropriate for System Administrators, Security Administrators, Trading Contacts and Back-Office Staff

Eurex Bonds releases Modifications of Market Maker Model and Pricing Model

Dear All,

Eurex Bonds announces the launch of a modified Market Maker and Pricing Model.

On April 9, 2002 the Advisory Board of Eurex Bonds decided on a number of improvements to the Market Maker and Pricing Model. The objectives of these modifications are:

(i) a reduction of the minimum number of instruments to be quoted per member (for shareholders 20 instruments instead of 39 instruments),
(ii) to offer more flexibility for non-shareholders to become a Market Maker and choose the segment(s) they would like to quote,
(iii) to improve the obligation fulfillment of current Market Makers,
(iv) to improve the overall volume and liquidity through a segment-specific Market Making approach.

Eurex Bonds GmbH
Neue Börsenstr. 1
D-60487 Frankfurt/Main
www.eurex-bonds.com

Mailing Address:
D-60485 Frankfurt/Main
T +49 (0)69-2101-12 22
F +49 (0)69-2101-70 03
eurex.bonds@deutsche-boerse.com

Managing Director:
Rudolf Ferscha

Gesellschaft mit beschränkter Haftung
mit Sitz in Frankfurt/Main
HRB Nr. 49370
Amtsgericht Frankfurt/Main
USt Id 04523253333

The changes will become effective on June 03, 2002. The new Market Maker Model and new Pricing Model contain the following modifications:

- Every shareholder is obliged to quote at least the following three of the five current different product segments, namely Benchmark Bonds, Basis Instruments and Liquid Bonds.
- Members (non-shareholders) can choose to quote one or more segments from the five current segments (segment-specific quotation possible).
- Market Making in Government Bonds and Basis Instruments will each be split into two different groups (currently one group each).
- Reduction of the transaction fee for Market Makers in Pricing Models B and C.
- Modification of the floor payment in Pricing Model B from a fixed rate to a variable rate (calculated on the basis of the chosen number of segments).
- Quote obligation fulfillment is a prerequisite for enjoying reduced Market Making fees.

Furthermore, starting from June 3, 2002 transaction fees will not be distributed in the trade information (e.g. respective Values API-Requests, Xetra reports and Xetra window “Order Fee Overview” in the back-office information screen will no longer display any fees (the field “Trading Fees” will be empty). Fees will be calculated as described in the attachment after a monthly calculation of the quote obligation fulfillment by each member.

To implement this new scheme, and to set up the individual Market Maker obligations from June 2002, we need information on your segment-related Market Maker intentions in advance.

Therefore please return the enclosed fax back to Eurex Bonds by May 22, 2002 at the latest.

Best regards,

Eurex Bonds

Enclosures:

New Pricing Model, New Trading Conditions, Fax-Back

Eurex Bonds GmbH
Neue Börsenstr. 1
D-60487 Frankfurt/Main
www.eurex-bonds.com

Mailing Address:
D-60485 Frankfurt/Main
T +49 (0)69-2101-12 22
F +49 (0)69-2101-70 03
eurex.bonds@deutsche-boerse.com

Managing Director:
Rudolf Ferscha

Gesellschaft mit beschränkter Haftung
mit Sitz in Frankfurt/Main
HRB Nr. 49370
Amtsgericht Frankfurt/Main
USt Id 04523253333