eurex*bonds* circular 48/03

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

Introduction of Yield Term Trading and new instrument segment Bubills (Announcement)

Dear All,

Eurex Bonds plans to introduce Treasury discount papers (Unverzinsliche Schatzanweisungen or "Bubills") issued by the German Finance Agency on its platform in October 2003. In this market the entry of yields is the common way to post an offer to the market. Therefore Eurex Bonds will provide a yield term trading facility for the new Bubills segment. Simulation start is scheduled for the middle of September 2003.

To make use of this new functionality mandatory software update needs to be installed. Eurex Bonds will inform you in time of all prerequisites for successful simulation participation.

In short the Eurex Bonds Yield term trading for Bubills consists of the following main features:

- Trading in Bubills will require that orders, quotes, and Pre-arranged trades have to be entered in yield (using price field) via VALUES interface and the Xetra J-Trader GUI.
- The minimum change in yield for Bubills shall be 0.001.
- The display of the inside market/ public order book will show the yields on the bid side in ascending order, i.e. lowest bid as best bid, whereas the yields on the ask side are displayed in descending order.
- It will be possible to identify instruments traded in yields via VALUES API.

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- For the calculation of the price for Bubills the “true money market“ yield calculation method is used:

  C = R/(1+p*L/(360*100))

  Definitions:

  L = remaining duration of Bubill (calendar days given by: maturity date – settlement date)

  C = price

  P = yield in %

  R = redemption value in % (100 for full redemption)

- Trade confirmations, and responses to trade inquiries, will include the price (five decimal places) and not the yield in the price and average price fields.

- The settlement period for Bubills is defined as trading day plus 2 business days (T+2).

- The last trading day of a Bubill on Eurex Bonds will be three business days before expiry (T-3).

The following table summarizes the usage of yield and prices for instruments traded with yield:

Functionality	Xetra J-Trader	VALUES API
Entry of quotes	yield	yield
Overview of own quotes	yield	yield
Entry and maintenance of orders	yield	yield
Overview of own orders	yield	yield
Ticker	yield	yield
Execution confirmations	yield	yield
Inside market with limit and prices	yield	yield
Trade confirmations	price	price
Trade modifications	price	price
Responses to trade inquiries	price	price
OTC trading	yield	yield
Reports		
Daily Quote Maintenance	yield	
Daily Order Maintenance	yield	
Open Order Detail	yield	
Daily Trade Confirmation	price	
Daily Open OTC Maintenance	yield	

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Eurex Bonds will also introduce a new market making segment for Bubills. Soon we will contact Eurex Bonds members to discuss the market making parameters for the new segment. Your commitment would be very much appreciated. The results of this process will be presented at the next Advisory Board meeting.

We would highly appreciate any additional input that you may have on this topic and will keep you informed on the status of this new product and facility.

Should you have any further questions, please do not hesitate to call the Eurex Bonds Info line at +49 (0)69 2 11-1 12 22.

Kind regards,

Eurex Bonds

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