

Terms and Conditions for Participation and Trading on Eurex Bonds

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1. Part: General Conditions

§ 1 Scope of Application

(1) The following conditions lay down the rules for Eurex Bonds participation and trading for all Participants of the Eurex Bonds trading platform (hereinafter "Market Participants") to ensure the orderly conduct of business in the Eurex Bonds off-exchange market segment for fixed-interest bonds (hereinafter "Bonds") and basis instruments (hereinafter jointly "Products"). The conditions in the German version, in effect from time to time, are binding on all Market Participants.

(2) The Eurex Bonds trading platform enables admitted Market Participants – in addition to off-exchange trading in Bonds – to engage in off-exchange trading with regard to the price difference between the spot price of German government bonds and the respective futures price (basis) by using an electronic trading system (the system).

§ 2 Changes and Additions

(1) The following conditions have been issued by the Board of Management of Eurex Bonds GmbH (hereinafter, the "Board of Management"). The Board of Management has the right to change and add to these conditions from time to time to the extent that this may appear necessary in the light of market conditions.

(2) Market Participants shall be notified of any changes at least 10 trading days before they are to take effect unless special market conditions require the Board of Management to take action at short notice.

(3) The Board of Management shall give notification of changes and additions to these conditions by electronic means through circular via e-mail and on the Internet.

§ 3 Market Model

(1) Under the quote-driven market model, orders are matched to quotes, obtained from simultaneously entered bid and ask prices (quotes), in a consolidated, open quote-book.

(2) All Market Participants are entitled to enter buy or sell orders as well as quotes into the system.

(3) Orders entered into the system, in compliance with the limitations on execution described in Part 4, are matched directly with quotes in the quote-book. Trades shall be executed by matching orders and quotes at the best respective bid and/or offer limit as shown in the quote-book or, if the limits are the same, in the chronological order in which they were entered into the system (price-time priority). Incoming quotes are automatically checked to determine whether all obligatory details have been supplied. Quotes entered into the system which can be executed completely or partially against an existing quote are matched and executed directly. The non-executed part of the quote will be entered into the quote-book.

(4) Besides continuous trading the Pre-arranged-Trading-Facility provides all Eurex Bonds participants with the possibility to enter trades outside the quote book by means of a request to be sent to the Eurex Bonds system, and to have them cleared by Eurex Clearing.

(5) Pre-arranged Trades become effective by confirmation of the counterparty by means of a request to be sent to the Eurex Bonds system.

2. Part: Conditions for Participation in Trading on Eurex Bonds

§ 4 General Participation Requirements

(1) The Board of Management decides on the participation of an enterprise in Eurex Bonds.

(2) Applications for the conclusion of an agreement for the granting of permission to participate must be submitted in writing to Eurex Bonds GmbH. Each application must include information as to whether the enterprise is to be granted an explicit admission to trading in Bonds or an admission to trading in basis instruments as well.

(3) Participation in trading in Bonds at Eurex Bonds is only possible if the enterprise submitting the application meets the following requirements. An enterprise must:

a) hold a Eurex Bonds Clearing License of Eurex Clearing AG as a "General Clearing Member" (GCM) or "Direct Clearing Member" (DCM), or it must have concluded an NCM-GCM/NCM-DCM agreement with an institution which holds a respective Clearing License of Eurex Clearing AG;

b) possess the necessary technical and organizational clearing facilities so that the enterprise is in a position to duly settle Bonds transactions;

c) have access to the technical infrastructure of the Eurex Bonds electronic trading system;

d) possess liable equity capital of at least EUR 100 million, whereby it is sufficient if the amount of equity capital is reached by aggregating the capital for all companies of the group to which the enterprise belongs; or be a member of the "Federal Republic Bond Issues Auction Group" (*Bietergruppe Bundesemissionen*) or a member of a comparable national primary dealer group; or be able to furnish proof of active trading in German government bonds in an amount corresponding to at least EUR 50 billion within the previous 12 months; and

e) be a credit institution or investment firm according to the definition of Article 1 of Council Directive 93/22/EEC on investment services in the securities field.

(4) By way of exception from the foregoing requirements for participation in Eurex Bonds trading, the Federal Republic of Germany, the Bundesbank, the Kreditanstalt für Wiederaufbau and other enterprises and institutions to be separately specified by the Board of Management, shall receive the status of a Market Participant for the participation in trading in Bonds provided that they meet the requirements of § 4 paragraph 3 a), b) and c) above.

(5) In order to be admitted to trading in basis instruments at Eurex Bonds, an enterprise must – in addition to the requirements detailed in § 4 paragraphs 3 and 4 – :

a) be admitted to trading at Eurex Deutschland;

b) be admitted at Eurex Deutschland to trading at the "Basis Trading Facility" and thus to basis trading; and

c) possess the necessary technical and organizational clearing facilities so that the enterprise is in a position to duly settle basis transactions.

(6) Applicants are required to furnish proof that the requirements for participation in Eurex Bonds trading have been met. Market Participants are obligated to notify the Board of Management without delay of any changes regarding legal or actual matters of fact as a result of which the participation requirements may cease to be met.

§ 5 Resignation, Suspension and Termination of Participation Authorization

(1) Market Participants may terminate their authorization to participate in Eurex Bonds trading at any time upon providing written notification thereof to the Board of Management. The notice of termination shall take effect three months after receipt by Eurex Bonds. Thereupon, all rights and obligations of the Market Participant to enter orders or quotes into the system will terminate. The obligation of the Market Participant to complete transactions that have already been concluded will remain unaffected thereby.

(2) The Board of Management may, at its discretion, terminate the participation authorization of a Market Participant at any time without supplying prior notification and without notice or unilaterally suspend the participation authorization if it learns that a Market Participant has ceased to meet one of the conditions set forth under § 4. The Board of Management may suspend the authorization of a Market Participant without delay if Eurex Deutschland orders that the admission of the Market Participant be suspended. The rights of restriction, suspension and termination of the Board of Management pursuant to § 22 of these conditions remain unaffected.

(3) In the event of the termination or suspension of the authorization to participate, the Market Participant concerned is obligated to cancel all its quotes. The Board of Management will use technical means to block the entry of new quotes or orders into the system by the Market Participant concerned. The obligation on the part of the Market Participant to fulfill transactions that have already been concluded will remain unaffected thereby.

(4) Eurex Bonds may exclude Participants from the utilization of the Pre-arranged-Trading-Facility if this is necessary to ensure orderly trading on Eurex Bonds. In this case, such Participants shall have no claims towards the refund of costs, charges or any other damages.

§ 6 Rights and Obligations of Market Participants

Market Participants are authorized, within the limits of their participation authorization, to enter either limit or market buy or sell orders or quotes into the system in their own name in respect of all Eurex Bonds tradable financial instruments. In case of order entries they must enter one of the execution restrictions laid down in §14 paragraph 4.

§ 7 Market Makers

(1) Upon written application by a Market Participant, the Board of Management shall decide on whether or not a Market Participant is to be appointed to act as a Market Maker in one or more Product Segment selected by the Market Participant in accordance with Section 2.2 of the Annex. The Product Segments selected must be specified in the application form. The Board of Management shall determine which Products market making will be carried out for.

(2) Market Makers shall be obligated to enter into the system in their own name and on their own account quotes with regard to the Products which they are responsible for. It is not possible for Market Makers to enter one-sided quotes into the system. In addition, they are also authorized, while observing the execution restrictions set forth in § 14 paragraph 4, to enter either limit or market orders into the system.

The obligation to enter quotes is constituted as follows:

The Market Maker, for a set number of hours during trading hours as determined by the Board of Management (quotation hours), is required to supply a minimum quote volume for each quote within a maximum bid-offer spread (quote spread) for Bonds and basis instruments as shown in the table set forth in section 2.2 of the Annex.

To verify whether a Market Maker is discharging its obligations, the following parameters are measured:

- minimum quote volume
- maximum quote spread
- quotation hours

(3) Minimum volume, maximum quote spread and quotation hours will be determined by the Board of Management. Quotes are only valid for the duration of on the same trading day. Only one quote per instrument may be entered in the quote book for each trader subgroup.

(4) A Market Maker may, by giving written notice to the Board of Management, resign its Market Maker admission at any time. As of the first trading day of the month following the date of receipt of such notice, such Market Maker shall no longer be subject to the obligations set forth under paragraph 2 of this section 7. If the Market Maker decides to switch to a different Product Segment, the respective written notice must specify the name of the Product Segment to be resigned as well as the name of the newly selected Product Segment. Such change to a different Product Segment shall take effect at such point of time as defined in sentence 2 of this paragraph 4.

(5) The Board of Management may at any time revoke the Market Maker admission immediately, if the Market Maker fails to perform its obligations under paragraph 2 after prior notice.

3. Part: Products and Segmentation

§ 8 German Government Bonds

(1) Upon determination of the Board of Management, German government bonds as specified under this provision are admitted to trading on Eurex Bonds.

(2) The Board of Management shall divide into different groups such German government bonds for which market making will be carried out by Market Makers. The division into groups of the individual securities is made depending on the maturity of the particular security and deliverability into the Eurex capital market products Euro Bund, Euro Bobl, and Euro Schatz futures. Such German government bonds which are deliverable at the first two maturity dates of the respective Eurex capital market futures are defined as "Benchmark Bonds" by default. All other German government bonds are defined as "Liquid Bonds". Exceptions to this rule may be defined by the Board of Management. The calculation of the residual maturity of the securities, the allocation of the securities to their appropriate classes and the assignment to the individual Market Maker takes place at the beginning of every calendar month. The assignment to the individual Market Maker is performed by the Board of Management in accordance with the procedure described under item 2.3 of the Annex.

Market making is carried out for those German government bonds that satisfy the following criteria:

- fixed-interest securities
- residual maturity periods of between 1 and 35 years
- minimum outstanding volume of EUR 4 billion

The segmentation of the Products is also shown in a table under section 2.1 of the Annex.

(3) No market making is carried out for securities that do not satisfy the criteria in accordance with paragraph 2.

§ 9 Bonds of the States within the Federal Republic of Germany, Bonds of Supranational Institutions and Bonds of State Agencies (Sub-Sovereigns)

(1) Upon determination of the Board of Management and as specified under this provision, Bonds of the States within the Federal Republic of Germany (German State Bonds), Bonds of supranational institutions (e.g. European Investment Bank) and Bonds of state agencies (e.g. Reconstruction Loan Corporation), all such Bonds being denominated in EUR, are admitted to trading on Eurex Bonds. In order to be admitted to trading on Eurex Bonds, such Bonds must satisfy at least the following criteria:

- fixed-interest securities
- minimum outstanding volume of EUR two billion
- suitable for holding in collective safe custody
- minimum rating of AA- by Standard&Poor's or of Aa3 by Moody's

(2) The calculation of the residual maturity of the securities, the allocation of the securities to their appropriate maturity classes in accordance with section 2.1 of the Annex and the assignment to the individual Market Maker in accordance with section 2.3 of the Annex takes place at the beginning of every calendar month.

The segmentation of the Products is also shown in a table under section 2.1 of the Annex.

§10 Bonds of Private Mortgage Banks or of Credit Institutions under Public Law (Pfandbriefe – Mortgage Bonds)

(1) Upon determination of the Board of Management and as specified under this provision, selected Bonds of private mortgage banks or of credit institutions under public law (Mortgage Bonds), all such Bonds being denominated in EUR, are admitted to trading on Eurex Bonds if they satisfy at least the following criteria:

- fixed-interest securities
- minimum outstanding volume of EUR 1 billion
- minimum rating of AA- by Standard&Poor's or of Aa3 by Moody's

(2) Upon decision by the Board of Management, Market making may be carried out for all Bonds specified in paragraph 1 if they fulfill a minimum outstanding volume of EUR 3 billion. The calculation of the residual maturity of the securities, the allocation of the securities to their appropriate maturity classes in accordance with section 2.1 of the Annex and the assignment to the individual Market Maker in accordance with section 2.3 of the Annex takes place at the beginning of every calendar month.

The segmentation of the Products is also shown in a table under section 2.1 of the Annex.

§ 11 Basis Instruments

(1) In addition to the Bonds referred to under § 8 to 10, the basis instruments specified in paragraphs 2 and 4 below are admitted to Eurex Bonds trading. The basis instruments listed below comprise a combination of securities and futures contracts that have their own price. The purchase of basis instruments means the purchase of a certain quantity of securities and the simultaneous sale of the corresponding quantity of futures contracts. Conversely, the sale of basis instruments means the sale of a certain quantity of securities and the simultaneous purchase of the corresponding quantity of futures contracts.

(2) The following basis instruments are admitted to trading on Eurex Bonds;

a) The combination of German government bonds with a residual maturity[1] $\geq$ 1.75 years and $\leq$ 2.25 years and the current Euro Schatz Futures Contract (FGBS)

b) The combination of German government bonds with a residual maturity $\geq$ 4.5 years and $\leq$ 5.5 years and the current Euro Bobl Futures Contract (FGBM)

c) The combination of German government bonds with a residual maturity $\geq$ 8.5 years and $\leq$ 10.5 years and the current Euro Bund Futures Contract (FGBL).

d) The combination of German government bonds, which are not deliverable components of the baskets of the respective Bund-, Bobl- and Schatz Futures, with a tradable Future at Eurex Deutschland. The Board of Management shall decide on the number of bonds and the respective futures that form the said combinations.

(3) Two trading days before the last trading day of the expiration month of the current interest rate futures contract on Eurex Deutschland, trading in the basis product for the subsequent expiration month of the corresponding interest rate contract becomes available on Eurex Bonds.

(4) The last trading day for a basis instrument on Eurex Bonds is the trading day before the last trading day for the corresponding futures contract on Eurex Deutschland.

(5) Possible changes to the combinations admitted for basis trading will be defined and determined by the Board of Management.

[1] residual maturity: on the expiration date of the futures contract

4. Part: Trading Regulations

§ 12 Trading Days and Trading Periods

(1) Unless otherwise determined by the Board of Management, the Eurex Bonds trading days correspond to the common trading days of Eurex Deutschland and Frankfurter Wertpapierbörse.

(2) Trading periods for Bonds and basis instruments are determined by the Board of Management. Trading in basis instruments is limited to the trading periods for German government bonds on Eurex Bonds and German capital markets futures on Eurex Deutschland. Trading in the basis instrument commences with the establishment of the first price for the respective futures contract (Euro Bund, Euro Bobl, or Euro Schatz Future) on Eurex Deutschland and ends before the close of trading for German capital market futures on Eurex Deutschland.

§ 13 Conduct of Trading in Bonds and Basis Instruments

(1) The quote-book is automatically checked before the commencement of continuous trading.

(2) During continuous trading, incoming orders are matched with the best bid or offer limit indicated in the quote-book and, in the case of the same price, in the chronological order of entry in the system (price/time priority). Priority is accorded to the execution of market orders. Quantities of all available quotes are indicated as an aggregated total at the respective limits (open quote-book). Partially executed quotes retain their original entry time.

(3) Orders may be executed completely, partially or not at all. Depending on the defined limitation on execution according to § 14 paragraph (4), orders or parts of orders which have not been executed will be deleted.

(4) During continuous trading, both quotes and orders may be entered into the system on condition that they meet the minimum volume requirements set forth in item 1 of the Annex.

(5) After quotes and orders have been matched, both Market Participants shall receive an execution confirmation and a trade confirmation. In the case of a basis transaction, each party receives a confirmation of execution, containing details of the execution price, the quantity traded and the time. In addition, a trade confirmation will be sent to both parties without delay. Furthermore, each party shall receive a trade confirmation for each of the cash and the future legs of the respective basis trade.

(6) A Market Participant on Eurex Bonds may buy or sell the basis relating to a government security (basis trade). Buying the basis means, in one single transaction, buying the government security and selling the corresponding number of futures contracts. Selling the basis means, in a single transaction, selling the government security and buying the corresponding number of futures contracts. The basis is traded in a separate quote book. Quotes and orders relate to the tradable lot and the price of the basis.

(7) Data pertaining to the implicitly traded security and the futures contract of the basis transaction will be computed daily through “trade enrichment”. The number of futures contracts per “round lot size” will be computed by the system for each basis transaction as described in more detail in section 4 of the Annex. Eurex Bonds will publish the number of futures contracts computed by the system per “round

lot size" for each valid combination of cash bonds/futures contracts on the Eurex Bonds web-site, or send it to all Market Participants via e-mail at the beginning of each trading day.

§ 14 Order Types

(1) All Market Participants may enter any buy and sell orders into the system which meet one of the execution parameters contained in paragraph (4).

(2) Orders for which a particular price limit has been set (limit order) can be matched against all available quotes whose price is better than, or corresponds to, the limit indicated.

(3) Orders for which no price limit is indicated (market order) are matched against all available quotes in the quote-book, beginning with the best price through the least favored quote until the order volume is attained or no more quotes are available.

(4) Buy and sell orders must contain one of the following restrictions on execution:

a) "fill-or-kill" (immediate and complete execution, or deletion of the order).

b) "immediate-or-cancel" (immediate execution of that part of the order which can be executed and deletion of the unexecuted part of the order).

(5) Orders may only be entered into the system during continuous trading.

§ 15 Quote-Book

The quote-book is available for inspection by all Market Participants but anonymously. The ten best "bid" and "ask" prices with an aggregated volume per limit appear in the quote book, and are automatically updated.

§ 16 Pre-arranged-Trading-Facility

(1) The Pre-arranged-Trading-Facility is provided for Bonds und Basis Instruments.

(2) Pre-arranged Trades will always be processed with the settlement code „Delivery versus payment".

(3) For bonds a settlement date for Pre-arranged Trades can be selected within the range of T+2 and T+89, for Basis Instruments the settlement date T+2 or T+3 can be chosen.

§ 17 Price Indication and Price Gradations

(1) Basis instruments will be quoted in percent, carried out to three decimal places.

(2) Bonds with a remaining maturity up to 7 years are quoted as a percentage of the nominal value carried out to three decimal places, otherwise, to two decimal places.

(3) The minimum change in price shall be

- 0,001 for basis instruments,
- 0.001 for Bonds with a remaining maturity up to 2 years,
- 0.005 for Bonds with a remaining maturity greater than 2 years up to 7 years,
- 0.01 for Bonds with a remaining maturity greater than 7 years.

§ 18 Binding Nature of Transactions and Treatment of Erroneous Entries

(1) All transactions carried out on Eurex Bonds by utilization of the Market Participant's user identification are binding for the Market Participant concerned.

(2) The Board of Management is authorized to cancel a transaction and to remove it from the electronic trading system if a Market Participant directly affected by the transaction notifies Eurex Bonds without delay that it has entered its quote/order into the Eurex Bonds system inadvertently or incorrectly. The cancellation of a transaction is excluded if the resulting price does not deviate significantly from a fair market price (reference price) unless all the parties to the transaction approve the cancellation of the transaction in question. The Market Participant that gave rise to the erroneous entry is obligated to pay Eurex Bonds a handling fee that reflects the actual costs of processing the erroneous entry.

(3) Notification without delay in accordance with paragraph 2 is deemed to have been supplied if, within 15 minutes of the determination of the execution price, the Market Participant who has made an erroneous entry informs Eurex Bonds by telephone that he has accidentally entered an incorrect order or quote into the system.

(4) The reference price is determined as follows:

a) The reference price shall generally be computed as the average of the prices of those transactions that were concluded immediately before and after the erroneous entry. If only one of these prices is available, then that price shall be used as the reference price.

b) If it is not possible to determine a reference price that could be deemed a fair market price in accordance with the above conditions, Eurex Bonds shall select three competent Market Participants, who are not involved in the transaction, from the group of Market Participants admitted to trading on Eurex Bonds. Each of them shall compute a market price for the Bond/basis instrument concerned. The average of the three prices shall then serve as the reference price.

(5) A deviation from the reference price for Bonds and basis instruments will be deemed significant if the deviation is higher than the limit indicated in the table set forth in under section 3 of the Annex.

(6) Eurex Bonds will waive the determination of a reference price if all the parties involved in a transaction approve the cancellation of the transaction in question.

(7) Eurex Bonds will waive the determination of a reference price in case of a trade resulting from the Pre-arranged-Trade-Facility. If all the parties involved in a Pre-arranged-Trade transaction approve the cancellation of the Pre-arranged Trade in question within the trading hours of the respective business day, the Board of Management is authorized to cancel the Pre-arranged Trade.

(8) In the event that a transaction is cancelled, Eurex Bonds will inform all parties involved in the transaction via telephone that the transaction has been cancelled.

(9) In addition, the Board of Management may cancel a transaction within the trading hours of the respective business day if this is necessary to ensure orderly trading on Eurex Bonds.

§ 19 Consummation of Transactions and Clearing

(1) Transactions on Eurex Bonds may only be effected between Eurex Clearing AG and a credit institution holding a Clearing License. If a Market Participant is not itself authorized to participate in the clearing procedure (a "Non-Clearing Member"), it may only effect transactions through the General Clearing Member that performs the clearing of its transactions on Eurex Bonds.

(2) If an order or quote entered into the system by a Non-Clearing Member is matched with another order or quote, a transaction is effected between such Non-Clearing Member and the General Clearing Member or the affiliated Direct Clearing Member, and a corresponding transaction is simultaneously effected between such General Clearing Member or the affiliated Direct Clearing Member and Eurex Clearing AG.

(3) A basis transaction consists of a transaction in German government bonds and a future transaction according to §11. Both transactions will be concluded according to the foregoing paragraphs (1) and (2).

(4) Each Bonds transaction will be processed on the third working day following the trading day.

(5) Each transaction concluded on Eurex Bonds will be processed, collateralized and cleared in accordance with the Clearing Conditions of Eurex Clearing AG. This also applies to transactions which arise from a basis transaction in accordance with paragraph (3).

§ 20 Exclusion from Trading due to Default

(1) If a Market Participant of Eurex Bonds is excluded according to paragraph 3.12.4.1 or 3.12.4.2 of the Exchange Rules for Eurex Deutschland and Eurex Zürich from trading at Eurex, the authority to trade on Eurex Bonds will automatically be terminated instantly by the Board of Management.

(2) If the enterprise that has been excluded is a "General Clearing Member" of Eurex Clearing AG, all "Non-Clearing Members" associated with this "General Clearing Member" will also be excluded from trading at Eurex Bonds.

(3) During the duration of its exclusion, a suspended Market Participant may, under the supervision of the Boards of Management of the Eurex Exchanges, close or transfer its positions. If a "Non-Clearing Member" is excluded from trading on Eurex Bonds, the "General Clearing Member" or the "Direct Clearing Member" may request of the Eurex Clearing AG that the positions of such "Non-Clearing Member" be closed. If a "General Clearing Member" is excluded from trading on Eurex Bonds pursuant to the provisions of this § 19 (1), the "Non-Clearing Members" for which such "General Clearing Member" acts shall only be excluded from trading according to § 19 (2) on Eurex Bonds until they are able to engage in trading at Eurex Bonds through another

"General Clearing Member". The right to revoke the admission to trading on Eurex Bonds shall remain unaffected.

§ 21 Suspension of Trading

(1) The Board of Management may suspend all trading or trading in one or more instruments if this is required by market conditions. The Board of Management may cancel the suspension of trading if the reasons which gave rise to the suspension no longer exist. If trading in an instrument has been suspended for more than six months, it will automatically be excluded from trading at the earliest possible date.

(2) The Board of Management's decision concerning the suspension of an instrument will be made after the end of the trading period and all Market Participants will be informed by electronic means thereof before the commencement of the next trading day.

(3) In exceptional and emergency circumstances, the Board of Management is authorized to suspend a traded security from trading with immediate effect if it appears that orderly trading in the security is at risk. All Market Participants will be informed thereof via the system.

§ 22 Market Surveillance

(1) Eurex Bonds will monitor the functionality of the system during the trading periods and compliance with all the provisions of these Terms and Conditions. The Board of Management may apply all measures that are necessary to ensure orderly trading and the smooth functioning of the system.

(2) To ensure orderly system operation, the Board of Management may order that the commencement of trading for the entire system be postponed or that a trading period may be extended beyond its scheduled duration.

(3) In the case of technical problems, the Board of Management may suspend access to the system or trading in the system for individual or all Market Participants. If trading in the system is suspended, the Board of Management shall delete all quotes entered into the quote-book. In all other respects, § 12 of the Implementation Regulations of the Frankfurt Stock Exchange Concerning Technical Equipment for the Electronic Trading System shall apply accordingly.

(4) In the event of the application of measures significantly influencing the operation of the system, the Market Participants affected will be notified as far as possible without delay through the system or, in the case of system failure, by another appropriate electronic means. In case of a suspension of trading in accordance with paragraph 3, this shall also apply to such point in time at which trading is to recommence.

(5) If individual Market Participants are unable to participate in trading on Eurex Bonds due to technical disruptions, the system will remain available to other Market Participants.

(6) The Board of Management may completely discontinue Eurex Bonds trading at any time.

§ 23 Measures in the Event of a Breach of Obligations by Market Participants

(1) The Board of Management is entitled, depending on the gravity of the breach of obligations and after issuing a written warning, to restrict, suspend or cancel the authority to participate on Eurex Bonds of Market Participants who fail to comply with their obligations under these terms and conditions or, intentionally or negligently, place orderly trading in the securities traded on Eurex Bonds at risk. In cases of grave breaches, in particular those placing orderly trading on Eurex Bonds at risk, the Board of Management is entitled to take any of the actions mentioned above without prior warning.

(2) Notwithstanding the provisions of paragraph 1, the Board of Management may suspend the authorization to participate on Eurex Bonds if there is a substantial suspicion that a Market Participant is suffering a significant deterioration in its financial situation, as a result of which the fulfillment of transactions on Eurex Bonds, or the obligations of the Market Participant under these terms and conditions, seem in doubt.

(3) The Board of Management will inform the Market Participant concerned, in writing, of a possible breach pursuant to paragraph 1, and of the nature of such breach, while simultaneously requesting the Market Participant to respond thereto.

(4) The Market Participant is obliged, within 10 trading days, to respond to the allegations made.

(5) The Board of Management shall adopt a decision pursuant to paragraph 1 on the basis of a majority vote. A representative of the Market Participant concerned shall not have the right to cast a vote.

(6) In addition, the Board of Management reserves the right to introduce transaction limits and fees for the breaching of transaction limits if this appears necessary for the purpose of ensuring orderly market conditions.

5. Part: Final Provisions

§ 24 Board of Management Decisions

The Board of Management may at any time transfer the decisions vested in it under these Terms and conditions to designated third persons within Eurex Bonds GmbH.

§ 25 Governing Law and Place of Jurisdiction

(1) These terms and conditions shall be solely governed by German law.

(2) The legal venue for all disputes arising in connection with these terms and conditions shall be Frankfurt am Main.

Annex

The following items will supplement the General Rules with respect to market making and basis trading.

1. Trading Parameters

	Minimum Order Size (EUR mill.)	Round Lot Size
German Government Bonds	1	1
Sub-Sovereigns	1	1
Jumbo Mortgage Bonds	1	1
Basis Instruments	5	5

2. Market Making

2.1 Segmentation of the Bonds

	X Residual maturity < 1 year	A Residual maturity > 1 and < 3.5 years	B Residual maturity > 3.5 and < 6.5 years	C Residual maturity > 6.5 < 13.5 years	D Residual maturity > 13.5 and < 35 years
deliverable German Government Bonds [2] (Benchmark Bonds)	not applicable	A1	B1	C1	not applicable
non-deliverable German Government Bonds (Liquid Bonds)	X2	A2	B2	C2	D2
Jumbo Mortgage Bonds	X3	A3	B3	C3	not applicable
Sub-Sovereigns	X4	A4	B4	C4	D4

[2] Deliverable into the first two expiration months of the respective future contracts

2.2 Market Making Obligations

Product Segment / Group	German Government Bonds Benchmark Bonds		German Government Bonds Liquid Bonds		Sub-Sovereigns		Jumbo Mortgage Bonds		Basis instruments deliverables		Basis instruments non-deliverables	
	Min Quote Quantity (mio €)	Max Spread	Min Quote Quantity (mio €)	Max Spread	Min Quote Quantity (mio €)	Max Spread	Min Quote Quantity (mio €)	Max Spread	Min Quote Quantity (mio €)	Max Spread	Min Quote Quantity (mio €)	Max Spread
A (1 – 3.5 years)	5	3	5	3	5	5	5	5	10	2	10	3
B (3.5 – 6.5 years)	5	3	5	4	5	7	5	7	10	2	10	3
C (6.5 – 13.5 years)	5	4	5	5	5	10	5	10	10	2	10	3
D (13.5 – 35 years)	5	15	5	20	5	20	Not applicable		Not applicable		Not applicable	
Quotation Hours per day	5 hours		5 hours		5 hours		5 hours		5 hours		5 hours	
Obligation to enter Quotes within Quotation Hours	80 %		80 %		80 %		80 %		80 %		80 %	

2.3 Assignment of Products to Market Makers

The assignment of all Products admitted for trading shall be renewed by the Board of Management on a monthly basis; however, each Market Maker shall – as far as possible – be responsible for the same number of Products.

3. Erroneous Entries

	German Government Bonds	Sub-Sovereigns	Jumbo Mortgage Bonds	Basis Instruments
Residual maturity X	0,20	0,20	0,20	not applicable
Residual maturity A	0,20	0,20	0,20	0,050
Residual maturity B	0,30	0,30	0,30	0,070
Residual maturity C	0,40	0,40	0,40	0,100
Residual maturity D	0,60	0,60	0,60	not applicable

4. Basis Trading

The components and calculation of a basis transaction (Cash Bond Leg and Futures Leg) are explained in the following.

4.1 The Cash Bond Leg

The nominal volume of the security is equivalent to the nominal volume of the basis:

(1) $s_b = s$

where

s_b - nominal volume of the security

s - nominal volume of the basis

The “clean price” for the security is calculated as follows:

(2) $p_b^{clean} = p + p_f * c_{b:f}$

where

p_b^{clean} - clean price, carried out to five decimal places

p - basis price of the transaction

p_f - last futures price traded, set immediately prior to the execution of the basis transaction (to be found on the Eurex @X-ceed *Online Time and Sales Sheet* window),

$c_{b:f}$ - price factor of the bond

deliverable Bonds: to be found on the Eurex Information Screen K055

non-deliverable Bonds: price factor will be deviated out of the “hedge ratio” and will be fixed by Eurex Bonds

The settlement price ("dirty price") of the security also includes accrued interest:

(3) $$p_b^{dirty} = p_b^{clean} + i_b^{acc}$$

where

p_b^{dirty} - dirty price, carried out to five decimal places

i_b^{acc} - accrued interest (ACT/ACT) up until the settlement date (t+3)

4.2 The Futures Leg

The price of the futures will be defined as the last futures price traded immediately prior to the basis transaction. This is the same price used for calculating the cash leg price (formula (2)). The number of futures contracts generated per "round lot size" of the basis transaction (the hedge ratio) is calculated by the system as follows:

(4) $$h_{b:f} = rounded\left(\frac{d_b^{\text{mod}} * p_b^{dirty} * c_{CTD:f} * s_{RL}}{d_{CTD}^{\text{mod}} * p_{CTD}^{dirty} * n_f}\right)$$

where

$h_{b:f}$ - hedge ratio – number of futures per "round lot size"

d_b^{mod} - modified duration of the securities,

d_{CTD}^{mod} - modified duration of the CTD,

p_b^{dirty} - dirty price of the security

p_{CTD}^{dirty} - dirty price of the CTD

$c_{CTD:f}$ - price factor of the CTD,

n_f - contract value of the futures (= €0.1 mill.),

s_{RL} - "round lot size" of the basis transaction (= € 5 mill.)

The dirty price of the security/the CTD required for calculating the hedge ratio is determined by Eurex Bonds using the last price of the basis of the relevant security traded on the preceding trading day, the settlement price of the corresponding futures and the relation represented in formulas (2) and (3). If the last traded price of the basis does not correspond to the current market conditions, Eurex Bonds may instead use the last quote in the basis quote book for determining the basis or determine that the last traded or quoted price of the security be the final price instead.

The number of futures contracts are thus calculated as follows:

(5) $$s_f = \frac{s_b}{s_{RL}} * h_{b:f}$$

where

s_f - number of futures per basis transaction,

s_b - nominal volume of the security,

s_{RL} - "round lot size" of the basis transaction (= € 5 mill.),

$h_{b:f}$ - hedge ratio – number of futures per "round lot size" (as calculated using formula (4))

For calculating the hedge ratio the "modified duration" is used as an estimate of the price sensitivity of the security and the future leg. The "modified duration" of the actual future contract corresponds to the "modified duration" of the CTD. Assuming a uniform repo rate for all German government bonds, the "cheapest-to-deliver" (CTD) of the relevant interest rate futures contract is the bond within the delivery basket, which has the highest implicit repo rate or the lowest net basis. The CTD in Eurex Bonds system correlates to the CTD of the corresponding Eurex interest rate futures contract. This information appears daily on the Eurex K055 screen and the Eurex Bonds web-site.

The "modified duration" is calculated as follows:

(6) $$d_b^{\text{mod}} = \frac{\frac{n*N}{(1+r_b)^n} + \sum_{t=1}^{n} \frac{t*C}{(1+r_b)^t}}{\frac{N}{(1+r_b)^n} + \sum_{t=1}^{n} \frac{C}{(1+r_b)^t}} * \frac{1}{1+r_b}$$

where

n - number of full coupon payments until the security's maturity date,

N - repurchase value of the security in %,

C - annual coupon of the security in %,

r_b - current yield of the security (as calculated using formula (7)).

The exact cash flow of the security is calculated from the security's key data. The cash flow serves to calculate the yield of the security, which is defined as follows:

(7) $$r_b = f\left(N, C, n, p_b^{dirty}\right)$$

where N, C, n, p_b^{dirty} are defined as above.

The yield is calculated using an iteration algorithm (Newton approach).

The calculation of the modified duration of the CTD is performed using the same procedure as illustrated above for the security.