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Eurex Newsletter N° 8/ March 1999 Zurich – Frankfurt/Main

In the spotlight: Eurex transaction limits

Ever since transaction limits were introduced in the Eurex system, their very existence has been a constant source of inquiries in particular by new Eurex participants.

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In this context, the most frequent misconception is with respect to the meaning of the term **"transaction"**. For the purposes of transaction limits, **"transaction"** does not refer to the number of contracts that a given participant may trade within a product, but rather to a processing activity within the system. From a technical point of view, a distinction is made between **"synchronous"** and **"asynchronous" system transactions. Transactions** are termed **"synchronous"** whenever they are initiated by an exchange participant, triggering an immediate response by the Eurex system. Participants who have initiated such a transaction await a direct ("synchronous") system response on their screens. In addition to all **order-driven or quote-driven transactions** (Add, Change or Delete), this includes all **inquiries** which are not related to data stored on the User Device or in the BOF file interface.

Asynchronous system transactions are all those which cannot be directly attributed to an activity by any individual participant. Predominantly, this includes subsequent Eurex system processes carried out as a result of participants' activities, such as the posting of positions after the conclusion of trades or the broadcast of price information to all participants.



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Eurex transaction limits refer to **synchronous transactions** only. Introduced in 1995 in response to the increasing use of quote machines, these limits were designed to mitigate the network and system load caused by the excessive frequency of quote up-dates. Since the expansion of host capacity was only a partial remedy for the resulting performance problems, restrictions of quote machine activities were unavoidable. Following initial problems, all operators of quote machines have meanwhile managed to adjust their systems parameters so as to avoid exceeding the set **transaction limits**, yet safeguarding the provision of required liquidity by way of automatic quotations.



Caused by the rapid growth of Eurex trading volumes, in May 1998, participants not using quote machines exceeded **transaction-limits** for the first time and thus had to pay excess fees. It has never been the intention of Eurex to restrict the trading activities of its participants as a result of **transaction limits**. Therefore, on July 1, 1998, a cap to the monthly excess fees payable by each participant was introduced as an initial measure. Moreover, on a medium-term horizon, plans were developed to set individual **transaction limits** for each participant on the basis of daily business in each product. The implementation of this adjustment is scheduled for September 1999.



In the course of the continuous review of the limitation of **synchronous transactions**, the introduction of a limit for **transactions not related to specific products** was necessary at the beginning of this year. This was caused by the increased number of back office applications using high-frequency updates of give-up and take-up inquiry screens which could not be attributed to any specific product.

However, the operators of such systems have now managed to fine tune their applications so as to avoid excessive network loads, yet at the same time safeguarding the appropriate support for back office staff.

Eurex waives transaction fees for
EURIBOR products until year-end

New functionalities in the course of the year/ EURIBOR derivatives off to very good start at Eurex.

Eurex, the European derivatives market, wants to upgrade its money-market segment further. Moreover, Eurex is waiving **transaction fees** for trading in **EURIBOR derivatives** (one-month and three-month **EURIBOR** Future as well as the option on these latter future) until the end of the year. The exchange is thus extending by another nine months the fee waiver that has applied since the product launch in mid-September and was originally limited until the middle of March. Eurex also announced that it will be introducing new functionalities for its electronic trading system before the year is out that will support trading in money-market products in particular. Eurex plans to release the details re-garding these innovations within the next few weeks.

The **EURIBOR** products have got off to a spectacular start at Eurex. Since the start of EMU, the Eurex market share in the money-market segment has been about 12 percent – as compared with only around two percent of the volume going into the new year. Trading in the three-month **EURIBOR** Future during the first seven weeks of 1999 matched the volume for all of last year with almost 600,000 contracts traded. Eurex attributes the derivatives' success to the high level of acceptance for the **EURIBOR** reference interest rate and to the rising number of market participants who are trading the three-month **EURIBOR** future on Eurex from Germany and especially from the UK and France.

Walter Allwicher and Uwe Velten would be happy to answer any questions from the news desks.
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Member Training

Date: 5. March 99

Training and Education Derivatives Market

	Course	March	Places available	April	Places available
Traders Examination	Colloquium for	25.03.99 **L**	15	26.04.99 **C**	2
	Eurex Traders Examination	26.03.99 **L**	20	27.04.99 **C**	3
		29.03.99 **C**	4	29.04.99 **L**	20
		30.03.99 **C**	3	30.04.99 **L**	18
	Eurex Traders	29.03.99 **L**	11	05.04.99 **C**	3
	Examination	30.03.99 **L**	8	12.04.99 **N**	5
				15.04.99 **L**	21
				16.04.99 **L**	29
System Training	System Training for	31.03.99 **C**	2	12.04.99 **L**	6
	Eurex Trading			13.04.99 **L**	6
				14.04.99 **F**	9
				28.04.99 **C**	4
	System Training for			14.04.99 **L**	2
	Eurex Clearing			15.04.99 **L**	6
				16.04.99 **F**	9
				29.04.99 **C**	5
	System Training for	19.03.99 **L**	4	23.04.99 **L**	6
	Eurex Security				

News

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Eurex Chief Dr. Jörg Franke Inducted into Derivatives Hall of Fame

Dr. Jörg Franke, CEO of Eurex, and member of the Board of Deutsche Börse AG, was inducted into the Derivatives Hall of Fame in New York on February 8, 1999. The magazine Derivatives Strategy awards this distinction to prominent figures for outstanding achievements in the derivatives markets. Dr. Franke was awarded the distinction for his achievements in the establishment and development of DTB, the fully computerized German options and futures exchange. Dr. Franke has consistently pursued his goal of making cross-border electronic trading a reality and has headed Eurex since its inception in September 1998 as the world's only merger of two derivatives markets (DTB and SOFFEX), for which he was responsible. This year is the third time that the Hall of Fame distinction has been awarded.
In addition to Dr. Jörg Franke, Paul Tudor Jones, Lisa Polsky and Merton Miller also received the distinction.

Eurex Hex Strategic Alliance Roadshow

In April 1999, Eurex and Helsinki Exchanges (HEX) will sign a cooperation agreement sealing a far-reaching strategic alliance between the two markets. The cooperation aims at having the Finnish options and futures business transferred to the Eurex platform from September 1999. By forging their ties, Eurex and HEX pursue the objective of providing market participants with a single joint access to as many products as possible, thus reducing costs and further improving the liquidity. The upcoming alliance with topics such as the introduction of new products and Release 3.0 is being presented in Helsiniki, Stockholm, Copenhagen and Oslo during the month of March and April.
If you have any questions or would like to receive the presentation materials please contact Helena Nikkilä.
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Boca Raton '99

The Futures Industry Association is hosting the 24th Annual International Futures Industry Conference in Boca Raton, Florida USA from March 16 through March 20. The conference promises to offer the participants a variety of interesting panel discussions, including a look at expected developments in the futures industry for the start of the new millennium. Dr. Jörg Franke, Chairman of the Eurex Executive Board, accompanied by Eurex Executive Board Members Otto E. Nägeli and Andreas Preuß will partake in the organized panel discussions as well as host Eurex Late Night on Thursday evening to enjoy the Motown sounds of their special musical guests "The Four Tops". Be sure to stop by and see us at the Eurex booth no. 29 & 30.

VALUES API Developer's Kit on the Internet

In addition to the VALUES API Programming version Eurex on February 9, 1999 also published the VALUES API Developer's Kit. The Kit gives organisations developing applications for Eurex the opportunity to test their software. As an additional service Eurex provides a test support utility for each available platform. This utility consists of an executable "vcitest.exe" and input data files "tscript1.txt" and "tscript2.txt". Users can run "vcitest.exe" against the VALUES API developers kit to test whether the installation and configuration is performed correctly.

Eurex discontinues Trading in Jumbo Pfandbrief Futures

Eurex, the European derivatives market, is suspending trading in the DEM and Euro Jumbo Pfandbrief Futures, effective March 1, 1999. Trading in the products will be blocked for all contract months until the final delisting, since there are no more open positions.
Turnover in the Jumbo Pfandbrief Future, which had a very successful start, had been on the decline in recent months. Eurex regards this as mainly the result of a weak repo market and strong competition from the extremely liquid BOBL Future. If the prerequisites needed for the launch of a derivative on the Jumbo Pfandbrief market to be successful are developed at some point in the future, there is definitely potential for such a product to be reintroduced at Eurex.

Walter Allwicher und Uwe Velten would be happy to answer any questions from the news desks.
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Eurex Trading Calender

The Eurex Trading Calender is now available on the internet (www.eurexchange.com "Whats New").

A brochure will be available in March via the publications service.
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Preview of Events

16.–20. March
FIA's International Futures Industry Conference, Boca Raton, USA
11.–12. May
FOW Derivatives & Risk Exhibition, New York, USA

New Eurex Release 3.0

in the late summer

Open Interface and Graphical User Interface/ Better integration of Eurex trading for participants.

Eurex, the derivatives market, will be expanding its electronic trading system further this year. A new software release, **Eurex Release 3.0**, is to be made available to the participants this late summer. The main change that will be made with the next version of the Eurex system is a new software architecture with an **open interface** as well as a modern graphical user interface, or so-called GUI. The new frontend architecture, which covers the full spectrum of Eurex functions for trading, will inform traders faster about the execution of orders, with complete trade identification.
The **open interface** will promote and facilitate the integration of Eurex trading into the participants' trading environment to an even greater degree than it has so far.
The **VALUES API (Virtual Access Link Using Exchange Services - Application Programming Interface)** developed by Eurex in collaboration with Deutsche Börse is a logical extension of the interface already developed and successfully introduced with the Xetra electronic trading system for the cash market. **The new application provides direct, open access to the Eurex network and thus to the Eurex trading system.** The programmable interface makes it easier for the participants to apply various software options from vendors of their choice as additions or supplements to the standard applications offered by Eurex and the graphical user interface. This will give Eurex members much greater flexibility in the choice of their systems, enabling them to use software that is perfectly tailored to their needs to play off their competitive advantages against other participants. The new release will also continue to support the existing platforms and infrastructures. Participants can efficiently integrate specific functionalities such as risk management, order-routing, position maintenance or quotation into the Eurex trading system. Eurex is making a **VALUES API** test-kit available via its homepage **(www.eurexchange.com)** for participants and software vendors to develop their own applications on the basis of **VALUES API**. The implementation of Release 4.0 is scheduled for the year 2000. It will expand the clearing functionalities and extend the **VALUES API** to the clearing functions.

Walter Allwicher and Uwe Velten will be happy to answer any questions from the news desks.
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Follow-up chart

Eurex Release 3.0

Eurex Release 3.0 will go into production on August 23, 1999. To reduce complexities, the new front end on MISS basis will only be supported as of September 6, 1999. Other activities for the preparation for the introduction of the release are the following:

May '99

Start of Technical and functional training for the new frontend

June '99

Delivery of 3.0 Member Manuals and Release 3.0 Simulation

From 12.07.99

Release 3.0 Simulation for User Devices and MISSs

23.08.99

Start of Eurex Release 3.0 production for User Devices

06.09.99

Start of Eurex Release 3.0 production for MISSs with the Graphical User Interface

For further informations please contact the Team Member Readiness. T +49 (0)69-21 01-15 00

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