Eurex Bonds

Release Notes 01/2005

Enhancement of Settlement ID Mapping

Extension of Settlement Period in Pre-arranged Trade Facility

Support for Settlement T + 1

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1 Introduction

In November 2004 Eurex Bonds extended its product portfolio with the introduction of additional bonds of the European Investment Bank, European Covered Bonds, and Corporate Bonds. In the next months it is planned to launch European Government Bonds step by step.

This extension of the product range has been made possible by the introduction in October 2004 of a new connection between Eurex Clearing and Clearstream Banking Luxemburg (the so-called CBL-Link). The new product groups can only be settled via an international central securities depository (ICSD) account and are available for all members who possess a settlement account at Clearstream Banking Luxemburg, Euroclear Bank, or a so-called „6-Series Account“ at Clearstream Banking Frankfurt.

Eurex Bonds will introduce system enhancements in the area of back-office support as a reaction to the growing importance of additional settlement accounts on member side. The new functionalities satisfy urgent customers' needs of using settlement accounts in a more flexible and appropriate way on Eurex Bonds.

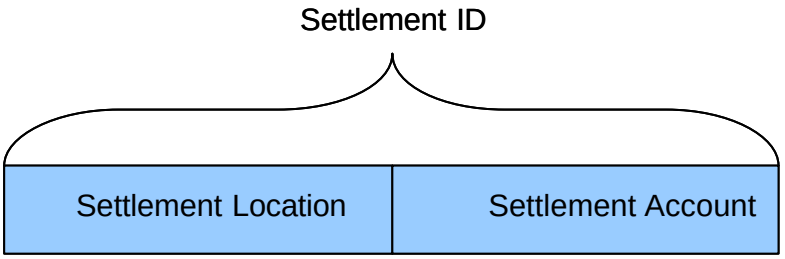
The following new functionalities will be introduced end of May, 2005:

- Flexible Settlement ID Mapping per Eurex Bonds Market Segment:
  This new feature allows the Eurex Bonds member to use different default settlement accounts and link them to the appropriate Market Segments. The former restriction in the settlement ID mapping of assigning only one settlement account to a user ID is redeemed.
- Extension of supported Settlement Period in the Pre-arranged Trade Facility:
  In the Eurex Bonds Pre-arranged Trade Facility the entry of a settlement period of T + 1 will be provided. The range of a supported settlement period in the Pre-arranged Trade Facility is extended to the values 1 to 89 (so far from 2 to 89) days for all bonds. For all Basis Instruments the Settlement Period is also extended to the values 2 to 4 (so far 3 to 4) days.

2 Prerequisites and Definitions

2.1 Settlement ID

In the following the term “Settlement ID” is used to define a specific settlement account at a settlement organisation.



For each Eurex Bonds trading member up to 16 settlement IDs can be used to settle transactions. The member informs Eurex Bonds about its different settlement IDs. A member has to specify one of the settlement IDs as his default settlement ID.

On the business day after the Eurex Bonds Market Supervision has entered the different settlement IDs, the member’s security administrator can assign one of the settlement IDs as a default settlement ID to a trader. In case that no explicit settlement ID is assigned to the user by the member’s security administrator in the window “user entry”, the default settlement ID of the member is also used as the default settlement ID of the trader.

Changes to the member and the trader default settlement ID are effective the next business day.

2.2 ICSD Settlement Account

The following settlement locations are currently supported by Eurex Clearing:

- Clearstream Banking Frankfurt (CBF)
- Clearstream Banking Luxemburg (CBL)
- Euroclear (EOC)
- SegaInterSettle (SIS)

Each Eurex Bonds trading member needs for trading in international bonds a so-called ICSD (international central securities depository) account.

The following ICSD accounts are currently accepted by Eurex Clearing:

- Account at Clearstream Banking Luxemburg
- Account at Euroclear Bank
- So-called „6-Series Account“ at Clearstream Banking Frankfurt

2.3 Settlement Date and Settlement Period

The Settlement Period is defined as the standard value of business days that lie between the trading day and the settlement day.

For Eurex Bonds Order Book trades the international standards are used:

- Settlement Period **T + 3** for all Bonds
- Settlement Period **T + 2** for all Treasury Bills

The Settlement Date is defined as the date of the targeted settlement; for Order Book trades the appropriate Settlement period determines the Settlement Date in the Trade Confirmation.

The Pre-arranged Trade Facility is more flexible: all members can use settlement dates that deviate from the standard settlement period.

3 Flexible Settlement ID Mapping

With the introduction of the new feature, members that plan to use several Settlement IDs for trading on Eurex Bonds will gain more flexibility in the assignment of trades within a specific market segment to a chosen settlement account.

All members that have set-up more than one Settlement Account for usage at Eurex Bonds are asked to inform Eurex Bonds, which accounts they want to use for the specific market segments.

Additionally it can be further distinguished within the market segment in the following way:

- DE-ISIN: „International Security Identification Number“ of the bond, starting with „DE“
- Other ISIN: „International Security Identification Number“ of the bond, not starting with „DE“

For the following bond groups the member can assign dedicated Settlement IDs at Eurex Bonds:

		Settlement ID Member XYZ	
Eurex Bonds Market Segment	**Instrument Group**	Settlement Location	Settlement Account
German Government Bonds	BOND		
German Treasury Discount Papers	BILL		
Jumbo Pfandbriefe and German State Bonds	JUMB		
Europäische Covered Bonds (DE-ISIN)	ECOV		
Europäische Covered Bonds (other ISIN)	ECOV		
Agencies (DE-ISIN)	AGEN		
Agencies (other ISIN)	AGEN		
Corporate Bonds (DE-ISIN)	CORP		
Corporate Bonds (other ISIN)	CORP		
European Government Bonds	in preparation		

After the member’s Settlement ID Mapping Information has been set-up in the Eurex Bonds System the Member’s security administrator can control the usage of the new functionality in the following way:

3.1 Case 1: Trader requires only one Settlement ID

In this case there is no action required. As hitherto the Member’s security administrator assigns the chosen settlement ID to the user in the window „User Entry”.

3.2 Case 2: Trader requires several Settlement IDs

In this case the trader requires using several settlement accounts for trading at Eurex Bonds depending on the considering market segment.

The Member's security administrator maintains hereunto in the window „User Entry" the following Settlement ID on user level:

Settlement Location	Settlement Account
EUR	99999

As soon as a trade of a trader with the above „Dummy" Settlement ID assigned is generated, Eurex Bonds retrieves in the detailed Settlement ID Mapping Information of the member the chosen Settlement Account. If no specific Mapping Information is provided for the considering market segment by the member, the member's Default Settlement ID will be applied.

Each Eurex Bonds trade of the trader thus features the member's chosen Settlement Account for the respective market segment.

Consequently both the „Trade Confirmation" of Eurex Bonds and the delivery instruction created by Eurex Clearing contain the member's chosen Settlement Account.

3.3 Activation of Changes in the Settlement ID Mapping

Changes to the member's Settlement ID Mapping Information become effective the next business day.

Both changes to the trader default settlement ID and the switch to flexible Settlement ID Mapping (by entry of Settlement ID (EUR, 99999) by the Member's security administrator in the window "User Entry") become effective the next business day.

4 Extension of Settlement Period in Pre-arranged Trade Facility

Eurex Bonds will extend the range for a valid Settlement Date in the Pre-arranged Trade Facility as follows:

- Bonds and Treasury Bills: from **T + 1** (so far T + 2) to **T + 89**
- Basis: from **T + 2** to **T + 4** (so far T + 3)