X-pand into the Future

e u r e x *circular 099/02*

Date: Frankfurt, October 31, 2002
Recipients: All Eurex members and vendors
Authorized by: Daniel Gisler

Position Transfer with Cash Transfer

Related Eurex Circulars: 059/02, 095/02

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Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Coordination	1. Description of the Position Transfer with Cash Transfer Functionality 2. Modified 'Conditions for Trading at Eurex Deutschland and Eurex Zürich' 3. Modified 'Price List'

The Management Boards of the Eurex Exchanges have taken the decision to introduce the Position Transfer with Cash Transfer function with effect from **November 1, 2002**.

This function enables members to transfer cash amounts associated with position transfers within the Eurex system. Additional explanation of the use of the function can be found in Attachment 1.

Introduction of the facility also requires the 'Conditions for Trading at Eurex Deutschland and Eurex Zürich' and the 'Price List' to be modified. The changes can be found in Attachments 2 and 3, respectively.

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Description of the Position Transfer with Cash Transfer Functionality

A new type of Position Transfer is available to members in Eurex Release 6.0. The implementation of the "Position Transfer with Cash Transfer" facility is based on the existing Position Transfer Entry window and, in addition to the transfer of positions, also allows a cash amount connected with the positions to be transferred. A new field 'Cash Amount' has been added to the Position Transfer Entry window for this purpose.

1. Entry of Position Transfer with Cash Transfer

A Position Transfer with Cash Transfer can be entered and confirmed by the parties involved during the pre-trading, trading, fast-market and post-trading-full periods. The cash amounts entered are in the currency of the corresponding products. The Eurex system allows a position transfer to be separated in time from the transfer of an associated cash amount, which can also take place on the next trading day. However, the relationship between the cash transfer and the position transfer must be clearly identified by a corresponding reference.

The cash amount entered may be positive or negative. For the member entering a positive amount the transfer is considered as a credit transfer. Thus the Clearing member of the member entering the amount will be debited, and the Clearing member of the receiving member will be credited with the amount. From the viewpoint of the member entering a negative amount, the entry is regarded as a debit entry. Thus, the Clearing member of the member entering the amount will be credited, and the Clearing member of the receiving member will be debited. All debits and credits will be aggregated so that each Clearing Member will receive a maximum of two payment instructions (debit and/or credit) per currency per day.

Three additional optional fields (Customer, MIOrdNo, and Text) have also been extended. These fields permit client-specific data to be entered in connection with the position transfer. These fields will be displayed on the relevant reports e.g. Position Detail Report (RPTCB010) and Position Transfer Overview (RPTCB030).

Furthermore, with Eurex Release 6.0, it is possible to perform several position transfers (with or without cash transfers) per product and per day between the same members.

2. Unambiguous Referencing of Position Transfers with Cash Transfer

Please note that the Trading Conditions stipulate that the cash transfer must clearly be in connection with one or more underlying trades which have been transferred, or are to be transferred, by means of a Position Transfer. This is especially important when a cash amount only is transferred after successful completion of a position transfer.

When an association between a position transfer and a cash transfer is not clear or is subject to doubt, Eurex Clearing AG may refuse the transfer. In such cases Eurex Clearing AG has no obligation to transfer the amount entered into its system between the parties involved.

If a single trade is transferred by means of a position transfer, the entry of the transaction date and transaction ID of the original trade in one of the three optional free-text fields is sufficient as a reference.

If the transfer of a position involving multiple underlying trades is made, the reference can also be made by means of a written list of the underlying trades with the principal details. This list must be transmitted to the Functional Help-desk Clearing by the end of the post-trading period of the day on which the cash amount is transferred

3. Fees for Position Transfers with Cash Transfer

Fees will be charged to Clearing members or their NCMs which make use of this additional Eurex service. These will be charged to the Clearing member of each party involved in the transfer. Clearing members may then book the fee to their NCMs if appropriate. The fee is calculated per transfer, and is independent of the number of transferred contracts or the transferred cash amount. The valid fee rates can be found below and in Section 2.7 of the Price List.

Contract:	Fee per Transaction per Member:
Per Transaction, for euro-denominated Products	EUR 7.50
Per Transaction, for CHF-denominated Products	CHF 13.00

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The fees will be shown together with the Position Adjustment Fees. **Position transfers without associated cash transfers will be carried out free of charges, as before.**

4. Reporting and AWV Reporting

The cash amount entered with the position transfer will be shown in the existing reports “Position Transfer Overview” (RPTCB030) “Member Exceptions – Positions” (RPTCB 120) and “Daily Cash Account Statement” (RPTCD010). In the “Daily Cash Account Statement” report the cash amount is only shown for information, and it is not included in the balances.

Please note that each member is itself obliged to report the cash transfer to the Deutsche Bundesbank within the scope of the Foreign Trade and Payments Ordinance (Außenwirtschaftsverordnung – AWV).

5. Additional Cash Accounting with Eurex Release 6.0

We would also like to draw your attention to the fact that the cash transfers resulting from position transfers are booked and settled separately from Eurex Clearing AG’s current payments. Furthermore, it should be noted that the Eurex Exchanges or Eurex Clearing AG do not guarantee the fulfillment of these payments and will not supply any advance payment.

Therefore, in relation to the new functionality, the cash amount must first be received before the corresponding amount is transferred to the beneficiary (Clearing Member). The settlement of the cash transfers entered via the Position Transfer with Cash Transfer facility is normally carried out by Eurex Clearing AG between 11:00 and 11:30 CET on the following exchange trading day.

In the event of insufficient cover, Eurex Clearing AG will inform the Clearing Member responsible for the payment after 11:30 CET, and request payment by 13:00 CET at the latest on the same day.

However, as these payments are not guaranteed by Eurex Clearing AG, in the case of non payment of the cash amount by the Clearing Member by 11:30 CET at the latest, the following procedure will apply: since Eurex does not make advance payments, the release of the credit to the beneficial Clearing Member will be delayed until 13:00 CET. Should insufficient cover be available in the appropriate central bank account of the Clearing Member responsible for the payment by 13:00 CET, the associated payment instructions will be cancelled from the payment systems of the central banks. The corresponding credit balances will be adjusted by the appropriate amount and payment of the reduced amount will be made to the appropriate Clearing Member. Thus it is in the interests of all Clearing Members to ensure that sufficient cover is available in the appropriate central bank account in good time.

A) Cash Accounting Between the Bundesbank and Eurex

The calculation in the Eurex overnight batch of individual amounts for accounting does not change.

From 11:00 CET, the additional payments from Position Transfers will be included, i.e. the debit balances will be forwarded electronically to the Bundesbank at this time. The Bundesbank will handle the settlement of the cash instruction as long as sufficient funds are available in the cash accounts of the Clearing Members. The entry of debit balances will be carried out until 11:30 CET. The delivery of cover to the cash accounts must therefore be made by 11:30 CET at the latest.

From 11:30 CET as long as the cash transfer was concluded correctly, the corresponding credit balances are released for payment and credited to the Bundesbank account of the appropriate Clearing member. The procedure following a failure to deposit sufficient cash is described in section 5.

B) Cash Accounting Between SIC Accounts of the SNB and Eurex

The calculation in the Eurex overnight batch of individual amounts for accounting does not change.

From 11:00 CET, the additional payments from Position Transfers will be included, i.e. the debit balances will be forwarded electronically to the SIC system of SNB at this time. The SIC system of SNB will handle the settlement of the cash instruction as long as sufficient funds are available in the SIC accounts of the Clearing members. The entry of debit balances will be conducted until 11:30 CET. The delivery of cover to the SIC accounts must therefore be made by 11:30 CET at the latest.

From 11:30 CET as long as the cash transfer was concluded correctly, the corresponding credit balances are released for payment and credited to the SIC account of the appropriate Clearing member. The procedure following a failure to deposit sufficient cash is described in section 5.

Frankfurt , October 30, 2002

1 Part: General Provisions

1.4 Subpart: Position Accounts of Exchange Participants

1.4.5 Account Management

(1) …

(6) Position transfers between different Exchange Participants from or onto M-position accounts are not permitted.

Position transfers without cash transfer or position transfers with cash transfer between different Exchange Participants (member position transfer) may only be made by an Exchange Participant upon confirmation of the entry of the transfer as binding by all Exchange Participants and Clearing Members involved. Position transfers from or onto an Agent Position Account may only be made at the request of the customer concerned.

The functionality "position transfer with cash transfer" may only be selected if – by way of a reference which must be entered into the Eurex-System – the amount to be transferred is clearly attributable to one or more trades entered on a position account of the Exchange Participant.

The EDP system of the Eurex Exchanges will transfer the relevant positions after the Post-Trading Full Period. Generally, any payments or credit entries to be made in relation to the functionality "position transfer with cash transfer" shall be effected on the Exchange day following the Exchange day on which the functionality was used. However, with regard to this particular functionality, the respective amount is transferred to the Exchange Participant entitled to receive payment no sooner than the Exchange Participant liable to pay such amount has actually made payment. In respect of such money transfer, the Eurex Exchanges have no performance obligation vis-à-vis the Exchange Participant entitled to receive payment.

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Preamble

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Basic Principles

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1 Fees for Clearing Licenses

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2 Transaction Fees of Eurex Deutschland and Eurex Zürich

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2.7 Position Transfer with Money Transfer

Contract:	Fee per Transaction and Exchange Participant:
Per transaction, relating to Products denominated in EUR	EUR 7.50
Per transaction, relating to Products denominated in Swiss Francs	CHF 13.00