X-pand into the Future

e u r e x *circular 218/06*

Date: Frankfurt, November 2, 2006
Recipients: All Eurex Clearing Members and vendors
Authorized by: Daniel Gisler

U **Action Required** U **High Priority**

1. Eurex Release 9.0 - Introduction of Wholesale Transaction Quantities

2. Changes to OTC Block Trade Fee Processing

3. Further Information on Block Auction Request Function

Related Eurex Circulars: 018/05, 025/06, 123/05, 198/06, 210/06

Contact: Functional Helpdesk - Data Group, tel. +49-69-211-1 24 53 (topic 1)
Markets Services, tel. +49-69-211-1 33 88, email: support.billing@deutsche-boerse.com (topic 2)
Axel Vischer (Product Design Equity Derivatives), tel. +49-69-211-1 72 74 (topic 3)

Content may be most important for:	**Attachments:**
Ü All departments	none

Summary:

1. Eurex Release 9.0: Introduction of Wholesale Transaction Quantities

With the introduction of Eurex Release 9.0 the maximum transaction quantity entry for wholesale transactions can be defined separately from the on-exchange maximum entry quantities. In the future, the security system for wholesale transactions (OTC transactions and Block Auction Requests) allows for the definition of the maximum transaction quantity through the Clearing Member (CM) for its associated NCMs on a member level individually per product in addition to the existing security features.

***2.* Changes to OTC Block Trade Fee Processing**

a) Decommission of the workaround to apply maximum block trade fees for Block Trades greater than the maximum trade size after **November 30, 2006**.

b) Calculation of Block Trade Fee Caps and Block Trade Fee reporting

From **December 1, 2006** onwards, fees for block trade transactions will be calculated and reported up to the defined maximum fee and the calculation and reporting of fee refunds for transaction fees in excess of the defined maximum block trade fees will be decommissioned including the manual process for fixed income options.

Also from **December 1, 2006** onwards, the maximum block trade fee will generally reflect any trade adjustment (e.g. give-ups/take-ups; trade splits; account transfers) made to the block trade.

3. Further Information on Block Auction Request Function

Correction to Eurex circular 210/06: The requester rating in the Block Auction Request function is assigned on the basis of the trader ID not on a subgroup basis.

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1. Eurex Release 9.0: Introduction of Wholesale Transaction Quantities

With the introduction of Eurex Release 9.0 the maximum transaction quantity entry for wholesale transactions can be defined separately from the on-exchange maximum entry quantities. The current security system foresees that the security administrator of a Non-Clearing Member (NCM) can set maximum order entry limits on the level of trader/subgroup up to 9,999 contracts per product which will remain unchanged meaning that these settings can also be maintained further on. In the future, the security system for wholesale transactions (OTC Transactions and Block Auction Requests) allows for the definition of the maximum transaction quantity through the Clearing Member (CM) for its associated NCMs on member level per product. Consequently, the security administrator of an NCM can change the wholesale transaction entry settings within the range the CM has allowed. Please note that all products will have an initial setting of the maximum wholesale transactions quantity of 9,999 contracts per product with start of Eurex Release 9.0 to maintain the current status.

As this process can only be initiated through a CM on behalf of its NCM, the CM is responsible to inform and obtain the consent of its associated NCM about any changes in the wholesale quantities prior to the setting becomes effective in the Eurex® system. An authorization form needs to be signed by each NCM to enable the associated CM to maintain the changes. Possible disagreements with regard to the level of the maximum wholesale quantity per product need to be resolved between the CM and its NCM.

The first possibility for maintaining changes to the wholesale quantity is November 20, 2006 until 12:00 CET. The changed settings will become effective with start of business on November 23, 2006.

2. Changes to OTC Block Trade Fee Processing

a) Decommission of the workaround to apply maximum block trade fees for Block Trades greater than the maximum trade size

To enable members to execute block trades greater than the current system limit of 9,999 contracts at the respective maximum block trade fee, a workaround had been defined so that a series of block trades with identical trade parameters containing the text string “>block” as an indicator in one of the three free format text fields could be treated as one transaction from a fee perspective (see Eurex circular 123/05).

Following the introduction of the enlarged maximum trade sizes for wholesale transactions with Eurex Release 9.0, the above described workaround will no longer be supported after November 30, 2006.

b) Calculation of Block Trade Fee Caps and Block Trade Fee Reporting

From December 1, 2006 onwards, fees for block trade transactions will be calculated and reported up to the defined maximum fee. Calculation and reporting of fee refunds for transaction fees in excess of the defined maximum block trade fees will consequently be discontinued, including the current manual process for fixed income options.

For M-account transactions the maximum fee for P-account transactions will be initially applied. Depending on the fulfillment of Market Maker Obligations at Eurex, the market-making rebate for OTC transactions calculated at the end of each month will be applied on the capped block-trading fees. The currently existing reports CB190 (containing daily fee refunds for block trades fees in excess of the fee cap) and CB191 (containing correction amounts to block trade fee refunds due to market-making rebates) will become redun-

Eurex Clearing AG
D-60485 Frankfurt am Main
www.eurexchange.com

Customer Support
Tel. +49-69-211-117 00
Fax +49-69-211-117 01

Executive Board:
Andreas Preuß (CEO),
Jürg Spillmann, Daniel Gisler,
Thomas Lenz, Peter Reitz

dant. Daily fees per block trade transaction will be contained in the new CB165 report, which comprises daily fee data for all fee-relevant transactions.

Also from December 1, 2006 onwards, the maximum block trade fee will generally reflect any trade adjustment (e.g. give-ups/take-ups, trade splits, account transfers) made to the block trade. Block trade fee processing will therefore be in line with fee processing for all other transactions, particularly for equity products and equity index options, where the block trade fee refund is currently granted only to the members that initially entered the trade, irrespective of any give-up/take-up transactions.

3. Further Information on Block Auction Request Function

Correction to circular 210/06: The requester rating in the Block Auction Request function is assigned on the basis of the trader ID not and on a subgroup basis.

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