X-pand into the Future

e u r e x *circular 228/06*

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Recipients: All CCP Members of Eurex Clearing AG
Authorized by: Jürg Spillmann

CCP: Extension of Product Range

Contact: Customer Service, tel. +49-69-211-1 1700

Content may be most important for:	**Attachments:**
➲ All departments	1. Customer Roadmap - Expansion of Product Scope into UK and Irish Products 2. Communications Calendar

CCP settlement: Introduction of Options on selected British Stocks, Futures on British Bonds and Options on selected Irish Stocks

In connection with the extension of CCP services offered by Eurex Clearing AG for products of the British and Irish markets we are providing you with further information.

Simulation for the new products is scheduled to take place in first quarter 2007. Introduction of this service is planned to take place at the **end of March 2007**. Product introduction in connection with this service is planned to take place in agreement with market participants in the course of the second quarter 2007. In this connection, please find the following documents attached to this circular:

- **Customer Roadmap - Expansion of Product Scope into UK and Irish Products**

This document contains a list of activities recommended in connection with the introduction of products of the British and Irish markets. The information is intended to support members in their individual planning activities.

- **Communications Calendar**

Attached please find the updated Communications calendar for the extension of the CCP service by means of including products of the British and Irish markets.

CCP - Expansion of Product Scope into UK and Irish Products

Customer Roadmap

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1 Introduction

Eurex Deutschland and Eurex Zürich (Eurex Exchanges) plans to expand the product range into equity options (American Style) with underlying UK / Irish equities and futures with UK Gilts as underlying. Subsequent physical deliveries out of those products will be processed via the central counterpart (CCP) service of Eurex Clearing AG. Settlement will take place in CRESTCo.

All information in this document concerning this expansion is preliminary.

The key notes of the expansion are again described in the following:

- The Clearing Member in his own right or an authorized Settlement Participant appointed by the Clearing Member needs to have a Settlement Account at CRESTCo.
- The Clearing Member in his own right or its authorized Settlement Participant appointed by the Clearing Member needs to have a Cash Account in GBP and EUR at one of the Payment Banks. A list of Payment Banks is included in the Service Description and respective contact details are given in chapter 7.
- Deliveries out of UK and Irish products will be shown in the CCP for read-only purposes.
- Trade Management will be accomplished within the CRESTCo infrastructure on gross basis according to the functionality provided by CRESTCo.
- Corporate action processing is accomplished at CRESTCo and reflected in the CCP.

For detailed information, please refer to the “Service Description” announced October 23, 2006

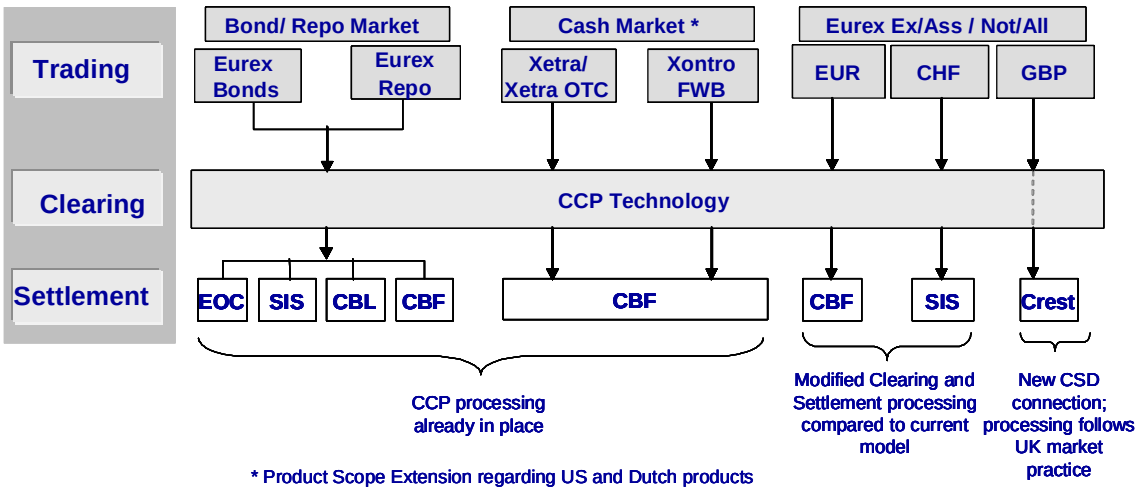
The purpose of this document is:

- To provide an overview of the functional enhancements (given in chap. 2 and 3).
- To provide an overview of the major member impacts (given in chap. 4).
- To provide a roadmap to the introduction of UK products in simulation and production (given in chap. 5).
- To provide an overview about the accompanying documentation (given in chap. 6).
- To announce the Helpdesks/ Teams this will provide intensive support for member during the introduction of UK and Irish products (given in chap. 7 and 8).

2 Overview CCP 3.1 and the Enhancement of the Product Scope

With CCP Release 3.1 deliveries resulting from exercise & assignment (Ex/Ass) of option contracts and notification & allocation of future contracts (Not/All) are included in the CCP settlement netting and delivery process. Additionally CCP 3.1 set the basis to include deliveries from UK and Irish products traded on the Eurex Exchanges or entered as bilateral transactions by participants in the Eurex system in the CCP processing with CRESTCo as settlement location (CSD).[1]

The CCP Market Model for Delivery Harmonization can be summarized in the diagram below:



Picture 1: CCP Market Model for Delivery Harmonization

For further details refer to the documents listed in chapter 6.

[1] Software adjustments were carried out with the introduction of CCP Release 3.1 on August 14, 2006.

3 Functional Changes within the Introduction of UK and Irish Products

An overview is provided in the subsequent chapters to describe the changes to the existing processing model and newly added processes within the introduction of UK and Irish Products.

For changes regarding Trade and Delivery Management Services, the Risk Management and the Corporate Action Processing please refer to the Service Description.

3.1 Instruments and Settlement Currencies

The instruments supported by CCP 2.0, CCP 3.0 (FI-CCP) and CCP 3.1 will be expanded by UK and Irish equities and UK bonds.

3.2 Settlement Location/ CSD Assignment

For further expansion of the product scope into UK and Irish products, only CRESTCo is accepted as the settlement location. In addition to Eurex Clearing AG who will hold an account at CRESTCo, the Clearing Member in his own right or its authorized Settlement Participant has to hold an account at CRESTCo.

3.3 Account Setting

For the introduction of UK and Irish products the following accounts are necessary:

- Securities settlement account at CRESTCo
- Cash settlement account in GBP and EUR at a settlement bank
- Cash settlement account at a payment bank for GBP-Payments and a cash settlement account at Bundesbank for Euro-Payments

3.4 Customer Setup UK and Irish Market

The notation of the customer setup in the UK and Irish market is different to the one used at ECAG.

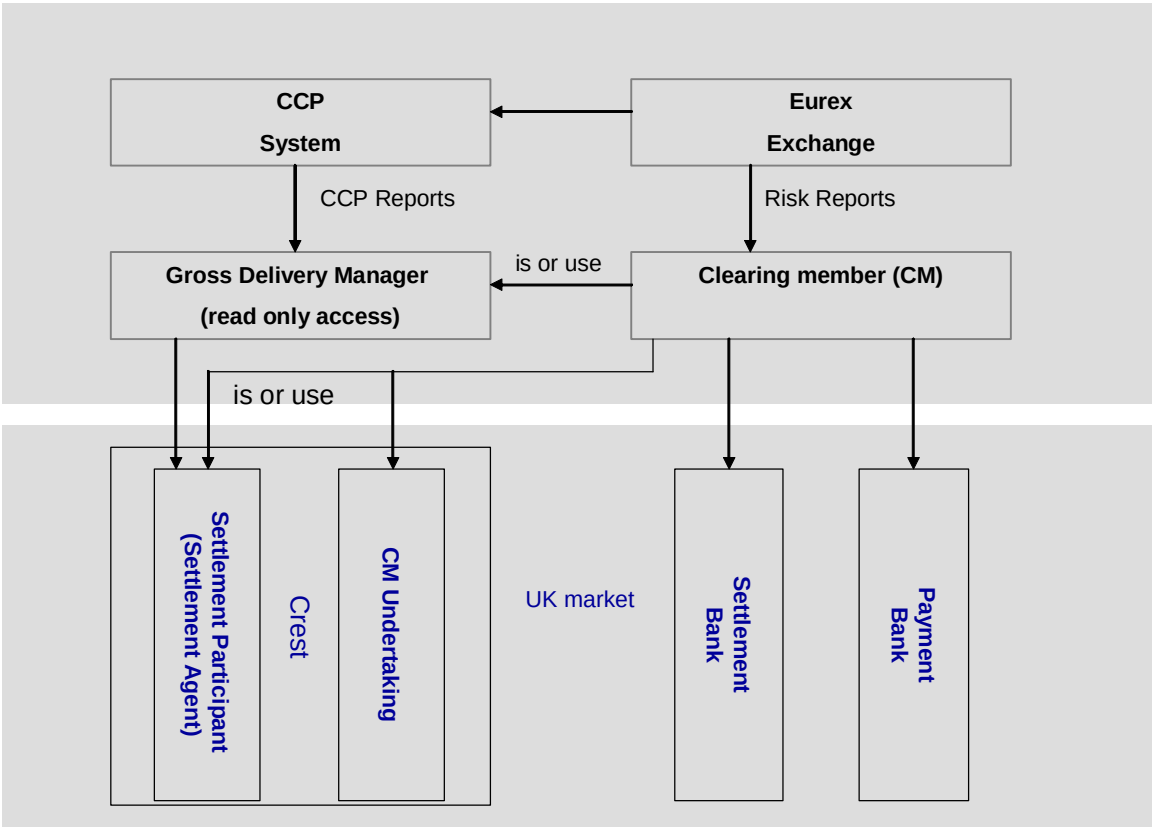
The following list provides an overview of the used notations:

- CM undertaking/ Sponsored CM undertaking: CRESTCo requires an ECAG CM to become a CM Undertaking to view open positions in CREST. This membership entails “read only” functions and does not permit such an entity to input, amend or delete transactions. If a third-party is used in order to fulfil the requirement of position monitoring, it is called sponsored CM undertaking.
- Settlement participant: Participant that operates the settlement account at CREST and has access to the CREST System.

- Settlement Bank: Cash payments resulting out of DvP/RvP settlements and out of corporate actions are directly debited/credited by Crest via a cash account in GBP or EUR at a settlement bank. Each Eurex Clearing Member needs to have a cash account at a settlement bank (directly or via a cash correspondent) that is linked with the settlement account at Crest; list of available settlement banks is published by Crest under

  www.crestco.co.uk > Information Centre > Operational > Settlement Banks.

- Payment Bank:
  - Cash only payments (Buy – in, fees, adaptations on series due to corporate actions) in GBP are debited via an account at a payment bank. Currently the following payment banks offer this service: Barclays, Deutsche Bank, RBS, HSBC, Citigroup)
  - Cash only payments (Buy-in, fees, adaptations on series due to corporate actions) in EUR are debited usually via an account at Bundesbank



Picture 2: UK Member Setup[2]

[2] Payment Bank and Settlement Bank can be the same institute.

4 Impact on Customer Side

The above mentioned changes (chapter 3) have effects on

- Legal documentation
- Referencing
- Training

4.1 Legal Amendments

New or rather changed forms which are to be filled out will be published in November 2006. Their relevance depends on the existing individual customer setup. The relevant forms are shown on the following list nevertheless additional forms might be necessary and will be published in the future.

- Application for Set up/Deletion/Change of Settlement Accounts for Eurex Clearing AG: Clearing Members must state separately the number(s) of securities settlement account(s) they are using (own accounts and/or accounts held by settlement institutions including linked cash accounts and accounts' default settings).
- Request for Settlement Account Setting for derivatives deliveries in Eurex Clearing AG: This form allows Clearing Members to define a default setup for the delivery of UK products. The setup is to define for the Clearing Member and its related NCM.
- SWIFT Address / BIC for Cash Settlement: In order to generate and distribute cash instructions resulting from cash payments on behalf of a particular CCP participant, Eurex Clearing AG requires the S.W.I.F.T. address and Bank Identifier Code (BIC) of that CCP participant (Clearing Member and Settlement Participant) for identification.
- Clearing Services Agreement (four parties): If a Clearing Member wishes to provide evidence of a securities account through one or more Settlement Institutions commissioned to act on behalf of that Clearing Member, the Clearing Services Agreement (four parties) forms the legal basis. It is to be signed by Eurex Clearing AG, the Clearing Member and the Settlement Institution.[3]
- Application to participate in the Buy-in Process of Eurex Clearing AG: This application needs to be submitted to Eurex Clearing AG if your institution intends to take part in the Buy-in procedure for UK and Irish equities and UK bonds.
- Power of Attorney for the debiting of the settlement and payment bank accounts or respectively agreement between the clearing member and a correspondence bank (Forms can be requested at the payment banks.)

[3] If a third party, which is not the Settlement Participant, needs the authorization to receive all Gross Delivery Management relevant information and business data from the Eurex Clearing AG system, a further form might be necessary..

4.2 Referencing

Crest cannot provide Eurex Clearing AG with a specific number range for the delivery ID, therefore it must be prevented that numbers are sent twice from the market. Otherwise subsequent deliveries with the same number are rejected. Eurex Clearing AG will create transactions in Crest by using the following syntax for the sender's reference:

E	YYMMDD	1234567	00
Identifier Eurex Clearing AG	Trade Date	Eurex Delivery ID	Trade Suffix

UK custodians shall not use sender's reference starting with "E" for other settlement instructions!

4.3 Training

In order to give customers the opportunity to familiarize themselves with the new functionalities prior to simulation respectively production start, trainings will be offered. Eurex Clearing AG recommends the participation of CMs and SIs employees in the trainings; this especially regards to those who have not participated in any CCP training before.

On request, individual training courses can be organized. The course can be conducted in the "Trainingscenter" of Deutsche Börse or, if required, on the customers´s premises. The fees per in-house training will be calculated individually.

More information about the offered trainings will be distributed to participants timely.

5 Simulation and Production Roadmap

5.1 Simulation

In order to ensure a smooth implementation of the new products, a simulation phase is planned in first quarter 2007. Deutsche Boerse strictly recommends participating in the respective tests.

Purpose of the CCP simulation is to provide an opportunity for the customers to test the incorporation of the new instruments. Therefore it is of great importance that GCMs, DCMs and Settlement Participants will test their connection to the Eurex Clearing AG, Crest and the processes with the CCP.

Eurex Clearing AG regards an active participation in the simulation as necessary in order to ensure a smooth production start for the introduction of UK / Irish equities and Gilts for all customers.

For detailed description regarding the process of simulation please refer to „Member Simulation Guide CCP“, which will be published at a later date.

Planning should focus on the following time frame:

Focus/ Activity	Description	Target Group	Deadline	Chk-pnt
Appoint responsible staff	• Designate a person responsible for coordination.	Project Coordinator	2 months before Simu.-Start	
Define Simulation Setup	• Define setup for simulation and send form “ECAG Application Setup/Deletion/Change of Settlement Accounts” to Eurex Claring AG, Customer Support Team	Project Coordinator	2 months before Simu.-Start	
Define resources for simulation	• Planning of resources	Project Coordinator	1 month before Simu.-Start	
Carry out the simulation	• Participation of technical personnel (system administrators etc.) • Participation of functional personnel (M/O and B/O personnel)	Project Coordinator System-admin. B/O personnel	Ongoing during the Simu.	
Inform Eurex Clearing AG about any problems during the simulation phase	• In case of any questions please refer to Customer Support Team.	Project Coordinator	Ongoing during the Simu.	

5.2 Production

The new products as mentioned in chapter 3 will come into effect with the production start end of first[t]/ beginning of second quarter 2007.

The following table describes all necessary legal activities in connection with the introduction of UK Products into CCP production. The legal basis is the Rules and Regulations of Eurex Clearing AG. An updated version of the Rules and Regulations will be published during the preparation of the introduction.

The following checkpoints should be taken into consideration:

Focus / Activity	Description	Target Group	Deadline	Chk-pnt
Define Production Setup	• Define setup for production and send form "ECCP Application Setup/ Deletion/Change of Settlement Accounts" to Eurex Clearing AG, Customer Support Team	Project Coordinator	3 months before Prod.-Start	
Sign and send off the relevant forms (as mentioned in Chapter 4.1) to Eurex Clearing AG	• Complete relevant documents • Sign relevant documents • Return documents to Eurex Clearing AG, Customer Support Team • proof of signature authorization has to be provided if not already available at Eurex Clearing AG	Manage-ment (CMs; SIs / Owner of the settlement account)	2 month before Prod.-Start	

6 Accompanying Documentation

All documents published in connection with the introduction of CCP Release 3.1 will be available via Internet on the Eurex website www.eurexchange.com. The Central Circular Management will give notification of each publication by means of an Eurex circular. We strongly recommend downloading all documents from the Internet.

Please find listed below the documents which will be published for the introduction of the UK products.

Announcement & Service Description
Contents: Overview of the features and essential functionalities
Target Group(s): General, Clearing Contacts, Back Office, System Administrator

Communication Calendar
Contents: Overview of documents to be published
Target Group(s): General, Clearing Contacts, Back Office, System Administrator

Customer Roadmap
Contents: Information of all necessary activities on customer side, to ensure a successful introduction
Target Group(s): Project Coordinators, Clearing Contacts, Back Office, System Administrators

Legal Forms
Contents: Adjusted forms for Clearing Members
Target Group(s): Project Coordinators, Clearing Contacts

Fees and Fines Information
Contents: Overview of the Fee & Pricing
Target Group(s): Project Coordinators, Clearing Contacts

Simulation Scenarios
Contents: Member test cases for the CCP Simulation
Target Group(s): Project Coordinators, System Administrators, Back Office Personnel

Member Simulation Guide
Contents: Information about the simulation plan, organization, scope and processes in connection with the introduction
Target Group(s): Project Coordinators, System Administrators, Back Office Personnel

Eurex Clearing Conditions
Contents: Update of the Clearing Conditions
Target Group(s): Project Coordinators, Clearing Contacts

7 List of Payment Banks

Financial institution	Contact Person	Address	Phone #	Email
Barclays Bank	Jackie Kiley Director's Assistant	Financial Markets Team Level 28 1 Churchill Place Canary Wharf London E14 5HP	+44 (0)20 7116 4707	jackie.kiley@ barclays.co.uk
HSBC	Neil Hodgson	CIBM Level 19 8 Canada Square London E14 5HQ	+44 (0)20 7991 9907	ciboperations@ hsbc.com
RBS	Jim Ford Senior Manager	GBS Product Sales Corporate&Institutional Banking 7th Floor 135 Bishopsgate London EC2M 3UR	+44 (0)20 7085 5767	jim.ford@rbs.com
Citigroup	Sharron Khela	Citigroup Centre Canada Square Canary Wharf London E14 5LB	+44 (0)20 7986 2106	sharronjeet.khela@ citigroup.com
Deutsche Bank	Wolfgang Dummert CIB/GTB Global Cash Management	Taunusanlage 12 60325 Frankfurt	+49 (0)69 910 43721	wolfgang.dummert@ db.com

8 Eurex Clearing AG Support

Eurex Clearing AG will provide intensive support for customer preparations during the introduction of the new instruments. The following teams may be contacted concerning any questions related to the preparation and participation in the simulation and introduction.

Project Support

Eurex Customer Support Team

Telephone: + +49 (69) 21 1 – 1 17 00

Fax: + +49 (69) 21 1 – 1 17 01

Availability: 09:00 a.m. - 06:00 p.m. CET (on exchange trading days)

eMail: customer.support@deutsche-boerse.com

Internet pages: www.xetra.de, www.eurexchange.com, www.deutsche-boerse.com

Simulation and Production Support

Eurex Clearing Functional Helpdesk CCP

Telephone: + +49 (69) 21 1 – 1 19 40

Fax: + +49 (69) 21 1 – 1 19 41

Availability: 08:00 a.m. - 06:00 p.m. CET (on exchange trading days)

eMail: ccp@deutsche-boerse.com

Internet pages: www.xetra.de, www.eurexchange.com, www.deutsche-boerse.com

Eurex Clearing Technical Helpdesk CCP

Telephone: + +49 (69) 21 1 – 1 28 00

Fax: + +49 (69) 21 1 – 1 28 01

Availability: 08:00 a.m. - 06:00 p.m. CET (on exchange trading days)

Internet pages: www.xetra.de, www.eurexchange.com, www.deutsche-boerse.com

CREST Service Desk

Telephone: + + 44 207 849 0351

Availability: 05:00 a.m. – 08:00 p.m.

Internet pages: www.crestco.co.uk

CCP Communication Calendar
UK Products



	2006	2007
Announcement & Service Description	✓ 23.10.	
Customer Roadmap	✓ 10.11.	
Setup Forms	17.11.	
Functional Notes		12.01.
Simulation Guide		26.01.
Simulation Scenarios		26.01.
Fees and Fines Information		02.02.
Eurex Clearing Conditions		02.02.
Buy In Conditions		02.02.
Legal Forms		02.02.