

Eurex Repo

The advantage of a bright idea.
Eurex Repo Trading – Work smart

May 2012

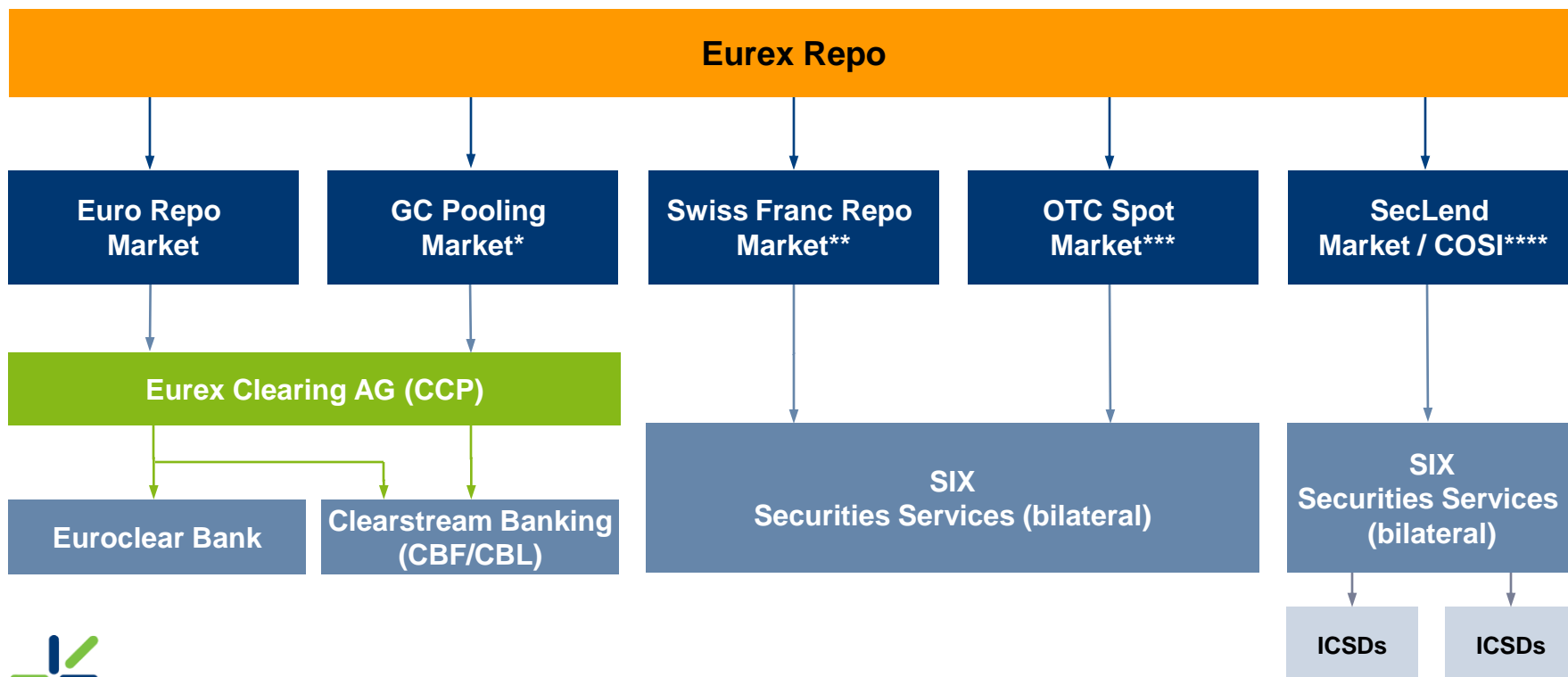


eurex
repo

Eurex Repo Profil

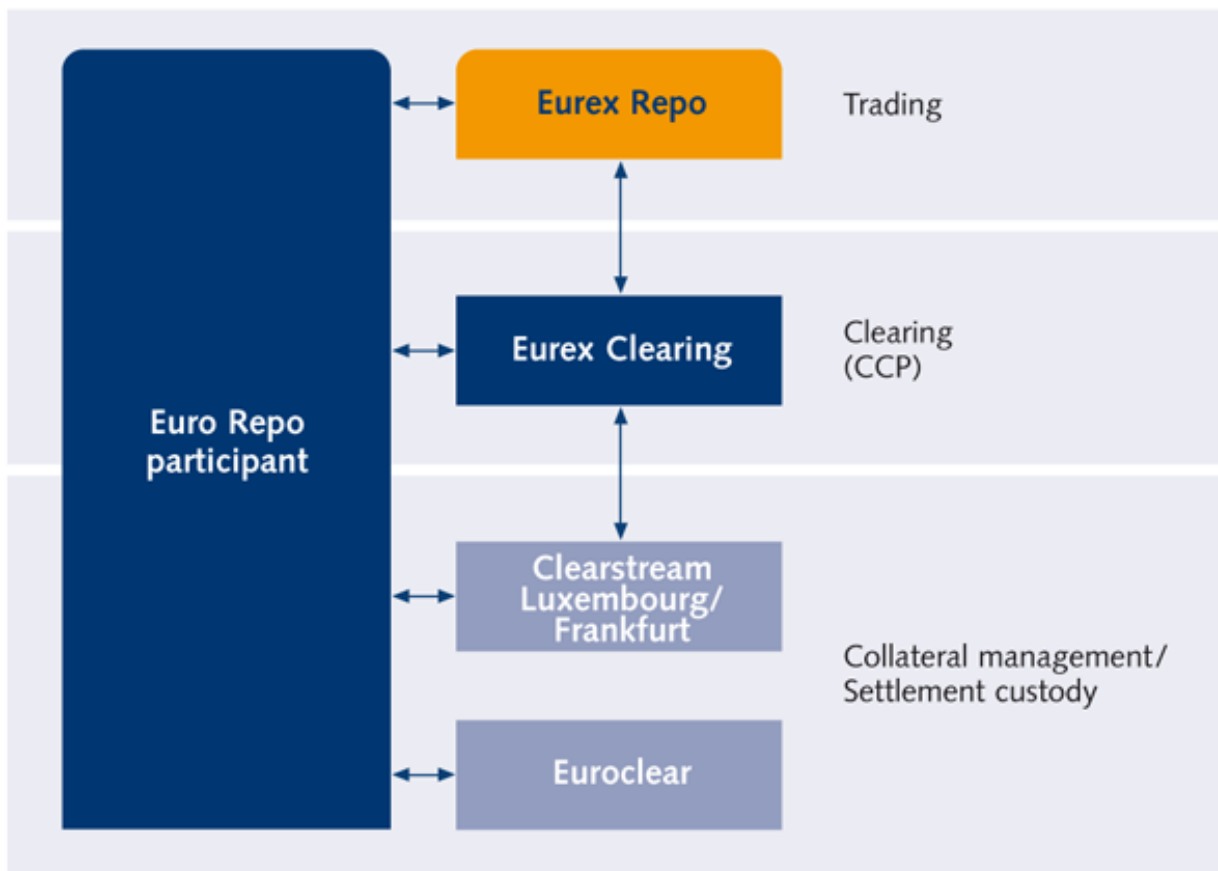
Eurex Repo is one of the leading European marketplaces with more than **300** participants and more than **1,200** traders since 1999. It offers an integrated market for electronic trading, clearing, collateral management and settlement of repo and securities lending transactions.

Eurex Repo operates **5** markets for secured funding and financing:



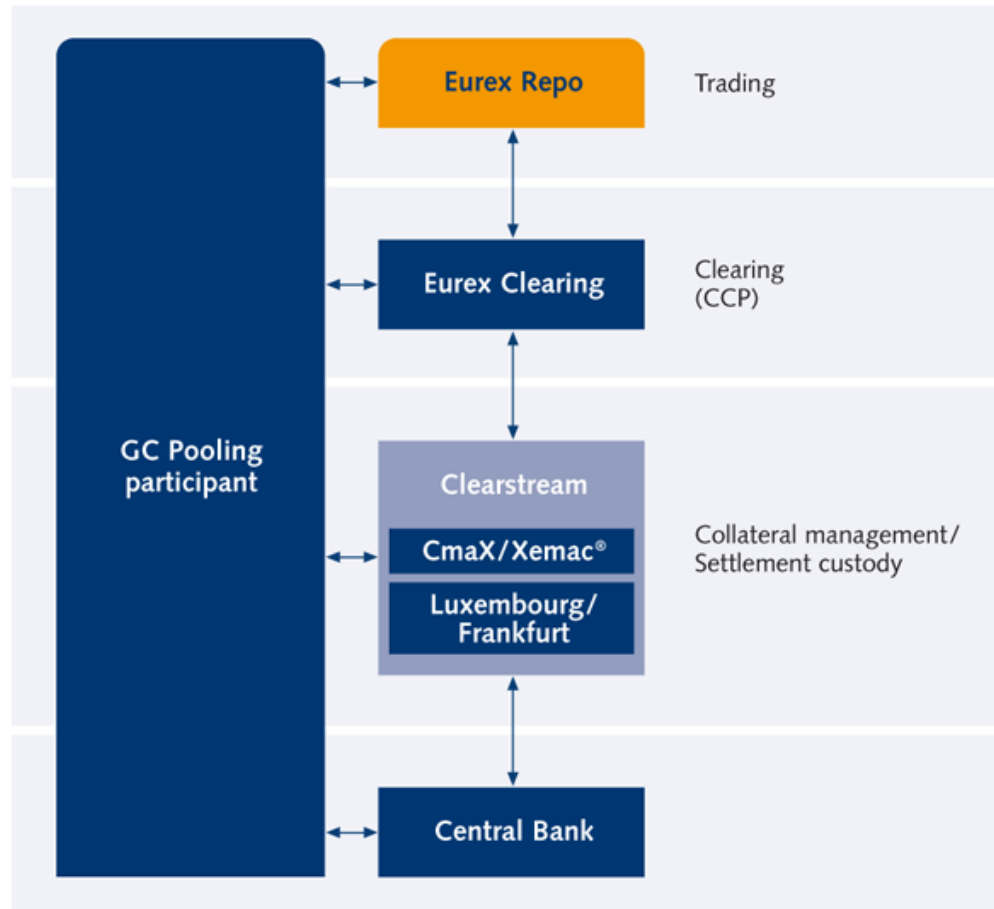
Euro Repo Market – Settlement via Clearstream Banking and Euroclear

Concept



GC Pooling – Enables trading with automated collateral management via Clearstream Banking

Concept



GC Pooling – Take advantage of collateralized funding

Benefits

- Secured EUR and USD cash funding collateralized by unique, harmonized baskets
- Transparent trading prices on an open order book basis
- Re-use of collateral and pledge to ECB / Bundesbank within the GC Pooling ECB Basket (Tender auctions for participants based in Germany)
- Re-use of collateral for the margin collateralization of Eurex Clearing within the GC Pooling ECB / EXT / Equity Basket (Xemac members)
- Anonymous trading via Eurex Clearing stepping in as central counterparty
- Netting at clearing level with Eurex Clearing's delivery management
- Daily risk evaluation of all trading positions four times a day
- Zero regulatory costs due to trading via Eurex Clearing depending on country of residence
- Linking of CBL and CBF assets, creating one virtual collateral pool
- Automated allocation of securities in CmaX/Xemac replaces manual completion via Eurex Repo trading front-end
- Real-time substitution of securities through the cash taker
- Use of existing and established STP-infrastructure (Eurex Repo / Eurex Clearing / Clearstream collateral management & settlement services)

Specifications 1

Trading on all TARGET days

Trading Hours

- Pre-trading: 7:00 – 7:30 CET
- Trading: 7:30 – 18:00 CET
- Cut-Off time for overnight:
 - Euro GC Pooling: 16:00 CET
 - USD GC Pooling: not applicable
 - Euro Repo Market External: 10:30 CET
 - Euro Repo Market Internal: 15:30 CET

Open Order Book

- Display of entire market depth
- No automatic matching
- All quotes are automatically deleted at the market close

Contract Size

- GC trades: Minimum EUR 1 million.
- Specials: Minimum EUR 500,000

Standard Terms

- GC Pooling:
 - OverNight (ON), TomNext (TN), SpotNext (SN), SpotTerm, Tender, FlexTerm
- Euro Repo Market:
 - ON, TN, SN, CN, CORP 1W, 1W, 2W, 3W, 1M, 2M, 3M, 6M, 9M, 12M, Non Standard, Special

Trade & Quote Information

- Via OTX (Own Trade File Extractor)
- Via PAPI (Participant Applicant Programming Interface)
- Via Trade Confirmation on screen
- GC Pooling quotes are available on Reuters page <0#EUREXREPO=EX>

Settlement

- ON trades are settled real-time (Front Leg); cash and collateral must be available on the accounts latest 20 minutes after trade conclusion
- GC Pooling: All other terms - standard settlement in SDS1
- Euro Repo Market: All other terms - CSD standard settlement cycles until deadlines Eurex Clearing
 - 14:30 CET German bonds, 15:00 CET international bonds

Specifications 2

Order type

- Pre-arranged functionality
- Binding quotes

Collateralization

- Euro Repo Market
 - Manual allocation by the trader of securities within 50 minutes after trade conclusion
 - After 50 minutes the securities will be automatically allocated by the mandatory default list
 - Up to 30 different securities can be selected to collateralize a GC Repo trade
 - The number of securities can be specified by the cash provider when entering a quote
 - GC Pooling Market
- Automatic allocation of collateral by the collateral management systems of Clearstream Banking

Legal Status

- Eurex Repo as Multilateral Trading Facility (MTF) offers off-exchange trading (OTC Trading). It is not a public exchange.

Products of Euro Market – German baskets

German GC Basket:

Debt securities of the Federal Republic of Germany.

German 10 Year GC Basket:

Debt securities of the Federal Republic of Germany with a remaining maturity up to 10 years.

German Corporate GC Basket:

Covered and uncovered securities of German companies with a minimum issue volume of EUR 100 million and a credit rating of A- / A3, respectively.

German Jumbo Pfandbrief GC Basket:

Jumbo Pfandbriefe, issued by a German institution, as well as Asset Covered Securities (ACS) issued by mortgage banks and credit institutions, with a minimum issue volume of EUR 1 billion and a credit rating of AA and Aa2, respectively.

German Pfandbrief GC Basket:

Pfandbriefe, issued by a German institution, issued by mortgage banks and credit institutions, with a minimum issue volume of EUR 100 million and below EUR 1 billion and a minimum credit rating requirement of single A / A2.

KfW / Laender German GC Basket:

Bonds for which a direct joint and several acceptance of liability of the public authorities Germany exist and bonds of corporations under public law (e. g. Reconstruction Loan Corporation (Kreditanstalt für Wiederaufbau - KfW)) and of the German federal states with a minimum issue volume of EUR 500 million and all "SOFFIN" bonds .

Products of Euro Market – European baskets

Agency GC Basket:

Debt securities of the European Investment Bank (EIB) and Caisse d'Amortissement de la Dette Sociale (CADES) as well as “EGGS” bonds (except SOFFIN bonds) with a minimum credit rating of AA / Aa2 and a minimum issue volume of EUR 500 million.

EIB / KfW Bond GC Basket:

Bonds of corporations under public law (e. g. Reconstruction Loan Corporation “Kreditanstalt für Wiederaufbau” - KfW)) of the Federal Republic of Germany and debt securities of the European Investment Bank (EIB) and all European Financial Stability Facility (EFSF) issues.

Euro Corporate GC Basket:

Covered and uncovered securities of European companies with a minimum issue volume of EUR 100 million and a minimum credit rating of A- / A3.

Euro Government GC Basket:

Government bonds of the following countries: BE, FI, FR, IE, LU, NL, AT, ES and the European Community (EU-ISIN) with a minimum issue volume of EUR 100 million.

Euro Covered Bonds GC Basket:

Cédulas Hipotecarias or Territoriales, Obligación Foncières, Lettre de Gage, covered bonds from AT and XS bonds with a minimum issue volume of EUR 500 million and a minimum credit rating of AA or Aa2.

French Covered Bond GC Basket:

French Covered Bonds with a minimum issue volume of EUR 500 million and a minimum credit rating of AA / Aa2.



Special Repo

all bonds belonging to the mentioned baskets can be traded special

Products of the GC Pooling Market: ECB Basket

Basket Standards

- Based on the Eligible Assets Database (EAD) the GC Pooling ECB basket comprises over 7,500 ECB eligible securities
- Tradable in the EUR GC Pooling and USD GC Pooling segment
- Assets rated below “A-/A3” are not eligible
- No restriction on maturities (no ON trading in USD)
- Re-use of received collateral for refinancing within the framework of ECB/Bundesbank open market operations, GC Pooling trading in the same currency segment and Eurex Clearing margin collateralization (not for USD GC Pooling)
- The foreign exchange risk requires a margin that covers the fluctuation between the exposure in U.S. dollar and the reference clearing currency EUR.
- The USD GC Pooling trades are settled realtime between 11:00 and 17:00 CET.

Basket Collateral

- Around 2,500 Instruments of Central Banks, Central Governments, Regional/Local Governments and Supnationals
- Around 5,000 Traditional and Jumbo “Pfandbrief”-style instruments of credit institutions and Agency Credit Institutions

Countries

- Location of bond issuance: Austria, Belgium, Germany, The Netherlands, France, Slovenia and international Eurobonds (XS-ISINs)
- Bond issuer must be established in the European Economic Area (EEA) or in one of the non-EEA G10 countries (i.e. USA, Canada, Japan or Switzerland)

Products of the GC Pooling Market: ECB EXTended Basket

Basket Standards

- Based on the Eligible Assets Database (EAD) the GC Pooling ECB EXT basket comprises approximately 22,000 ECB eligible securities
- Tradable in EUR
- Excluded are (Treasury) Bills, Commercial Papers and Certificates of Deposit issued by corporate issuers and Non-Agency credit Institutions as well as all assets defined as ABS/MBS and other securitized bonds
- Assets rated according to ECB eligibility criteria (currently BBB-/Baa3)
- No restriction on maturities
- Re-use of received collateral within the GC Pooling EXTended basket and Eurex Clearing margin collateralization

Basket Collateral

- Around 3,000 Instruments of Central Banks, Central Governments, Regional/Local Governments and Supranationals
- Around 5,000 Traditional and Jumbo "Pfandbriefe"-style instruments of credit institutions and Agency Credit Institutions
- Around 14,000 instruments of credit institutions, agency - non credit institutions, corporate and other issuers

Countries

- Location of the bond issuance: Austria, Belgium, Cyprus, Finland, France, Germany, Ireland, Italy, Luxembourg, Malta, Slovenia, Spain, Netherlands and international Eurobonds (XS ISINs)
- Bond issuer must be established in the European Economic Area (EEA) or in one of the non-EEA G10 countries (i.e. USA, Canada, Japan or Switzerland)

Segments of the GC Pooling Market: GC Pooling® Equity

Basket Structure

- Top 50 out of the HDAX
- Announcement of basket composition change around every 8th calendar day of each month with effectiveness on 15th day

Trading

- Standard GC Pooling conditions apply for GC Pooling® Equity
- Overnight trading cut-off time 3 pm CET

Clearing & Risk Management

- Minimum Equity Collateral Haircut of 10%
- Concentration limit for Collateral Provider subject to daily Xetra turnover per ISIN and a percentage of its free float (~ € 3.5 bn total limit across all ISINs)

Collateral Management & Settlement

- Mark-to-market 4 times a day using Xetra prices
- Backfilling with ECB basket collateral
- Corporate Action (income events): Compensation payments
- Corporate Action (non-income events): To be treated as ineligible and substituted out of the collateral pool

Reuse for Eurex Clearing Margin requirements

- Reuse of received collateral within GC Pooling® Equity for margin collateral

GCPI® – Future Benchmark for the Secured Money Market

Concept

- Since Sept. 09, Eurex Repo and Deutsche Boerse Market Data & Analytics provide the GC Pooling EUR Overnight Index
- The GCPI® comprises the volume-weighted average of all ON rates in Euro traded in the GC Pooling ECB basket
- Daily distribution of the average rate and total volume at 06:00 p.m.
- Bloomberg and Reuters publish GCPI® Overnight

Bloomberg:

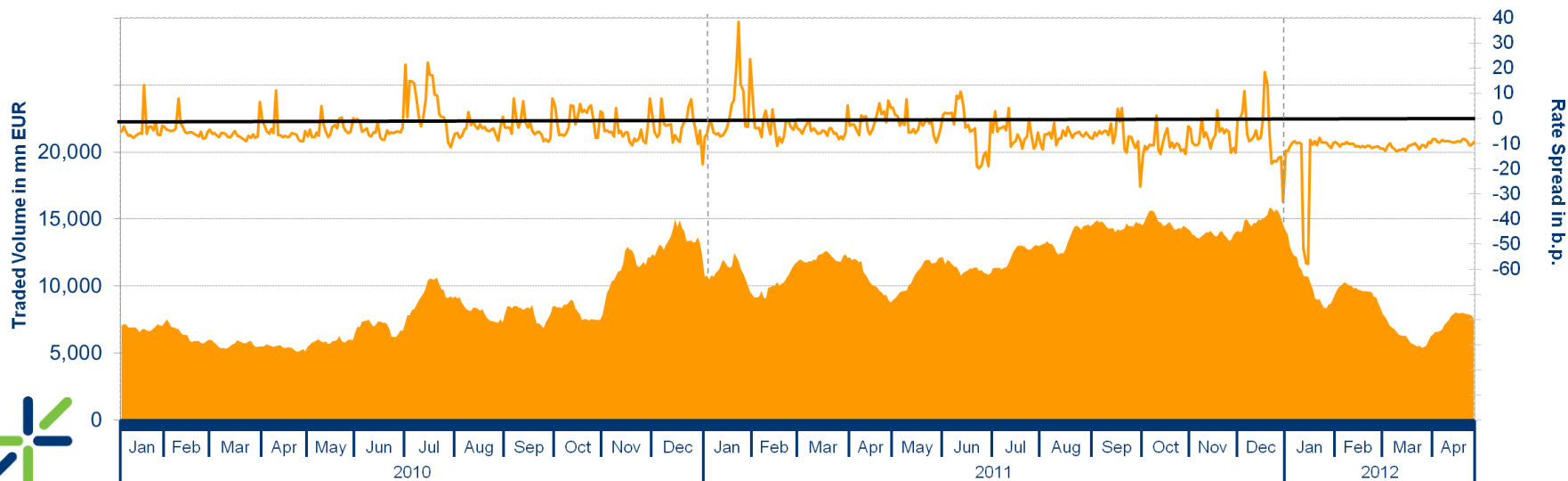
“GCPION” (average rates) & “GCPIONV” (total volume)

Reuters:

“.GCPION” (average rates) & “.GCPIONV” (total volume)

GCPI Vol

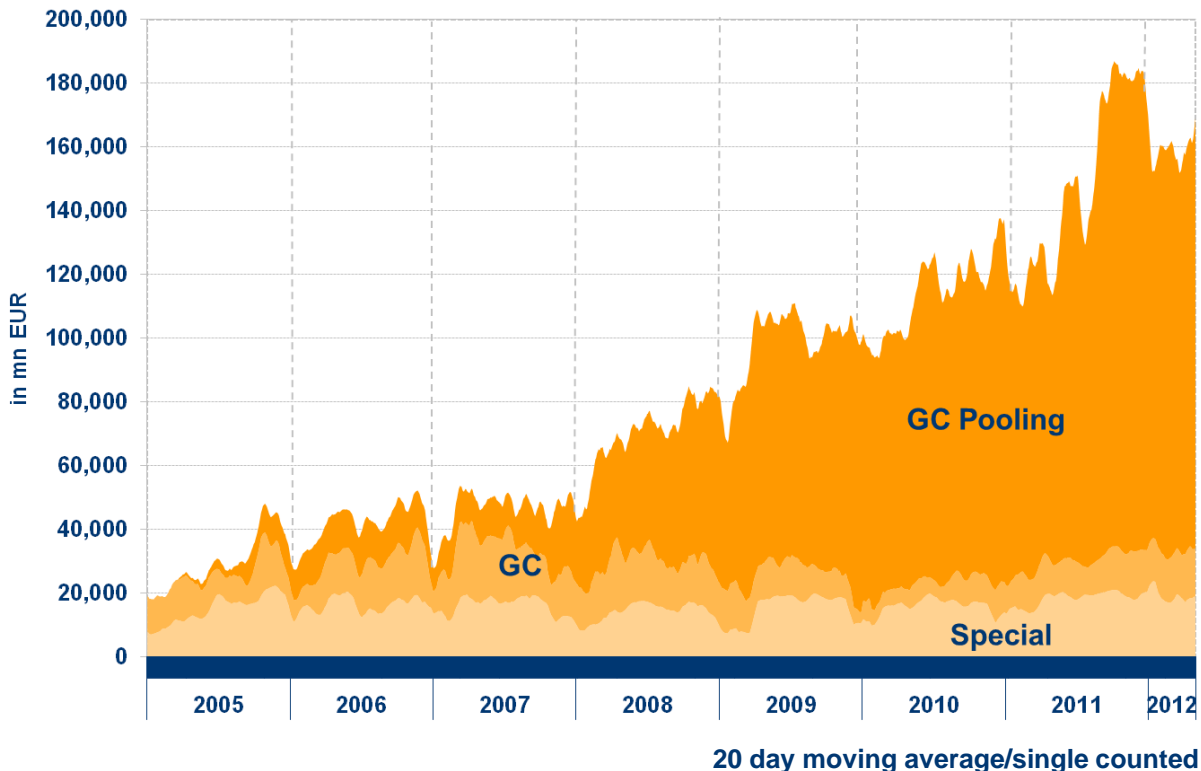
EONIA vs GCPI Spread



Facts & figures

Development of outstanding volumes

Average outstanding volume: Euro & GC Pooling market



Key Figures & News

- GC Pooling: Daily outstanding volume record €164.4 bn reached on September 27, 2011
- GC Pooling: +52% year-on-year: EUR131.5 bn April 2012 average outstanding volume (EUR 86.5 bn in April 2011)
- Launch of USD GC Pooling in January 2010
- Launch of GC Pooling Equity Basket in March 2011

Trading admission

Legal requirements

- the applicant must be under the regulation of a domestic regulatory authority
- the applicant must be subject in its country of domicile to a financial market supervisory authority and hold the status of a credit institution or an investment firm according to the definition set forth in Art. 1 Paragraph 1 and 2 and Art 4 Paragraph 1 of the Council Directive on markets for financial instruments 2004/39/EG (“MiFID”)
- the applicant is required to participate in the Eurex Clearing repo clearing process

Technical connection

The applicant is responsible for the technical connection to the Eurex Repo trading system

- costs for internet connection (at least 128 kbps)
 - own internet provider costs
- costs for leased lines (at least 128 kbps)
 - EUR 700,00 – 900,00 monthly dependent on bandwidth
 - EUR 3.400,00 on-time installation fee.

Installation is offered by Verizon Business, Radianz alternatively Deutsche Boerse (costs on request)
- Exchange Services provided by Deutsche Boerse, web based access
 - EUR 300 per trader/month
- Exchange Services provided by Oraise, web based access with IT support,
Contact: Dietmar Grün, Tel.+49 711 220955 22, dietmar.gruen@oraise.com

Clearing Admission

Fee, Margin, Buy-In:	- Target 2 account
Cash Clearing:	- CBF – Target 2, CBL – CBL cash account, EoC – EoC cash account
Settlement of Securities:	- Securities deposit at Clearstream Banking or Euroclear (not for GC Pooling)
Margin Account:	- Pledged Securities Account at CBF or SIX SIS AG
Technical Connection:	- Oraise: costs on request - Exserves: 300 EUR per Token/month (minimum of two Token per member)

Equity capital requirements are dynamic: ³⁾

License	Equity Capital	Clearing fund contribution ⁴⁾
<ul style="list-style-type: none"> • Derivates Clearing ¹⁾ • Cash Bonds Clearing ¹⁾ • Repo Clearing²⁾ 	<ul style="list-style-type: none"> • GCM: EUR 125 m • DCM: EUR 12,5 m • GCM: EUR 50 m • DCM: EUR 5 m • GCM: EUR 175 m • DCM: EUR 17,5 m 	<ul style="list-style-type: none"> • minimum EUR 5 m for GCMs EUR 1 m for DCMs

1) Capital which is already in an account for clearing of derivatives or bonds can be taken into account for repo clearing

2) If admission to repo clearing exists, it is not required to provide evidence of capital for derivatives and cash bonds clearing

3) Equity capital requirement is adapted dynamically

4) If Value of 2% of 30 days or 250 days average „Total Margin Requirements“ exceeds total minimum choose maximum of these values

Note: All Eurex Repo Euro Market members are required to participate, either directly as GCM or DCM or indirectly as NCM-GCM /DCM, in the clearing process of Eurex Clearing AG

Fee & pricing model

Eurex Repo

	Liquidity Provider I		Liquidity Provider II		Liquidity Taker	
	Non-Aggressor	Aggressor	Non-Aggressor	Aggressor	Non-Aggressor	Aggressor
Min. fee per trade in €	5,-		5,-		10,-	
ON/TN (in Basis points p.a.)	0.1	0.6	0.4	0.6	0.6	0.6
All other terms	0.1	0.3	0.2	0.3	0.3	0.3
Annual fee	100,000,-		25,000,-		10,000,-	

Eurex Clearing

Basis points p.a.	0.3 (min. 5,- € or 7,- \$)
Admission fee for clearing members (DCM):	0 €
Annual fee for clearing members (DCM):	0 €

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Backup

GC Pooling – ECB Basket Definition

	IG1	IG2	IG3	IG4	IG5	IG6	IG7	IG8	IG9
AT01	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	Only GG2* or UCITS=Y
AT02	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	Only GG2* or UCITS=Y
AT03	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	Only GG2* or UCITS=Y
AT05	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	Only GG2* or UCITS=Y
AT08	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	Only GG2* or UCITS=Y
AT09	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	Only GG2* or UCITS=Y
AT10	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	eligible	eligible	Only GG2*	Only GG2* or UCITS=Y	Only GG2* or UCITS=Y
AT11	not eligible	not eligible	not eligible	not eligible	not eligible	not eligible	not eligible	not eligible	not eligible

Minimum Rating requirement: A-/A3

Country of Location eligible: Austria, Belgium, France, Germany, Luxembourg (CLBL - Eurobonds), Netherlands, Slovenia

Issuer eligible, independent of Issuer Group: Cades, Investitionsbank Berlin, LFA Foerderbank Bayern, KfW, Landeskreditbank Baden-Wuerttemberg, Landwirtschaftliche Rentenbank, NRW Bank

Issuer ineligible, independent of Issuer Group: Anglo Irish Bank, Anglo Irish Bank – London Branch, Bank of Ireland Mortgage, Irish life, Anglo Irish Mortgage Bank, Bank of Ireland, Allied Irish, Bank of Ireland Mortgage

Issuer Residence ineligible, independent of Asset Type or Issuer Group: IRGR (Greece), IRIT (Italy)

Furthermore, assets may be ineligible due to missing Rating information, missing master data or out-dated price information

* Minimum Rating Requirement: A-/A3

GC Pooling – ECB EXT Basket Definition

	IG1	IG2	IG3	IG4	IG5	IG6	IG7	IG8	IG9
AT01	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible
AT02	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible
AT03	eligible	eligible	Only GG2*	Only GG2*	eligible	eligible	eligible	eligible	Only GG2*
AT05	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible
AT08	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible
AT09	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible
AT10	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible	eligible
AT11	not eligible	not eligible	not eligible	not eligible	not eligible	not eligible	not eligible	not eligible	not eligible

Minimum Rating requirement: defined by ECB – currently BBB-/Baa3

Country of Location ineligible, independent of any other criteria: CLGR (Greece), CLPT (Portugal)

Issuer Residence ineligible, independent of any other criteria: IRGR (Greece), IRPT (Portugal)

Furthermore, assets may be ineligible due to missing Rating information, missing master data or out-dated price information

* Minimum Rating Requirement: A-/A3

ECB Definitions

Asset Type	Definition
AT01	Bond
AT02	Medium-term note
AT03	(Treasury) bill / commercial paper / certificate of deposit
AT04	n.a.
AT05	Commercial bill (e.g. trade bill, bill of exchange)
AT06	n.a.
AT07	n.a.
AT08	Other asset
AT09	Jumbo Pfandbriefe - style
AT10	Non-Jumbo Covered Bonds
AT11	Other securitised assets/ABS/MBS

Issuer Group	Definition
IG1	Central Bank
IG2	Central Government
IG3	Corporate And Other Guarantors
IG4	Credit Institution (Excluding Agencies)
IG5	Regional/Local Government
IG6	Supranational Guarantor
IG7	Agency - Non Credit Institution
IG8	Agency - Credit Institution
IG9	Financial Corporations Other Than Credit Institutions

Guarantor Group	Definition
GG2	Central Government

For further detailed information please visit the ECB webpage: https://mfi-assets.ecb.int/query_EA.htm