

The Advantage of a Bright Idea

Eurex Repo Trading – *Work smart.*



Eurex Repo Euro Market

September 2010

Established Markets

- n Swiss Francs Repo Market started 1999
- n Euro Market started on July 16, 2001
- n The Euro Repo Market and the Swiss Francs Repo Market can be displayed simultaneously on the Eurex Repo GUI
- n Feb. 2005: Introduction of International Securities on the Euro Repo Market
- n Mar. 2005: Introduction of EUR GC Pooling
- n Sep. 2005: Launch of the SecLend Market
- n Sep. 2007: Internationalization of EUR GC Pooling
- n Mar. 2008: Introduction of Open and Variable Repo
- n Jan. 2010: Introduction of USD GC Pooling

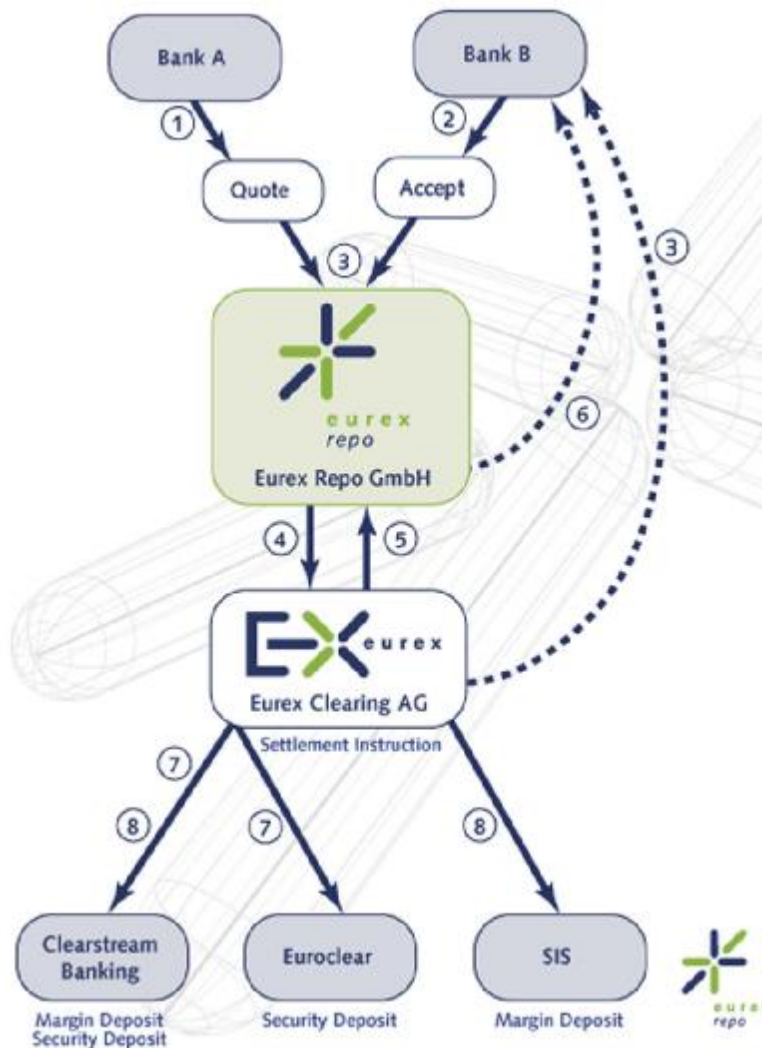
Benefits

- n The increasing need to limit credit risk exposures and constraints resulting from capital adequacy requirements
- n Basel II supports authorized CCPs because it imposes zero capital requirements on banks with respect to counterparty risk
- n Bank Treasurers' growing desire to maximize returns on their securities holdings and
- n The need for effective collateral management

Market Concept - Euro Market



Process flow of a Euro Repo trade



- 1) Bank A quotes
- 2) Bank B accepts
- 3) A trade is generated, Eurex Clearing is now the legal counterparty
- 4) Eurex Repo transmits the trading data to Eurex Clearing
- 5) Eurex Clearing sends a confirmation to Eurex Repo
- 6) Eurex Repo sends a confirmation to the participants
- 7) Eurex Clearing transmits settlement information either to Clearstream Banking or to Euroclear
- 8) Margin deposit with Clearstream Banking Frankfurt or at SIS, SegInterSettle

Trading Principles

Trading on all TARGET days

Pre-trade

07:00 a.m. to 7:30 a.m.

Trading hours

07:30 a.m. to 6:00 p.m.

Cut-Off time for overnight

Overnight Repo External: 10:30 a.m. CET

Overnight Repo Internal: 15:30 p.m. CET

Terms

ON, TN, SN, 1W, 2W, 3W, 1M, 2M, 3M, 6M, 9M, IMM MAR, IMM JUN,
IMM SEP, IMM DEC, Non Standard, Special

Contract size

Minimum EUR 1 million for GC Repo and minimum EUR 500k for Special Repo

Trading Specifications

Open Order Book

- § No automatic matching
- § All quotes are automatically deleted at the market close

Order Type

- § Indication of Interest are non-binding
- § Quotes are binding

Obligation of default list

- § Automatic GC Completion
- § Up to 30 different securities can be selected to collateralize GC Repo Trade
- § Number of securities can be specified in GC orders

Trade Information

- § Via OTX (Own Trade File EXtractor)
- § Via PAPI (Participant Application Programming Interface)
- § Via Market Trade Slips

Products of Eurex Repo 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 rating better than A / A3.

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 bn 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 an issued size over EUR 100 million and below EUR 1 billion and a minimum credit rating requirement of single A / A2.

KfW/Laender German GC Basket:

KfW-bonds and bonds of the German federal states and with a minimum issue volume of EUR 500 million and all "SOFFIN" bonds.

Products of Eurex Repo 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 Government Guaranteed bonds from AT, BE, DE (XS-ISIN), ES, FI, IE, LU, NL, PT and UK (except SOFFIN bonds) with a minimum credit rating of AA / Aa2.

Euro Corporate GC Basket:

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

Euro Government GC Basket:

Government bonds of the following countries: BE, FI, FR, IR, IT, LU, NL, PT, AT, ES and the European Community (EU-ISIN).

Euro Covered Bonds GC Basket:

Cédulas Hipotecarias or Territoriales, Obligación Foncière, Lettre de Gage, covered bonds from AT, FI, IE, LU, NL, PT and with a minimum issue volume of EUR 500 million and a rating of AA or Aa2.

French Covered Bond GC Basket:

Obligation Foncières with a minimum issue volume of EUR 500 million and a rating of AA / Aa2 or better.

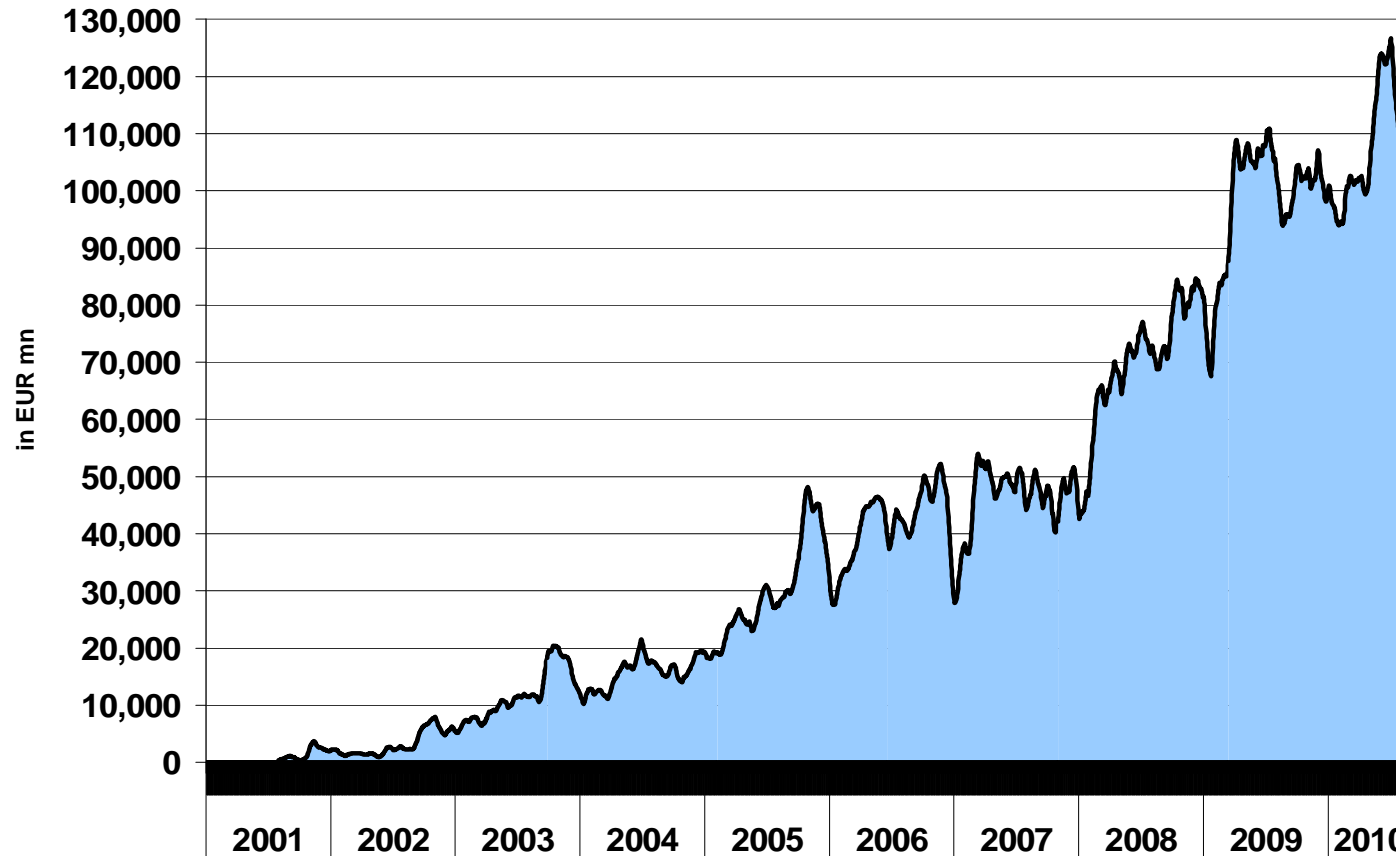


Special Repo

all bonds belonging to the mentioned baskets can be traded special

Development of Outstanding Volumes

Average outstanding Volume: Eurex Repo EUR Market



20 day moving average/single counted

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)
 - Ø own internet provider costs
- § costs for leased lines (at least 128 kbps)
 - Ø EUR 700,00 – 900,00 monthly dependent on bandwidth
 - Ø EUR 3.400,00 on-time installation fee. Installation is offered by Verizon Business, alternatively Radianz

Clearing Admission

Fee, Margin, Buy-In: - Target 2 account

Cash Clearing - CBF – Target 2, CBL – CBL cash account, EoC – EoC cash account

Settlement and Pledging of Securities - Securities deposit at Clearstream Banking or Euroclear
 - Pledged Securities Account at CBF or SegalInterSettle (SIS)

Equity capital requirements are dynamic³⁾:

License	Equity Capital GCM/DCM	Clearing fund GCM/DCM ⁴⁾	
Derivates Clearing ¹⁾	EUR 125 m/ EUR 12,5 m	} minimum EUR 5 m/ EUR 1 m	Contributions to Clearing fund are accounted for
Cash Bonds Clearing ¹⁾	EUR 50 m/ EUR 5 m		
Repo Clearing ²⁾	EUR 175 m/ EUR 17,5 m		

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

Technical Connection to Eurex Clearing/CCP

Costs for a Eurex Clearing connection:

CCP Connection type	Bandbreite	Preis pro Monat
Dedicated leased line	128 kbps	EUR 450,-
Dedicated leased line (Back-up)	128 kbps	EUR 450,-
Internet connection	128 kbps	EUR 200,-
ExServes – Internet connection		EUR 600,- for two Token, any additional Token EUR 300,-
Clearing Service Fee		EUR 500 (not applicable for ExServes connection)

There are several alternatives to gain access to the clearing services of Eurex Clearing, participants may choose between connections via a leased line, via internet or via internet access without own server installation.

For a leased line connection, a backup-connection is required in all cases. The back-up connection must have the same bandwidth as the principal line. For members with existing leased lines to the CCP/Eurex Clearing system, it is possible to use these connections, no additional connection is necessary provided there is sufficient bandwidth capacity

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,- €)
Admission fee for clearing members (DCM):	0 €
Annual fee for clearing members (DCM):	0 €

List of Participants

Participant	Country	City	GC Pooling	Participant	Country	City	GC Pooling
Aareal Bank AG	D/IRL	Wiesbaden/Dublin	x	ING Bank N.V.	NL	Amsterdam	
B. Metzler seel. Sohn & Co.	D	Frankfurt		Jefferies International Ltd.	GB	London	x
Bank for International Settlements	CH	Basel		J.P. Morgan AG	D	Frankfurt	x
Bank Julius Bär & Co. AG	CH	Zurich		J.P. Morgan Securities Ltd.	GB	London	
Banque LBLux S.A.	L	Luxembourg	x	KfW Bankengruppe	D	Frankfurt	x
Banque Privée Edmond de Rothschild	L	Luxembourg	x	Landesbank Baden-Württemberg	D	Stuttgart	x
Bantleon Bank AG	CH	Zug		Landesbank Berlin AG	D	Berlin	x
Barclays Capital PLC. Ltd.	GB	London	x	Landesbank Hessen-Thüringen	D	Frankfurt	x
Bayerische Landesbank AG	D	Munich	x	Landwirtschaftliche Rentenbank	D	Frankfurt	x
BHF Bank AG	D	Frankfurt	x	Maple Bank GmbH	D	Frankfurt	x
BNP Paribas S.A.	F	Paris	x	Merrill Lynch International	GB	London	
BRD Finanzagentur	D	Frankfurt	x	MF Global UK Ltd.	GB	London	
Caja de Madrid	E	Madrid	x	Morgan Stanley & Co International PLC	GB	London	
Citigroup Global Markets Ltd.	GB	London		Morgan Stanley Bank AG	D	Frankfurt	x
Commerzbank AG	D	Frankfurt	x	NATIXIS	F	Paris	x
CorealCredit Bank AG	D	Frankfurt	x	Newedge Group	GB	London	
Credit Agricole CIB	F	Paris		Nomura International plc.	GB	London	
Credit Suisse	CH	Zurich		Norddeutsche Landesbank	D	Hanover	x
Credit Suisse Securities (Europe) Ltd.	GB	London	x	Nordea Bank Danmark A/S	DK	Copenhagen	x
Danske Bank S/A	DK	Copenhagen		NRW. Bank	D	Dusseldorf	x
Deka Bank Deutsche Girozentrale	D	Frankfurt	x	Pictet & Cie.	CH	Geneva	
Deutsche Bank AG	D	Frankfurt	x	Reuschel & Co KG	D	Munich	
Deutsche Postbank AG	D	Bonn	x	Royal Bank of Scotland plc	GB	London	x
Dutch State Treasury Agency	NL	The Hague	x	RZB AG	A	Vienna	x
DZ Bank AG	D	Frankfurt	x	Sal. Oppenheim jr. & Cie. KGaA	D	Frankfurt	x
Fortis Bank (Nederland) N.V.	NL	Amsterdam		SEB AG	D	Frankfurt	x
Fortis Bank SA NV	B	Brussels	x	Société Générale S.A.	F	Paris	x
Goldman Sachs International	GB	London		Stadtsparkasse Düsseldorf	D	Dusseldorf	x
Hamburger Sparkasse AG	D	Hamburg	x	UBS Ltd.	GB	London	
Hauck & Aufhäuser Privatbankiers KGaA	D	Frankfurt		UniCredit Bank AG	D	Munich	x
HSBC France S.A.	F	Paris		Valartis Bank AG	CH	Zurich	x
HSBC Trinkaus & Burkhardt	D	Dusseldorf	x	WestLB AG	D	Dusseldorf	x
HSH Nordbank AG	D	Kiel	x	WGZ-Bank AG	D	Dusseldorf	
IKB Deutsche Industriebank AG	D	Dusseldorf	x	WL Bank AG	D	Munster	

§ In total 68 participants are trading on the Euro Market

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Backup

Clearing

Eurex Clearing provides the following functionalities:

- § Settlement Netting
- § Combined netting for Fixed Income products (Eurex Bonds, Eurex Repo)
- § Shaping of delivery instructions
- § (Gross-) delivery management
- § Gross-/Net processing
- § Improved reporting (end-of-day and intraday reporting, reporting selection, settlement forecast and results overview)
- § Trade status inquiry
- § Trade blocking
- § Trade linking
- § Risk Management (Automated Coupon Compensation, Current Liquidating and Additional Margin, Cross Margining and Cross Collateralization)

Benefits:

- § Insulate against counterparty risk
- § Post-trade anonymity
- § Efficient calculation/allocation of collateral
- § Extension of trade management
- § Reduction of settlement volume/delivery instructions
- § Reduction of cross-border settlements