



XONTRO Newsletter

Financial Institutes

No. 19

The following modification will be introduced to XONTRO effective 4th of April 2005:

- Frankfurt Stock Exchange Floor: Limitation of brokerage fees for certain lead brokers in leverage and investment products.

1. Brokerage Fee Cap

Effective 4th of April 2005 on Frankfurt Stock Exchange Floor, a brokerage fee cap for structured products for certain lead brokers will be introduced. The cap distinguishes between investment and leverage products. This means, that for investment products there will be a cap of X Euro and for leverage products there will be a cap of Y Euro.

Regarding the brokerage fee cap on Frankfurt Stock Exchange, XONTRO will operate as follows:

CBF numbers of lead brokers, for which securities the brokerage fee caps are to be applied, are stored in XONTRO. For regular broker mediated trades in one of the relating securities, XONTRO calculates the brokerage fee payable by the financial institute. Thereupon XONTRO verifies in the static data field "Brokerage Fee Cap" (WM field XD 698), whether a specific brokerage fee cap applies for this security. Is this the case and does the calculated brokerage fee exceed the cap, the brokerage fee will be reduced to the actual brokerage fee cap stored in the static data, X Euro for investment products and Y Euro for leverage products. If the field "Brokerage Fee Cap" contains the value "0", there will be no brokerage fee cap applied.

The affected CBF numbers of the lead brokers will be announced in a following circular letter. More broker numbers can be announced one week in advance.

Important notes:

- In this variant of a brokerage fee cap it is controlled via broker number **and** static data, whether any and which brokerage fee cap will apply for a specific ISIN. That means among other things: If the static data of an ISIN, for which the broker number of the lead broker is stored in XONTRO, does not contain a specific value (field XD 698 contains value "0"), no brokerage fee cap will apply.
- The brokerage fee cap will apply for all broker mediated trades, whether or not the lead broker is participating in this trade.
- In case of (non broker-mediated) interbank trades, for which banks that enter trades are subject to a payable brokerage fee in the first place, brokerage fees are calculated without using a brokerage fee cap.
- Basically, the brokerage fee cap applies to all types of securities. An individual processing of stock brokerage fee or bond brokerage fee does not take place.

- For brokerage fee calculation, in case of dividing an order into several partial trades or combining several orders into one trade, the following regulations apply now as before:
 - In cases where several orders are combined into one trade, brokerage fee caps are determined for each individual order. In the end, all brokerage fees are added up to one final sum which appears on the contract note. Please take note that even if brokerage fee caps actually apply, final brokerage fees on a contract note can be higher than the cap.
 - In cases where during price determination an order is divided into several trades with different counterparties, the cap is calculated on the basis of the original order volume. Thereupon the cap is distributed to the individual trades on basis of executed volume per trade.
- For the calculation of the brokerage fee between lead broker and freelance broker, the 70/30 standard applies as before. If the brokerage fee cap applies for the brokerage fee payable by the financial institute in favor of the freelance broker, then the lead broker charges the freelance broker 70 percent of the brokerage fee cap. For example: With a brokerage fee cap of 12 Euro and because of an executed freelance broker order, the lead broker charges the freelance broker 70 percent of the brokerage fee cap, in this case 8.40 Euro.
- If additional entries "AC", "PC" or "HC" to be entered by the intermediary are relevant, the following processing logic applies:
 - As before, "AC" substitutes calculated brokerage fees by the entered amount in EURO.
 - Following an entry of "HC", the brokerage fee cap is divided by two. Consequently, in case of a brokerage fee cap of 12 Euro and an entry of "HC", a cap of 6 Euro would be payable by the bank.
 - The same logic applies for "PC": e.g., in case of a brokerage fee cap of 12 Euro and an entry of "PC40", the cap is 4.80 Euro.
- Brokerage fee caps also apply to intermediary-PÜEV-trades (inter-exchange securities trading), when the stock exchange trading place of the originator is Frankfurt Stock Exchange Floor and the brokerage fee cap regulation applies to the traded security.
- There will be no separate note on the contract note that the brokerage fee cap did apply for this trade.