

XONTRO[®]

XONTRO Newsletter

Financial Institutes

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(English Version)

This XONTRO newsletter describes the modifications that have become necessary for the XONTRO participants by means of the exchange trading migration from XONTRO Frankfurt onto Xetra Frankfurt 2. Launch date for the migration in production is scheduled to be Monday, 23 May 2011. For the remaining XONTRO floor exchanges (Berlin, Duesseldorf, Hamburg, Hannover, Munich/MAX-ONE and Stuttgart) the changes listed in this newsletter will have no effects.

Publishing note: In order provide a better understanding for the changes caused by the migration, this newsletter covers the modifications relevant for the intermediaries as well. The “financial institutes” readers are kindly asked to overlook those passages not being relevant for their own business domains (e.g. functions proprietary for the intermediaries only).

1. Exchange trading migration from XONTRO Frankfurt onto Xetra Frankfurt 2

1.1. Exchange trading (order routing and price fixing)

Concluding 20 May 2011 there will be no more stock exchange trading to take place on the “Frankfurt Floor” (XONTRO). All orderbooks having been maintained at XONTRO Frankfurt so far will be migrated onto Xetra Frankfurt 2. More specifically, this is to mean that:

- Beginning 23 May 2011, no orders will be allowed to be routed onto XONTRO Frankfurt any more; neither by banks nor by intermediaries, neither via the 3270 dialog nor via the system connection for banks as well as for intermediaries.
- Nonwithstanding this, the order routing towards the “Exchange Location Frankfurt” (“130” / “EDF”) will still be possible as before via the system connection for banks (“SAKI”); these orders will then, however, be forwarded to Xetra Frankfurt 2 automatically.
- Besides, orders destined for Xetra may still be routed by banks via the system connection for banks (SAKI) as before.
- On the Frankfurt Floor (XONTRO) there will be no more price fixings.
- Intermediaries cannot send orders to Xetra or Xetra Frankfurt 2, neither via the 3270 dialog nor via the system connection for intermediaries (SAM).

1.2. Broker-mediated trades

Trade entries by intermediaries will furthermore be allowed on XONTRO Frankfurt, as well as HUM entries (“Trading among intermediaries”) and *Aufgabe* (pending trades) processings (creation, (partial) closure and deletion of *Aufgaben*), via the 3270 dialog as well as via the system connection for brokers (SAM). Broker-mediated trades may still contain price differences, which will be processed and balanced as before by the settlement systems. These trades will, however, uniformly be flagged as “off-exchange” (“AB”) trades within the contract note as well as within the broker’s diary; this flag cannot be modified manually any longer.

1.3. Bank direct (OTC) trades

Bank direct (OTC) trades will furthermore be allowed on XONTRO Frankfurt under the same conditions as before, as well as cancellations and reversals of these trades. The inclusion of the “on-exchange” flag (“BS”) will, however, not be allowed any longer for these trades, too.

1.4. CCP / Central counterparty

Along with the exchange trading migration onto Xetra Frankfurt 2, the inclusion of the CCP as the “central counterparty” will also be discontinued on XONTRO Frankfurt. Thus, all trades having been created on XONTRO Frankfurt will then be sent to CBF/LION directly for settlement during the end-of-day batch.

“Off-exchange” *Aufgaben* having been created until 20 May 2011 and not having been closed automatically during the end-of-day batch on 20 May 2011 (cf. chapter 2.2. for this topic, too) may still be closed manually by the broker on one the following business days; these *Aufgabe* closures will then, however, not contain the CCP as counterparty any longer.

After 20 May 2011, the CCP will not accept any trade-related messages from XONTRO any longer; this will be true for the cancellations of trades, too (cf. chapter 2.3. for this topic). Therefore, the XONTRO participants are encouraged to settle / close their transactions within XONTRO for the migration weekend, and to avoid open / pending positions as far as possible by any means.

1.5. Contract notes

Save for one exception, for the banks there will be no modifications whatsoever with regards to the generation, transfer, rhythm, etc., for the contract notes resp. the contract notes data carrier files, to be sent via file transfer or real time via the system connection for banks (SAKI).

The exception consists in the fact that after the migration there will be CCP trades on Xetra Frankfurt 2, too; therefore, the reception of the so called "OLN" ("order level netting") contract notes data carrier files from Xetra Frankfurt 2 will now be possible as an additional, separate file transfer, too. 23 May 2011 is considered to be the production launch date for this additional service, 28 March 2011 for simulation. Participants who wish to subscribe for this new service are kindly requested to send the application form sheet available via the following link back to BrainTrade until 01 March 2011 latest:

http://www.xontro.de/fileadmin/media/documents/Anmeldungen/Form_SWIFT_DataCarrier_CCP.pdf

Participants not yet having subscribed to the reception of the "trade" contract notes data carrier file for Frankfurt 2 trades, but considering this option now in view of the anticipated increase in the trading turnover volume on Xetra Frankfurt 2, may likewise use the above link to apply for this service at BrainTrade.

1.6. Miscellaneous

As there will be no more pricing intermediaries on "XONTRO Frankfurt", it follows that the so called "Pricing intermediaries' brokerage" will be omitted, too. The so called "Trading among intermediaries" will thus, with no exception, be free of brokerage on XONTRO Frankfurt. This rule will be implemented within the production environment (IMS1) as of 23 May 2011. Between brokers and banks (along with "off-exchange" trades) as well as between banks (along with bank direct (OTC) trades) the insertion of a brokerage will, however, still be allowed.

The documentation to be delivered to the participants (reports, list files, broker's diaries etc.) will remain unchanged. The format and layout of the contract notes data carrier files (MT512 / MT599) will not be modified.

The so called "trading on terms of issue" ("Handel per Erscheinen") resp. the "subscription trade" of an instrument may only take place either in XONTRO Frankfurt or on Xetra Frankfurt 2. This implies that subscription trade periods having been started on XONTRO Frankfurt should be finished there by 20 May 2011 latest.

2. Special regulations effective for the migration weekend (May 20th through 23rd, 2011)

The on-exchange trading migration onto Xetra Frankfurt 2 will be launched in production over the weekend May 20th through 23rd 2011. During this period there will be some special regulations valid which will be outlined below.

2.1. Order deletion in XONTRO on 20 May 2011 in the evening

All orders still active on XONTRO Frankfurt in the evening of 20 May 2011 will be deleted by the system during the end-of-day batch on that evening. For banks using a so called system connection for financial institutes (SAKI) for XONTRO access, the corresponding message flows – MT551 (“securities-related event notification”) resp. MT595 (“order deletion message”) – will be generated on that evening, if they have been requested by the SAKI owner; they may then be retrieved on the SAKI by the customer as from Monday, 23 May 2011, 02.30 a.m. The deleted orders will not automatically be re-entered into Xetra Frankfurt 2; if desired, this has to be done by the order issuers themselves.

Essentially, this procedure corresponds to the method applied along with the introduction of Scoach resp. the migration of the funds to Xetra Frankfurt 2 in the past; in contrast to then, however, now all orders still open on XONTRO Frankfurt will be deleted. Therefore, the amount of order deletions is expected to be higher than before.

2.2. Closures of open *Aufgaben* (pending trades) on 20 May 2011 in the evening and later

All *Aufgaben* (pending trades) still open on XONTRO Frankfurt on 20 May 2011 in the evening and bearing the “on-exchange” flag will automatically be closed by the system during the evening batch; this means that, instead of the broker, the broker’s depository bank will be included as a counterparty, resulting in a trade ready to be settled by CBF. As a result, there will be no more open *Aufgaben* having the “on-exchange” flag on Monday, 23 May 2011, on XONTRO Frankfurt (cf. chapter 2.3. for this topic, too). *Aufgaben* having the “off-exchange” flag set will not be closed automatically by the system, except when demanded for by the CCP processing rules.

In order to avoid further irritations, however, all participants active on XONTRO Frankfurt are kindly requested to keep the number of *Aufgaben* still open (pending) on 20 May 2011 evening to the absolute minimum necessary.

Beginning 23 May 2011, new *Aufgaben* can be created on XONTRO Frankfurt again; these ones will, however, always be flagged “off-exchange” ones. As the CCP will also be removed from XONTRO Frankfurt on this date (cf. chapter 2.4. for this, too), no more “automatic” *Aufgabe* closures will occur on XONTRO altogether; all open *Aufgaben* will then have to be “manually” closed by the intermediaries themselves – or be cancelled or deleted.

2.3. Cancellations of trades from 20 May 2011 on 23 May 2011

In order to obtain a proper cut-off boundary of all trades before resp. after the migration, it is planned to block the 3270 dialog broker functions BCEM ST (Trade cancellation by broker Frankfurt) and BCEM SN (Cancellation / new entry by broker Frankfurt), as well as the corresponding SAM (system connection for brokers) requests, on Monday, 23 May 2011, until 03.00 p.m. (end of cancellation period for trades from previous business day). This would then result in broker-mediated trades from 20 May 2011 not being able to be cancelled on 23 May 2011 in XONTRO Frankfurt. A final decision about this issue is expected to arrive towards the end of February 2011; BrainTrade will keep their customers informed about the final outcome of this decision as soon as possible. Notwithstanding the outcome of this decision, all XONTRO participants are again kindly requested to “even themselves up” over the migration weekend, and to keep the number of open/pending positions as small as possible.

Bank direct (OTC) trades – on-exchange as well as off-exchange – on XONTRO Frankfurt from 20 May 2011 will be able to be cancelled on 23 May 2011 as normal, i.e. until 03.00 p.m.

2.4. Decommission of the CCP as “Central Counterparty” on XONTRO Frankfurt

The inclusion of the CCP as the “Central Counterparty” will also be abolished on XONTRO Frankfurt beginning 23 May 2011. All trades resulting there from that date will then always contain the “true” counterparty for the trade and not the CCP (CBF account number “8501”) any longer. In addition, these trades will then not be forwarded onto the Eurex Clearing AG any longer, but will be sent to the CBF system LION for settlement directly with no exception. Price differences resulting from these trades will then be shown to the banks and be balanced between the involved banks and brokers again. Thus, all XONTRO trades will then be NON-CCP trades again. The rule whereas *Aufgaben* in CCP-eligible ISINs from XONTRO Frankfurt will be closed automatically by the system in case the intermediary has not done this before within the valid time limits (one business day for buy-, two business days for sell-*Aufgaben*) will then also be abolished.

Broker-mediated trades for CCP-eligible ISINs will thus be forwarded onto the CCP on 20 May 2011 for the last time; beginning 23 May 2011, the CCP will not accept any trade-related messages from XONTRO any more. CCP trades from 20 May 2011 will also not be able to be cancelled on 23 May 2011 (cf. chapter 2.3. for this, too).

2.5. “Trading on terms of issue” („*Handel per Erscheinen*“)

The so called “Trading on terms of issue” („*Handel per Erscheinen*“) for ISINs being within the subscription period will also be terminated on XONTRO Frankfurt and be continued on Xetra Frankfurt 2, as per 23 May 2011. A subscription period having been started at XONTRO Frankfurt cannot, however, simply be transferred onto Xetra Frankfurt 2 and be finished there, as active subscription orders will, like all other orders, be deleted on XONTRO Frankfurt on 20 May 2011 and not be transferred onto Xetra Frankfurt 2. There will be no special treatment by the system for subscription orders during the migration.

As a consequence, it has to be ascertained by organizational measures that all subscription periods having been started on XONTRO Frankfurt before 20 May 2011 will have to be concluded there by 20 May 2011 latest – e.g. by the broker finishing the subscription period by fixing the subscription price on XONTRO Frankfurt on 20 May 2011 latest.

3. XONTRO participation in the Xetra Release Simulation from 14 March until 05 May 2011

Between 14 March and 05 May 2011 the Xetra Release 11.1 Simulation will take place. Within this simulation, the exchange trading migration from XONTRO Frankfurt onto Xetra Frankfurt 2 will be simulated, too.

Because of the Xetra Release 11.1 there will be some corresponding XONTRO program adaptations as well. These changes will be launched in production (IMS1) on 23 May 2011. The simulation (IMS27) launch is scheduled to take place on Monday, 28 March 2011. If the suspension of the XONTRO transactions BCEM ST and BCEM SN (cancellation entries by intermediaries on Frankfurt), as described in chapter 2.3., will be realized in production (IMS1) on Monday, 23 May 2011, then this feature will be introduced in simulation (IMS27) as well, on Monday, 28 March 2011.

XONTRO will participate in the Xetra Release Simulation as well; the details of this participation will be explained below.

3.1. Instrument migration from XONTRO Frankfurt onto Xetra Frankfurt 2

The regulation as to which ISINs will be migrated from XONTRO Frankfurt onto Xetra Frankfurt 2 at which date will not be done by program or by release, but rather for each ISIN on an individual basis by a modification of the corresponding WSS field within the simulation environment (IMS27). As seen from today, a corresponding “market segment change” is scheduled to occur four times during the simulation within the end-of-day batch:

- Monday, 14 March 2011 (all bonds as well as some selected shares)
- Friday, 25 March 2011 (some selected shares)
- Thursday, 07 April 2011 (some selected shares)
- Thursday, 14 April 2011 (some selected shares)

A detailed list as to which ISINs will be migrated within the simulation on which dates may be obtained from the Xetra support team.

Until the dates listed, the affected instruments can be traded on-exchange on the XONTRO Frankfurt simulation (IMS27) environment as now; during the end-of-day batch the affected ISINs will be shifted via WSS from XONTRO Frankfurt onto Xetra Frankfurt 2. This will in turn result in the deletion of all open orders on XONTRO Frankfurt for the affected ISINs within the test system, including the generation of the corresponding order deletion messages for the SAKI users. The “on-exchange” flag (“BS”) may resp. will be set on XONTRO Frankfurt for the affected trades until the migration date, afterwards this flag may not be used any longer.

Beginning the business day after the migration date, the on-exchange trading for the affected ISINs will then only be possible on Xetra Frankfurt 2. Test orders for these ISINs entered on XONTRO via SAKI by banks will then automatically be routed onto the Xetra Frankfurt 2 simu backend; the XONTRO 3270 dialog cannot be used for order entries for these instruments. Intermediaries will not be able to submit any orders for these instruments via XONTRO at all.

Those values that are not scheduled for migration within the Release Simulation may still be traded on-exchange on XONTRO Frankfurt until the last day before the production launch date, i.e. until 20 May 2011.

Participants who wish their test orders to be executed on XONTRO Frankfurt during the simulation may contact BrainTrade using the e-mail address trade@xontro.de in order to have this done. Please include the instrument ISIN, CBF account number of the pricing intermediary (if known), and the type of execution desired (full, partial, ...).

3.2. CCP decommission on XONTRO Frankfurt

The CCP processing will be suspended on the XONTRO Frankfurt simulation environment (IMS27) over the weekend 25th through 28th March 2011. Specifically, this means that:

- Until Friday, 25 March 2011, including, trades in CCP-eligible ISINs will be forwarded from the XONTRO simu backend onto the CCP, i.e. to the Eurex Clearing AG simu backend.
- Beginning Monday, 28 March 2011, no more trade-related messages will be forwarded from XONTRO Frankfurt onto the CCP in simulation.

Before the CCP decommission on XONTRO only trades in certain selected ISINs will, however, be forwarded onto the CCP simu backend; a list of the instruments selected may be obtained from the Xetra support team. In addition, the transfer of trades onto the CCP will only be done until 03.00 p.m. on any business day; trades generated later will not be forwarded. Formally, trades determined for the CCP will have to meet the general criteria valid, i.e.: Only broker-mediated trades can be included; certain additional specifications, such as “deviant contraction date” or “deviant settlement date” are not allowed, ... – Therefore, the CCP trades should have been created by an order execution resp. price fixing procedure on XONTRO Frankfurt as a rule. Executions for orders submitted may be ordered from BrainTrade using the e-mail address trade@xontro.de during the simulation.

Due to technical reasons, on 25 March 2011 (last day of the CCP being active in the IMS27) it is planned to terminate the IMS27 environment operation, and to start the end-of-day batch processing of the IMS27 earlier than usual, i.e. at 02:30 p.m.

4. Miscellaneous

4.1. STP connection between the IMS23 and IMS27 during the Xetra 11.1 Release Simulation

On four days during the Xetra 11.1. Release Simulation a system connection resp. data transfer between the two distinctive simulation environments IMS27 (XONTRO) and IMS23 (CBF) will be provided. This means that, on these four days, all NON-CCP trades having been generated on any of the trading platforms XONTRO (IMS27, all exchange locations), Xetra (Release Simulation) and Xetra Frankfurt 2 (Release Simulation) will be forwarded from Xetra resp. XONTRO Trade (IMS27) onto the IMS23 (CBF/LION) and there be processed for settlement in simulation.

The dates scheduled for this procedure are:

- Tuesday, 22 March 2011
- Tuesday, 29 March 2011
- Tuesday, 19 April 2011
- Tuesday, 03 May 2011

Technically the transfer will be prepared on Tuesday evenings and conducted on the following Wednesdays; the data would then be ready to be used by the participants within the CBF functions on the IMS23 on the following Thursdays.

Although this special processing step was originally set up for the Xetra Release 11.1 Simulation, it may be pointed out that this feature will be available to all IMS27/IMS23 simulation participants.

4.2. Extended options for the reception of the so called “Clearer Contract Notes”

Independent from the exchange trading migration from XONTRO Frankfurt onto Xetra Frankfurt 2, beginning 23 May 2011 the exclusive reception of the NON-CCP contract notes for trades from Xetra and Xetra Frankfurt 2 will then be possible. This option may be of interest for GCM members whose NCMs are active in generating NON-CCP trades as well, and whose informational requirements are not yet fully covered by the ECAG documentation for CCP trades.

Participants who would like to use this additional service are kindly requested to send the application form sheet available through the following link back to BrainTrade:

http://www.xontro.de/fileadmin/media/documents/Anmeldungen/Form_SWIFT_DataCarrier_CCP_Clearer.pdf

In order to meet the distribution starting date for this new service (23 May 2011), the sheet should be sent back to BrainTrade by 20 April 2011 latest.