

eurex

X - pand into the Future



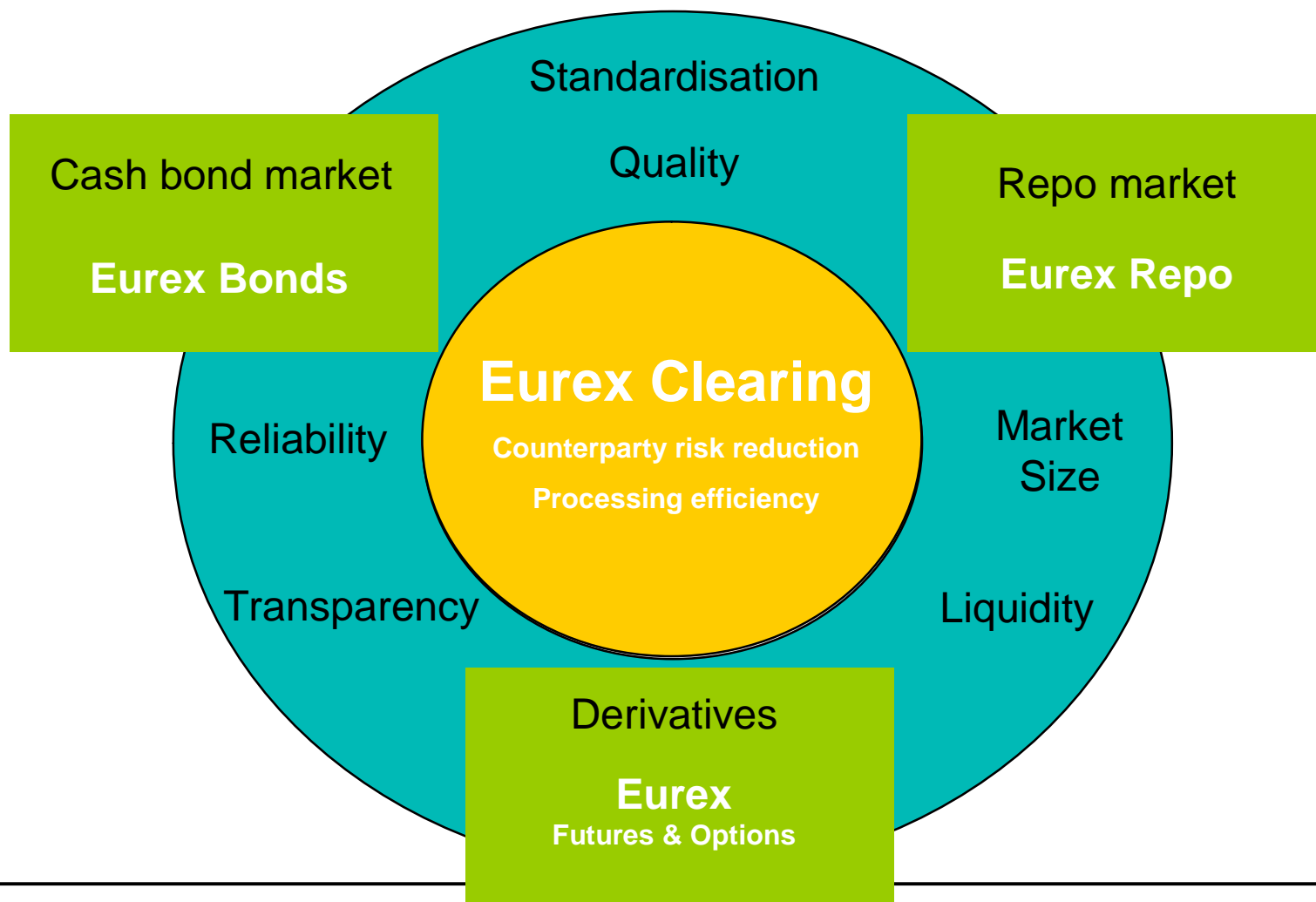
**Day of Deutsche Boerse Group:
The European Repo Market and Eurex Repo**

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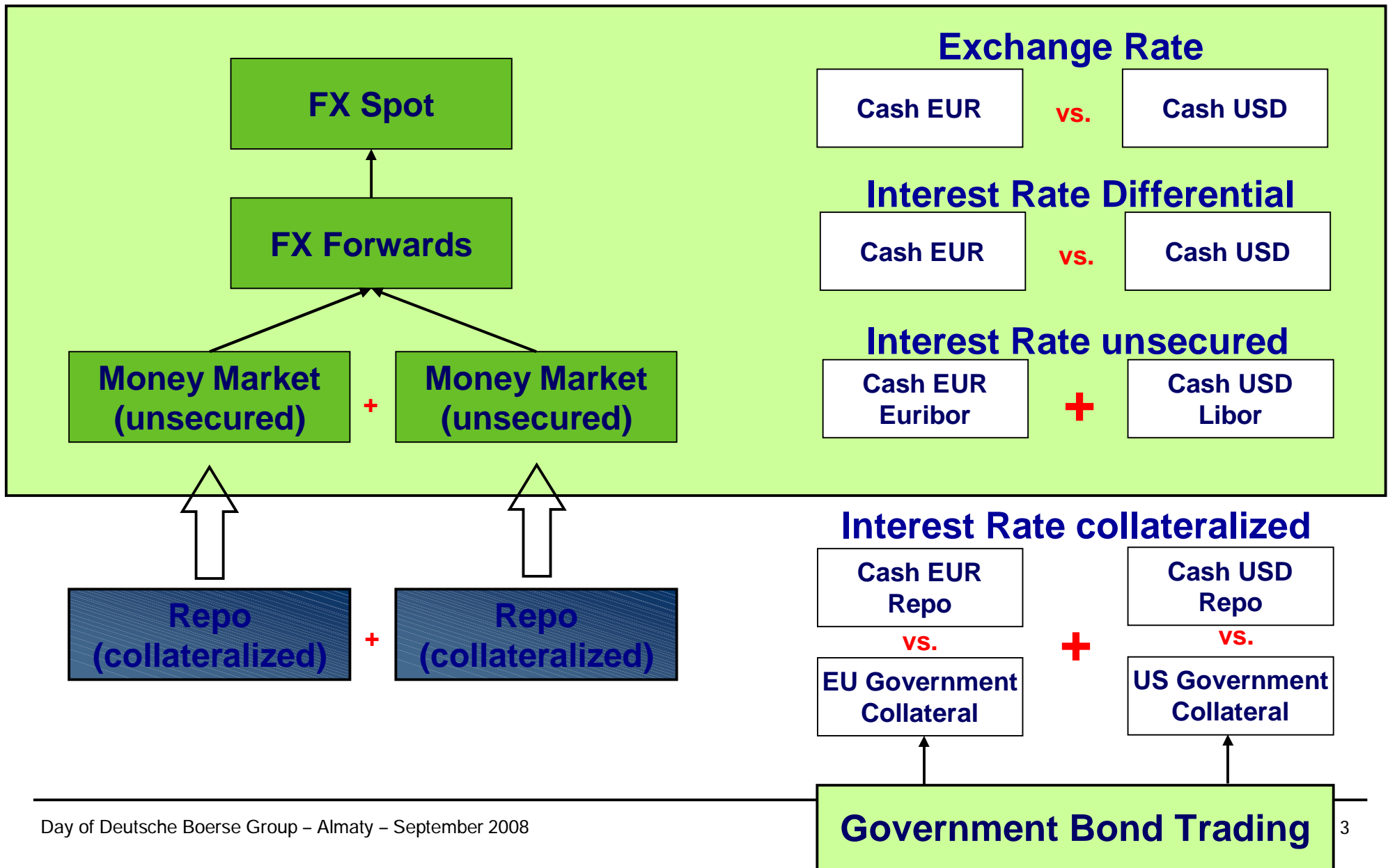
Almaty – September 04, 2008

Repo & Bond Markets

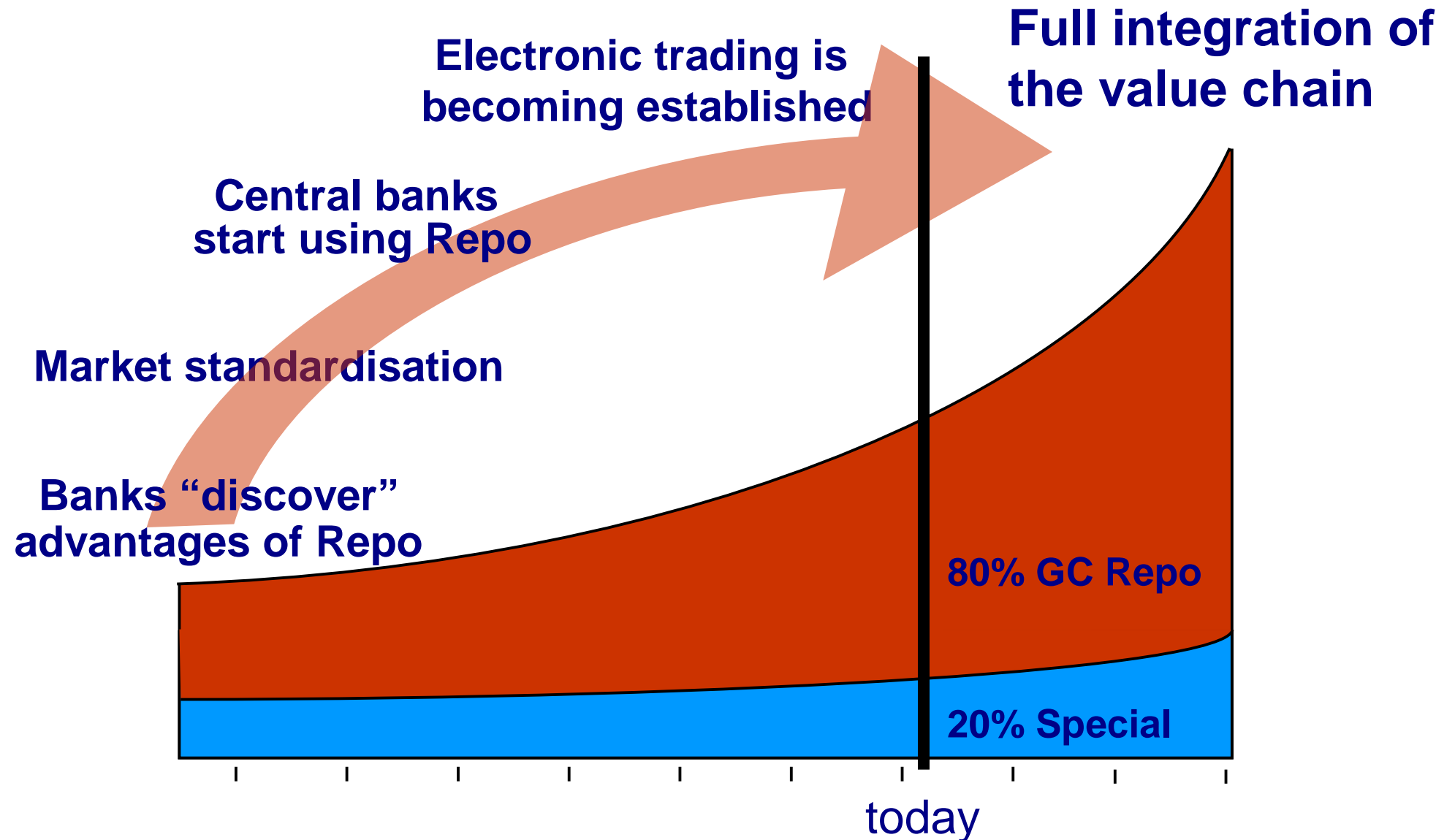
Eurex Strategic Fixed Income Approach



Trend in Short Term Funding

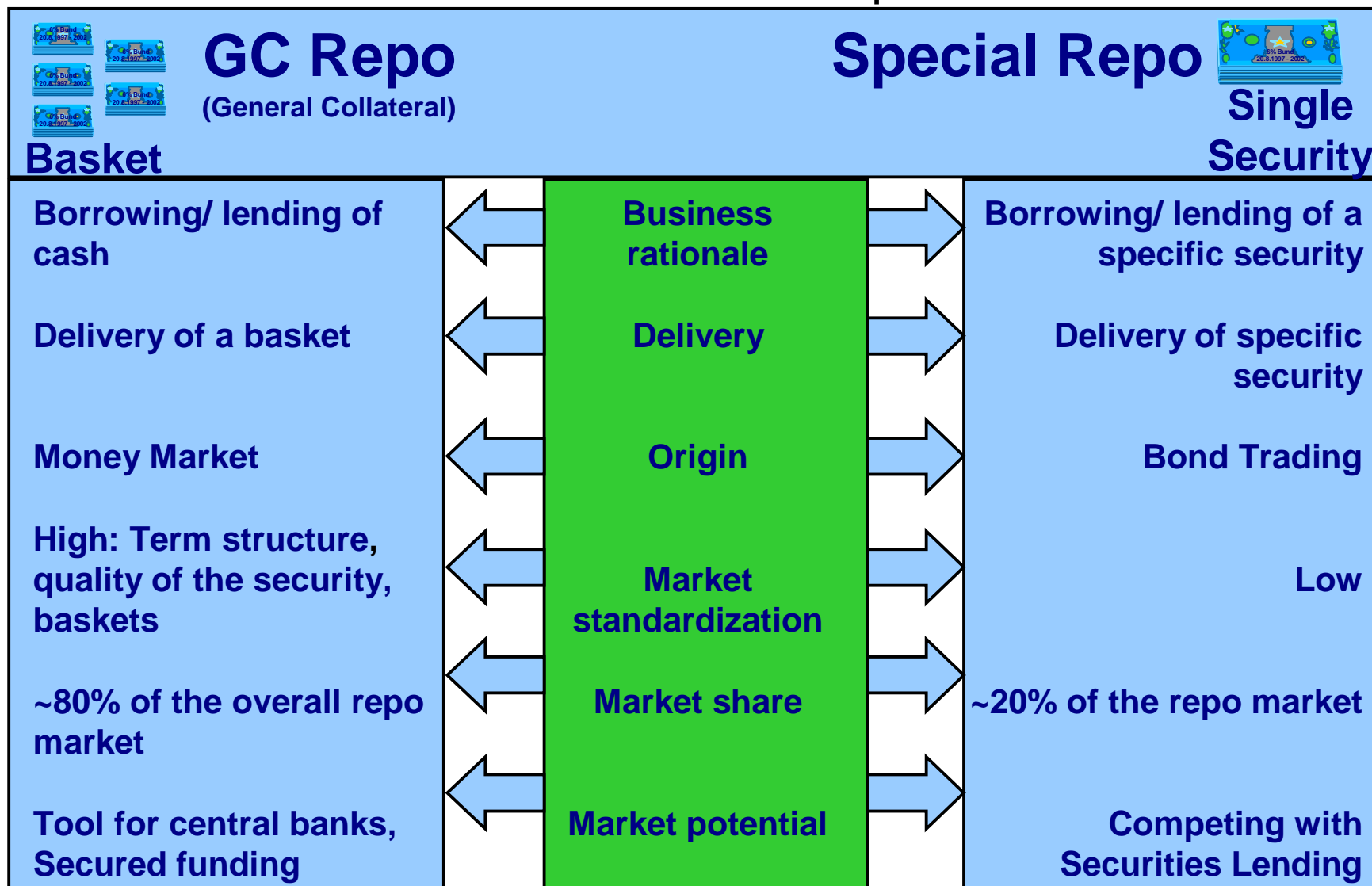


History of the Repo Market



Analysis: Repo

Collateral divides the Repo Market



Eurex Repo

European Repo Market Development

Market Driver

- § The European repo market weights € 6,38 trillion, now larger than the US repo market (source: ICMA, Repo Survey Dec.-2007)!
- § Thereof 10.5% is traded electronically using a Central Counterparty (CCP), annual growth rate Dec. 2002 to Dec. 2007
 - European repo market: +14% p.a.
 - Electronic repo trading via CCP: +25% p.a.
 - Eurex Repo EUR market: +53% p.a.
- § Market factors driving the market development: standardisation of products, commoditisation, electronic trading and an increase in market liquidity. Euro GC Pooling with its standardised ECB eligible securities basket is the key innovation for cash driven funding.
- § With the Basle II accord, the recognition of the importance of operational risks will further increase and repo trading via CCP will gain momentum. Electronic repo platforms offering seamless STP-services like Eurex Repo along the entire process chain (trading-clearing-collateral mgmt-settlement) will benefit from this development.
- § The complexity of the value chain, the legal and technological standards require a strong and long term committed service provider. With its leading technology, Eurex lays the foundation for the success of its market places and for Eurex Repo.

The Advantage of a Bright Idea

Eurex Repo Trading – *Work smart.*



Eurex Repo

Solution for the Repo Market

Day of Deutsche Boerse Group, Almaty, Sept. 04, 2008

Eurex Repo

Business Proposition

Eurex Repo strives for being the leading provider of integrated electronic trading for the international secured funding business. By its own regulation, the markets on Eurex Repo are inter-dealer and open to all financial institutions. As a centre of competence, Eurex Repo plays an active role in education and consultancy of electronic trading, clearing and settlement in collateralized funding

Short Term (~12M) Funding Products



Eurex Repo

Highlights



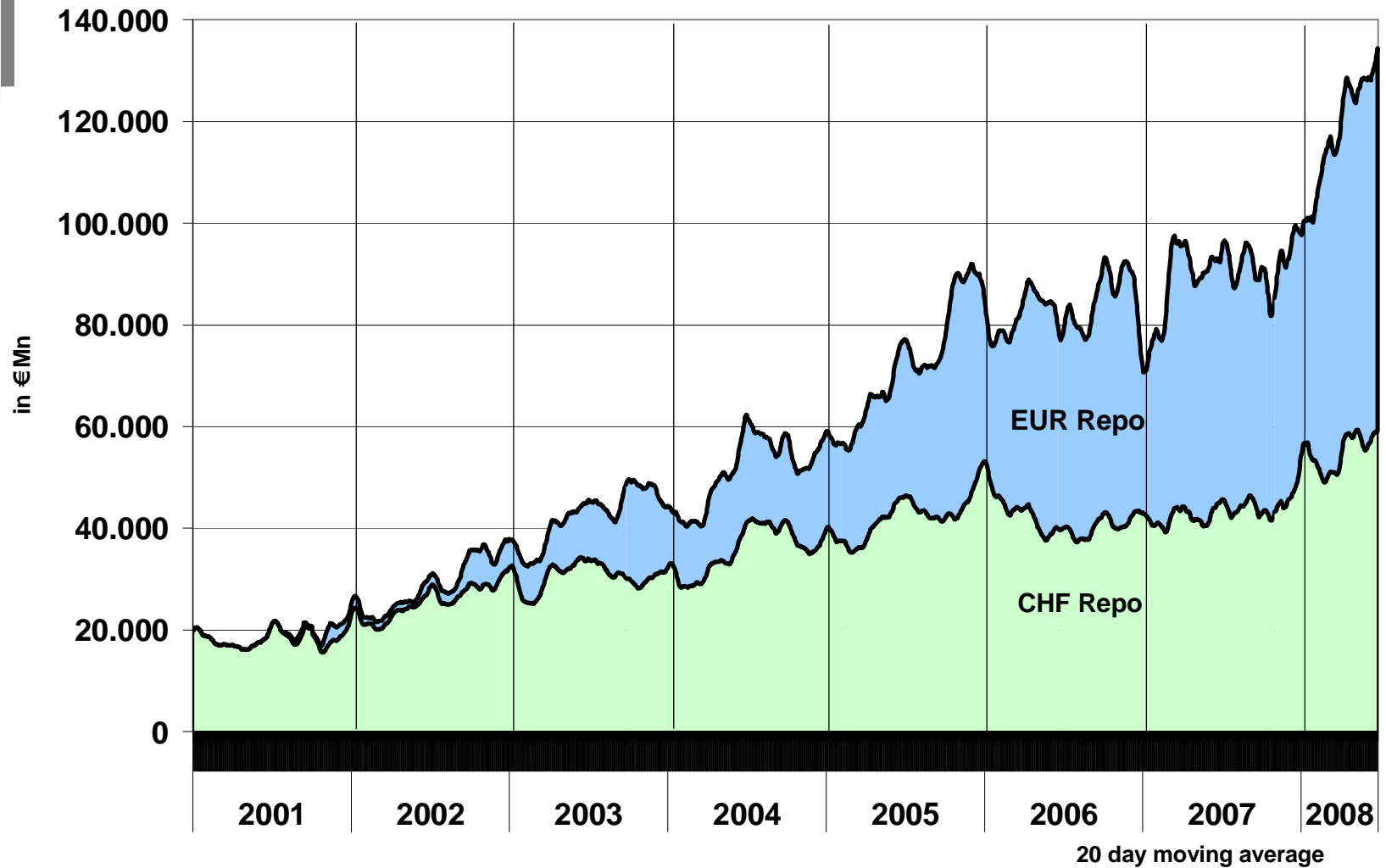
- n Eurex Repo was launched in June 1999 for off-exchange, “wholesale” repo trading in Swiss franc. The EUR Repo market was launched in July 2001**
- n Currently almost 190 participants are connected to Eurex Repo, including Swiss National Bank and the German Finance Agency.**
- n The total average outstanding volume reached €138 billion in July 2008**
- n All EUR Repo trades are cleared by Eurex Clearing AG that also serves as a central counterparty for all trades and guarantees anonymity for all participants**
- n Market Liquidity is provided by admitted Liquidity Providers, who voluntarily enter quotes during several hours of each trading day by a given bid-offer spread and a minimum quote quantity**
- n The German Finance Agency performs market management operations on behalf of German Government exclusively via Eurex Repo**
- n The Swiss National Bank exclusively transposes the Swiss franc monetary policy and auctions the Swiss government debt in the primary bond market via Eurex Repo**

Eurex Repo



Development of Outstanding Volume

Volume all
Markets



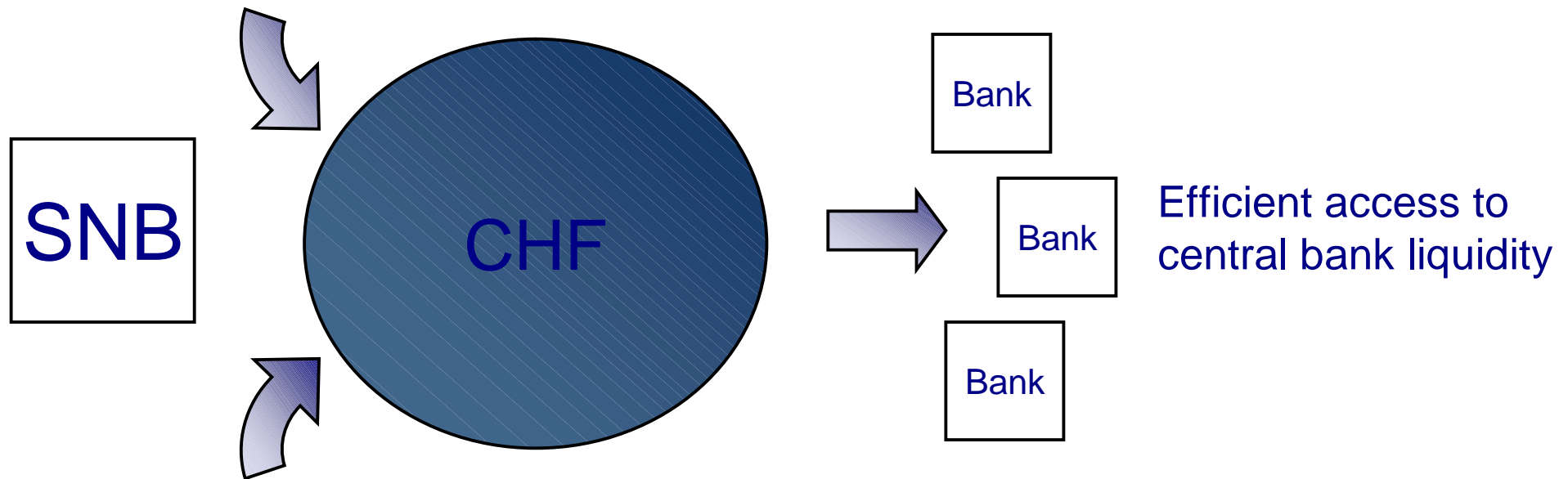
Eurex Repo



The Swiss National Bank on Eurex Repo - Repo Auctions

Repo Liquidity Auctions

- n Transpose the Swiss franc monetary policy
- n Optimization of the Swiss franc cash liquidity system (Continuous Linked Settlement) via Intraday Repo

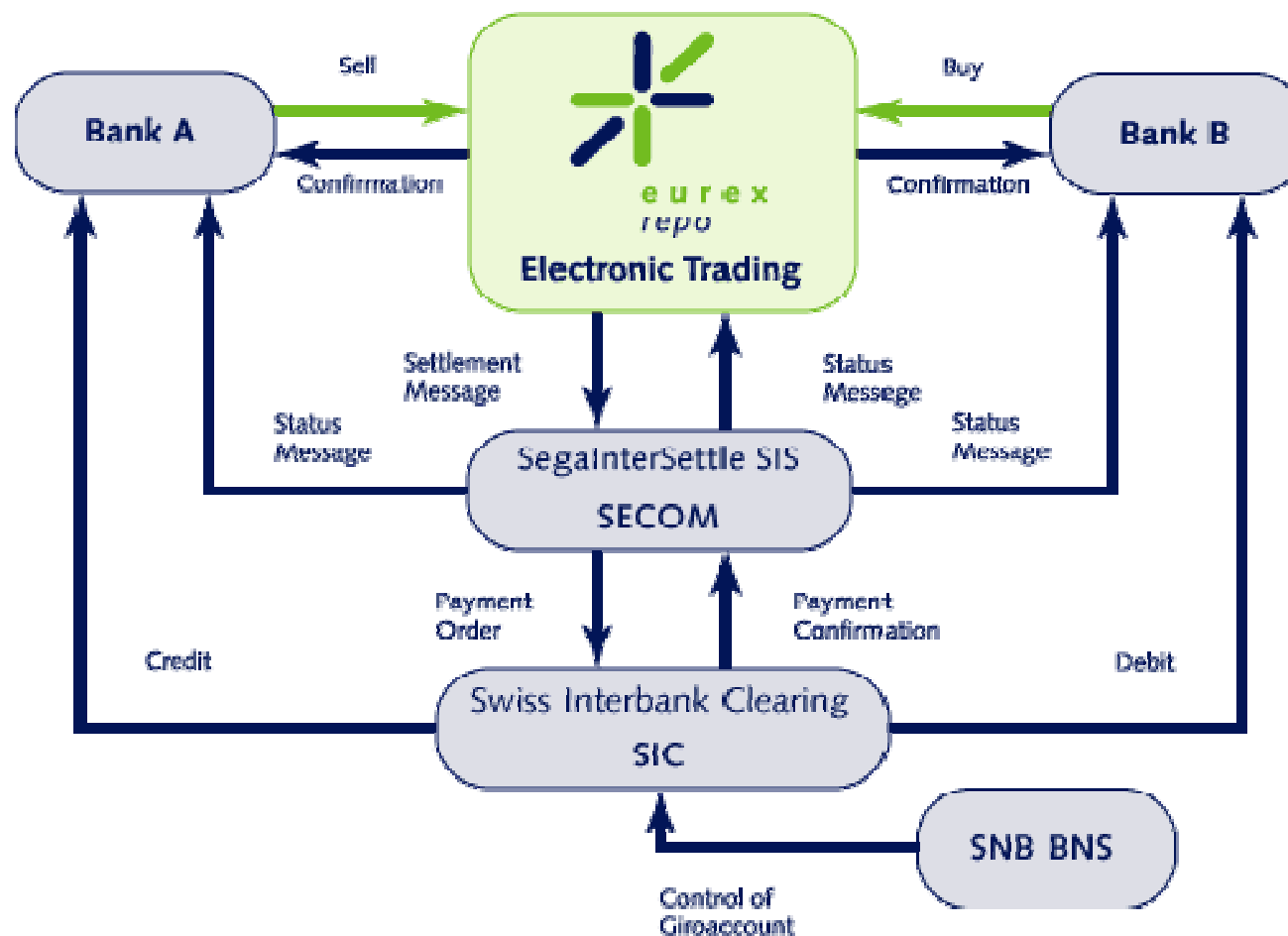


Auctions of Swiss government debt

- n Swiss government bonds
- n Money market debt register claims of the Swiss confederation

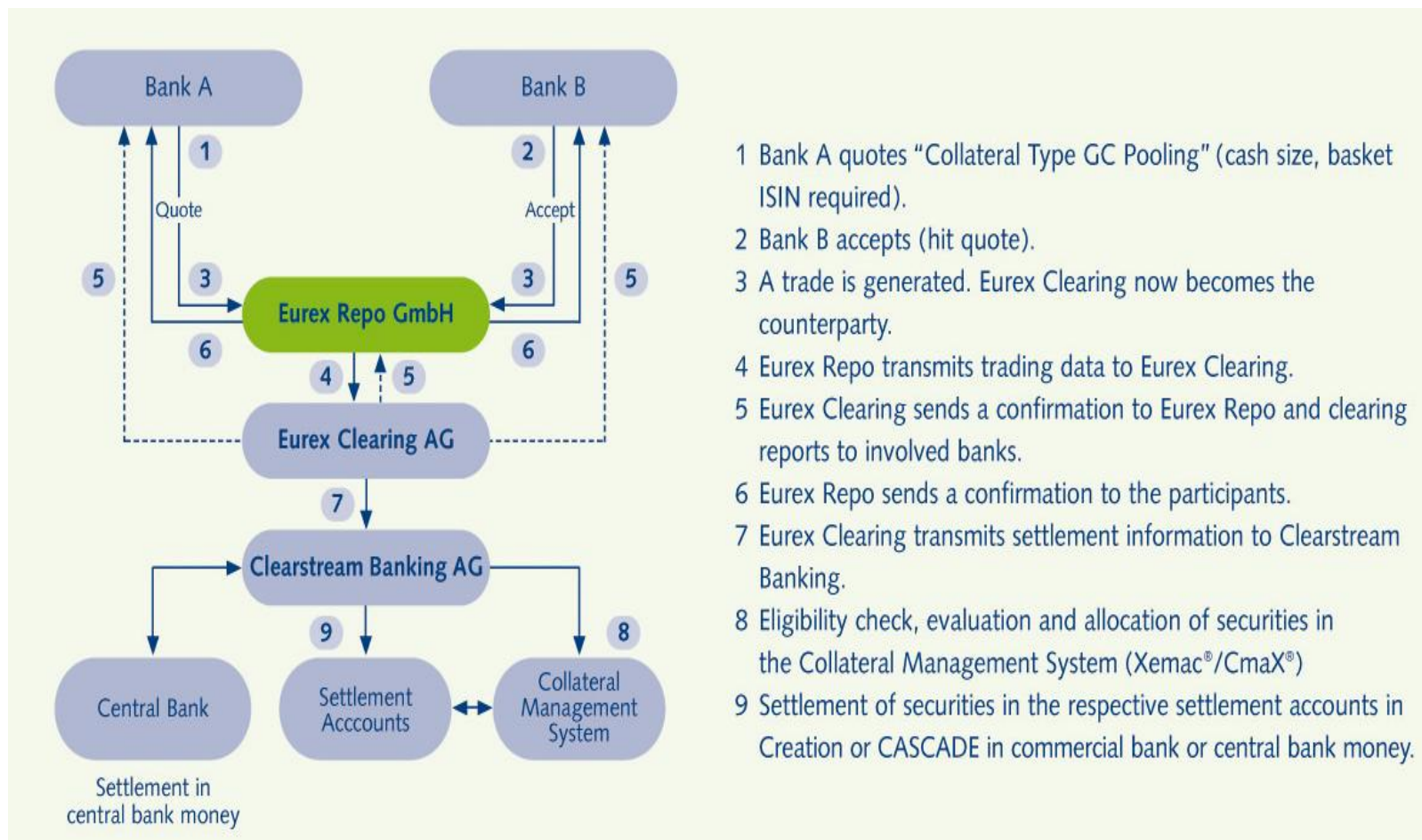
Eurex Repo

CHF Market Value Chain



Eurex Repo

The EUR Market Value Chain



- 1 Bank A quotes "Collateral Type GC Pooling" (cash size, basket ISIN required).
- 2 Bank B accepts (hit quote).
- 3 A trade is generated. Eurex Clearing now becomes the counterparty.
- 4 Eurex Repo transmits trading data to Eurex Clearing.
- 5 Eurex Clearing sends a confirmation to Eurex Repo and clearing reports to involved banks.
- 6 Eurex Repo sends a confirmation to the participants.
- 7 Eurex Clearing transmits settlement information to Clearstream Banking.
- 8 Eligibility check, evaluation and allocation of securities in the Collateral Management System (Xemac®/CmaX®)
- 9 Settlement of securities in the respective settlement accounts in Creation or CASCADE in commercial bank or central bank money.

Eurex Repo Euro Market

Attractiveness increased further in 2008

2008 Highlights

§ **Market Participants strive for Secured Funding**

Potential liquidity shortage of cash and collateral. Actual ratings reflect extended default risk. Reduction of credit lines and increasing importance of Basel II. Standardization increases appetite for electronic trading.

§ **Euro GC Pooling: The Liquidity Resort**

During the turmoil's in financial markets, Euro GC Pooling proved to be an efficient tool for secured cash funding. The #Quotes and volumes increased, especially in OverNight, TomNext and SpotNext terms.

§ **Unique Product Offering with Euro GC Pooling – Now extended to CBL**

Eurex Repo is the only electronic market place to offer secured cash funding with highly efficient collateral allocation of central bank eligible securities. Euro GC Pooling has been extended and further internationalized with the connection to Clearstream Banking Luxembourg as of Sept. 3rd, 2007.

§ **Volume Growth in 2008 and #Quotes on the Rise**

Outstanding volume grew by 41% on average outstanding in 2nd Quarter 2008 to €129.6 bn. Increased number of quotes in GC and Special repo with fee model favoring active quoting (non-aggressors).

§ **Introduction of Open and Variable**

For the first time, introduction Open and Variable repo in an electronic market with central counterpart.

§ **Significant Cost Reduction Effects for Market Participants**

Eurex Clearing close-out-netting regulation reduces cost on equity capital and the Eurex Repo fee model lowers transaction cost for market participants.

Eurex Repo

РЫНКИ EUR & CHF

Основные данные об Eurex Repo

- § Eurex Repo (расчет в швейцарских франках) был впервые введен в июне 1999 г. как рынок внебиржевой торговли для институциональных инвесторов. Евро Репо-рынок был внедрен в июле 2001 года
- § В настоящее время более 190 участников присоединены к Eurex Repo, в т.ч. Национальный банк Швейцарии и Немецкое Финансовое Агентство
- § Общий средний объем переходящих позиций составил в июле 2008 года 138 миллиарда евро
- § Во всех евро сделках клиринг происходит через компанию Eurex Clearing AG, которая выступает центральным контрагентом для всех сделок и гарантирует анонимность всем участникам
- § Ликвидность обеспечивается сертифицированными провайдерами ликвидности, которые на добровольной основе в течение нескольких часов (во время торгового дня) выставляют котировки, соблюдая при этом минимальные требования (a given bid-offer spread and a minimum quote quantity)
- § Немецкое Финансовое Агентство совершает операции управления рынком по поручению Федерального правительства Германии только через Eurex Repo
- § Национальный банк Швейцарии проводит свою кредитно-денежную политику и аукционы репо, а также управление долгами правительства Швейцарии на первичном рынке облигаций через Eurex Repo

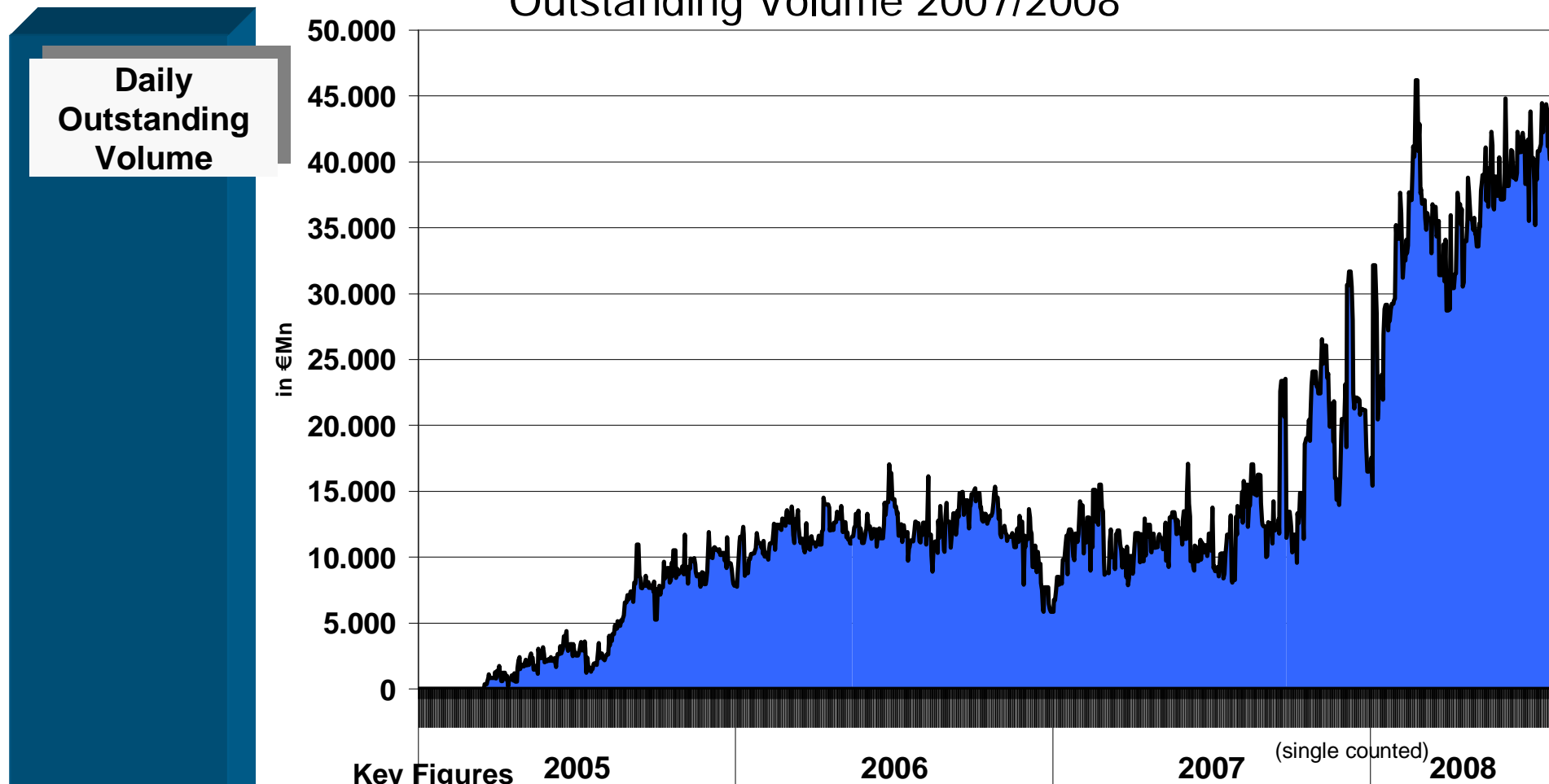
Euro GC Pooling

Solution for the European Secured Money Market

Day of Deutsche Boerse Group, Almaty, Sept. 04, 2008

Euro GC Pooling

Outstanding Volume 2007/2008



- § **+305%: €41bn** average outstanding volume in July 2008 (€10bn: July 2007)
- § Largest traded ticket size: **€10.5bn**
- § Daily outstanding volume record **€46.2bn** reached on Feb 22, 2008
- § Settlement Efficiency of **99.92%** in terms of traded volume since 3rd of Sept. 07

Euro GC Pooling

Business Value I



Mastering the balance sheet

- Ü Easy exchange between cash and securities
- Ü Manage proportion of cash and securities on the balance sheet

Optimising the liquidity

- Ü Use of most liquid trading terms (OverNight, TomNext)
- Ü ECB Tender term - creates a perfectly harmonized “secondary” market for the weekly ECB Tender
- Ü Trade a basket of securities as one single instrument
- Ü Broad range of securities are eligible for collateral (~8,000 securities)

Euro GC Pooling

Business Value II



Managing the risk

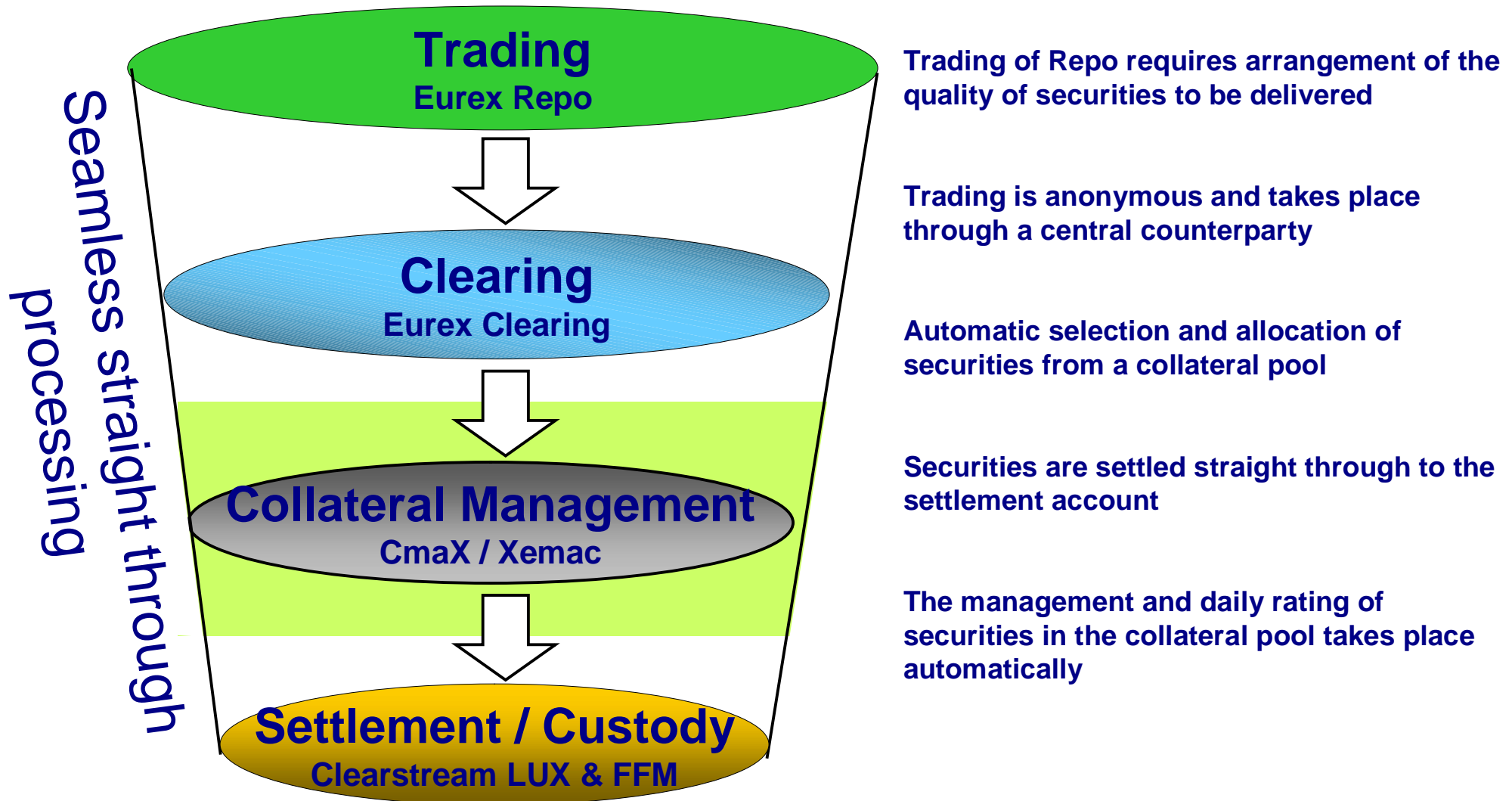
- Ü Reducing the credit risk exposure
- Ü An excellent alternative product to the unsecured cash liquidity funding
- Ü Anonymous trading by use of the Central Counterparty of Eurex Clearing

Seizing the opportunities

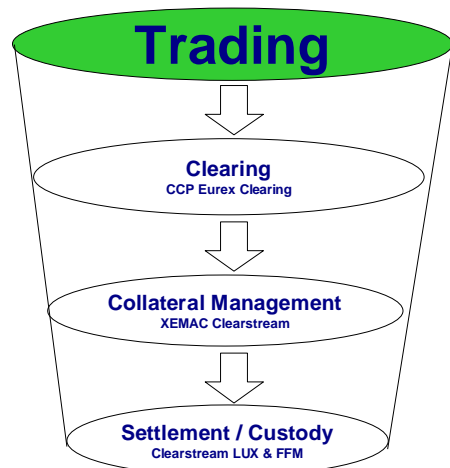
- Ü Efficient and secure same day settlement
- Ü Electronically and fully integrated seamless STP:
Trading -> Clearing -> Collateral Allocation -> Settlement -> Custody
- Ü Automated allocation of securities. No manual completion of trade. Real time substitution of securities incl. re-use of collateral received (e.g. ECB Tender)

Euro GC Pooling

Repo Value Chain of DBAG

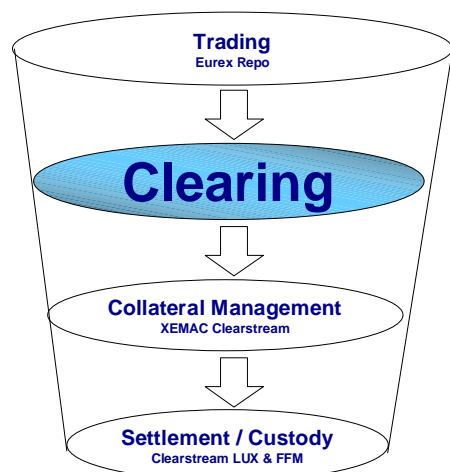


Trading & Clearing



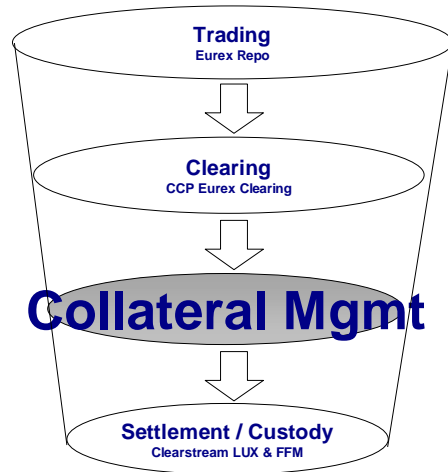
Trading on Eurex Repo

- Anonymous trading with Eurex Clearing as central counterparty
- Trade a basket of ~8,000 ECB/Bundesbank eligible securities as one single security
- ON, TN and ECB Tender terms with flexible end-dates
- The repo trade is automatically being processed as “Euro GC Pooling” by selecting the basket



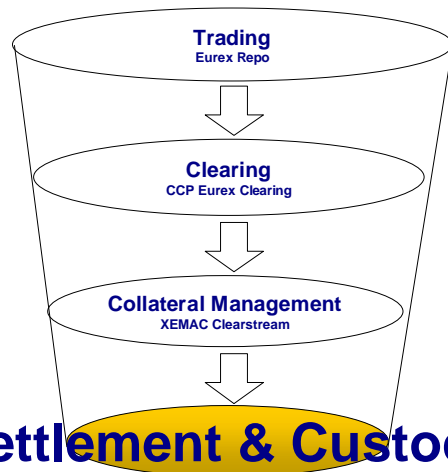
Central Counterparty of Eurex Clearing (CCP)

- Eurex Clearing acts as central counterparty
- Centralized risk mgmt. on specific collateral / security level
- Reporting on consolidated Euro GC Pooling basket ISIN
- Settlement-Day-Netting for all Euro GC Pooling transactions
- Automated transfer of settlement instructions to settlement



Collateral Management

- Domestic (Xemac) and International (CmaX) collateral holdings are pooled to one single collateral pool
- Automated allocation of securities out of the collateral pool
- Re-use of collateral:
- Use of received assets for other EGCP deliveries
- Pledge of received securities via XEMAC to ECB/Bundesbank
- Real-time substitution of securities
- Provides daily reports on eligible collateral holdings



Settlement & Custody

- Euro GC Pooling incorporates DVP settlement
- Automated booking of security movements on the dedicated domestic or international accounts
- Automated cash settlement in commercial bank money or central bank money (ECB/BuBa accounts)

Euro GC Pooling Market Development

Extended Basket

§ An additional Euro GC Pooling Basket will be introduced whereas existing Euro GC Pooling Basket will remain completely unchanged as the market standard for GC trading.

§ Cornerstones of new “Euro GC ECB-EAD-EXT” basket:

§ Basket encompasses approximately 23,000 ECB-eligible securities (all covered within the ECB – Eligible Asset Database (EAD) list)

§ Second basket tradable on standard and flexible contracts with new dedicated ISIN (DE000A0WKKX2)

§ Allocation, substitution, mark to market and risk mgmt of collateral analogue to existing processing in Euro GC Pooling

§ Full re-use possibility within the Euro GC Pooling market

§ One collateral pool for all Euro GC Pooling transactions

§ Provide anonymous, transparent secured money market for cross-currency funding with an integrated collateral re-use opportunity towards central banks

Cross- Currency

Euro GC Pooling

Спектр продуктов

Ваши преимущества

- § Обеспеченное финансирование (евро валюта), залогом которого являются универсальные и унифицированные корзины
- § Торговля общим залоговым обеспечением (general collateral), ориентированная на привлечение денежной наличности (cash-driven) в открытом журнале заказов с 7:30 и до 18 часов
- § Корзина Euro GC Pooling содержит около 8000 бумаг, которые включены в ломбардный список Европейского Центрального банка, а также Бундесбанка
- § Различные сроки: OverNight, TomNext, SpotNext, SpotTerm, OneWeek Tender & FlexTerm
- § Анонимная торговля через компанию Eurex Clearing AG, которая выступает в качестве центрального контрагента
- § Неттинг на клиринговом уровне через систему управления поставками Eurex Clearing AG
- § Отсутствие необходимости резервирования собственного капитала для всех транзакций с центральным контрагентом
- § Повторное использование залогового обеспечения и размещение в ЕЦБ и Бундесбанке (официальные аукционы, проводимые в Германии)
- § Соединение немецких и международных активов в единый виртуальный пул залогового обеспечения
- § Автоматический процесс на счетах в Clearstream Banking
- § Автоматическое распределение ценных бумаг
- § Замещение ценных бумаг в режиме реального времени

Eurex Repo Contacts



Direct line to
Eurex Repo

§ **Websites / FAQs**
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