



# Eurex Bonds

Solutions for the European cash bond market

Almaty, 4 September 2008  
Christian Klapproth

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# Bond Trading in a Transformation Process

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- § More than 90 percent of bond trading activity worldwide is taking place off-exchange in the OTC market
  - | Wholesale bond trading historically took place directly and bilaterally between the counterparties involved (e.g. via phone) or via the support of voice brokers
  
- § A transformation process has been started in the way bonds are traded: “We are witnessing a revolution in the fixed income markets”\*
  
- § Electronic bond trading has been developed at three different levels:
  - | Voice brokers developing electronic platforms (e.g. eSpeed, BrokerTec)
  - | End-customer access via B2C platforms (e.g. Bloomberg, Tradeweb)
  - | Inter-dealer trading migrating to electronic platforms (e.g. Eurex Bonds, MTS)

# Fixed Income Markets closely interrelated

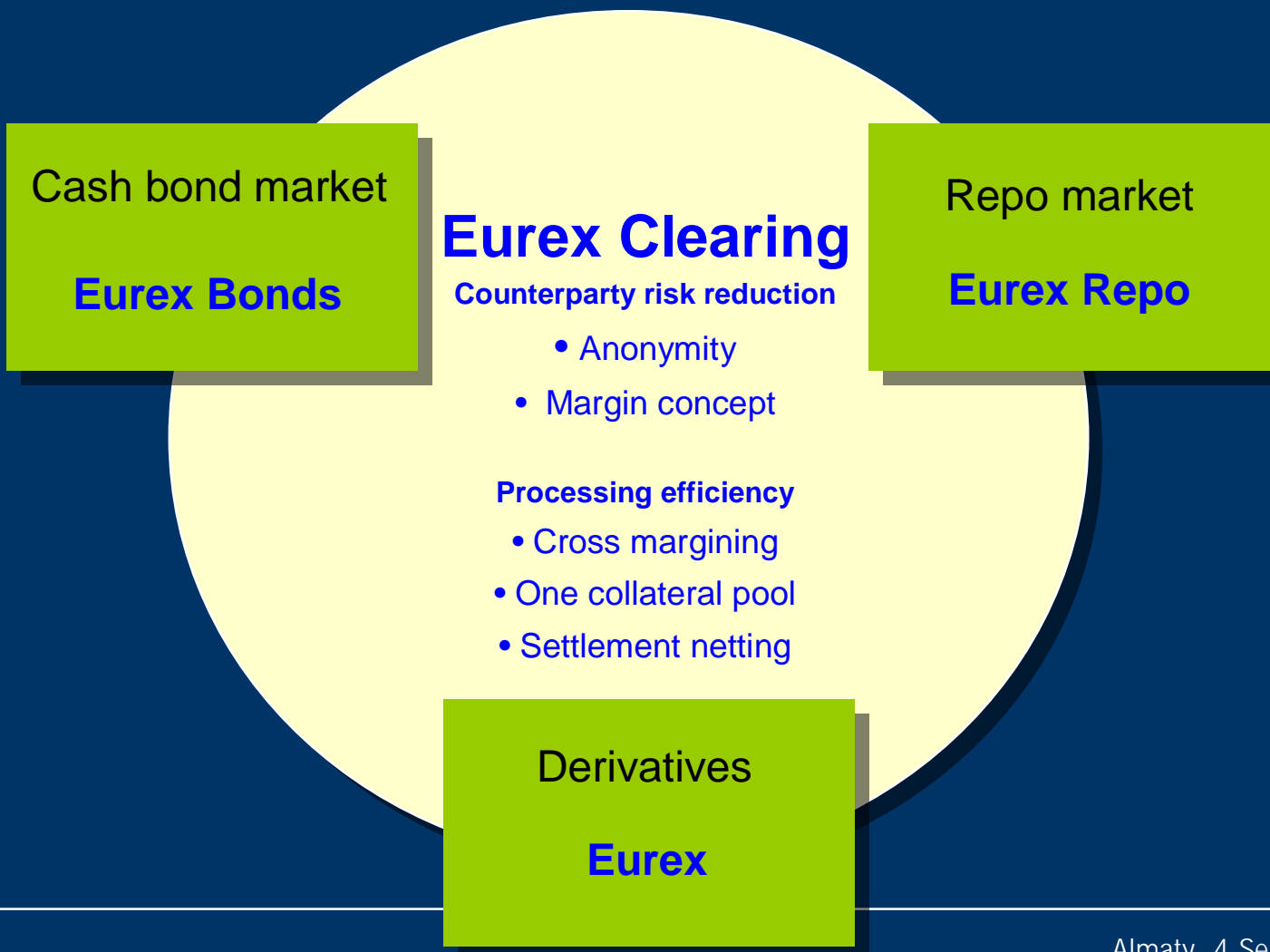


Cash bond market

Repo market

Derivatives

# Eurex Strategic Approach reflecting this Relation



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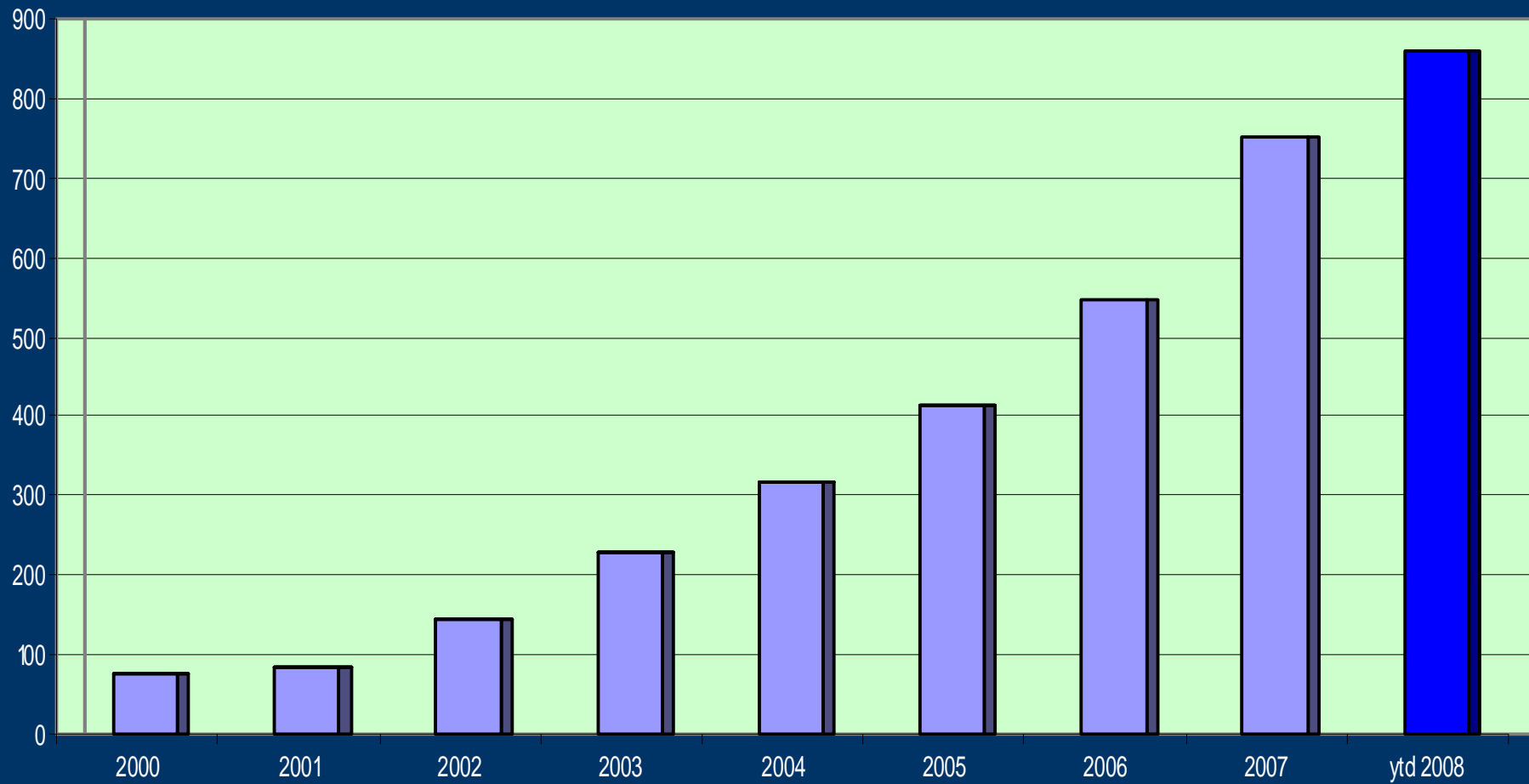
## Eurex Bonds - Highlights

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- § Eurex Bonds launched in October 2000 as an ECN for off-exchange, “wholesale” trading in cash bonds is a joint initiative of Eurex and ten leading financial institutions in Europe
- § Quarterly advisory board meetings reflecting the shareholding structure ensure effective consultation, discussion and decision processes to support the management board
- § Currently 32 participants are connected (including the German Finance Agency and Deutsche Bundesbank)
- § More than 850 instruments in six different product segments are listed
- § Liquidity is provided by Market Makers who voluntarily enter quotes
- § The German Finance Agency performs market management operations on behalf of German Treasury via Eurex Bonds
- § All trades are cleared by Eurex Clearing AG which also serves as a central counterparty for all trades and guarantees anonymity for all participants

# Listed Instruments continuously increasing



# Product Portfolio covering European Benchmarks



eurex bonds

<p><b>German Government Bonds</b></p> <ul style="list-style-type: none"> <li>§ Treasury Discount Papers (Bubills)</li> <li>§ Federal Treasury Notes (Schatzanweisungen)</li> <li>§ Federal Notes (Bundesobligationen)</li> <li>§ Federal Bonds (Bundesanleihen)</li> <li>§ Inflation-linked Government Bonds</li> <li>§ <i>Break Even Instruments, trading inflation linked bonds against nominal bonds*</i></li> </ul>	<p><b>Basis Instruments</b></p> <p>Tradable are all German Government Bonds deliverable into Eurex FI-Futures &amp; selected non-deliverable dept securities.</p>	<p><b>European Covered Bonds</b></p> <ul style="list-style-type: none"> <li>§ German Jumbo Pfandbriefe</li> <li>§ Mortgage-backed securities of issuers from France, Ireland, Spain and UK</li> <li>§ German State Bonds</li> <li>§ Slimbos</li> </ul>
<p><b>European Government Bonds</b></p> <ul style="list-style-type: none"> <li>§ Government Bonds of Austria, Belgium, Finland, France, Greece, Ireland, Italy, Portugal, Spain and the Netherlands</li> <li>§ Treasury Discount Papers of Belgium, France and the Netherlands</li> <li>§ Inflation-linked Government Bonds of France, Italy and Greece</li> <li>§ <i>Break Even Instruments, trading inflation linked bonds against nominal bonds*</i></li> </ul>	<p><b>Agencies</b></p> <p>Sub-sovereigns (Government guaranteed) like KfW, EIB, CADES, NRW Bank and ICO</p>	<p><b>Financials and Corporate Bonds</b></p> <p>Financials like BNG, Nedwater and Rabo Bank</p>

Specified minimum outstanding volume and minimum rating criteria to be fulfilled

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# Flexible Market Model

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- § During “Continuous Trading” between 8:30 CET and 17:30 CET Eurex Bonds is running an integrated quote and order book
- § Every member is allowed to enter quotes into the system
- § The fee model offers incentives for Market Makers
  - | The participant who offers liquidity and whose price is accepted to perform a trade pays less or even receives a credit
- § Eurex Bonds participants are making markets on a voluntary basis concentrating on specific segments
  - | Participants with high quoting performance usually end up with a very low aggressor rate, i.e. they benefit from lower fees or even receive a credit
- § Issuers receive monthly reports about traded volumes and quoting performance of the members who granted admission in advance
- § The “Pre-arranged Trade Facility” offers a feature in which trades (agreed upon outside of the platform) can be entered and cleared through Eurex Bonds and CCP without distributing the agreed price and volume to the public



# Liquidity-friendly Fee Scheme



## Fees (in € per million traded nominal volume)

	Shareholder		Non-Shareholder	
	Non-Aggressor	Aggressor	Non-Aggressor	Aggressor
All segments except Basis, Bubills and Corporate Bonds	- 4	10	6	15
Basis and Bubills	- 8	12	- 2	15
Corporate Bonds	- 15	20	0	30

- § No joining fee
- § Annual fee per participant: € 25,000 (non-shareholder), € 100,000 (shareholder)
- § Pre-arranged trades: charged at aggressor rate

# Screen Shot of Eurex Bonds GUI



eurex bonds

GERMAN GOVIES - Order Market Overview

Window Trading Select Columns Help

Exch: EUB Profile Instr InstrOp GERMAN GOVIES

Instr	ISIN	MrttyDat	IntRat	Name	Issuer	Trades	BidCnt	BidQty	Bid	Ask	AskQty	AskCnt	LstPre	LstQty	LstTime	Volume
BO40	DE0001141406	17.08.2007	4,5000000	BUNDOBL 17.08.2007 4,5% S140	BUND		1	25.000.000	99,996	100,016	25.000.000	1	100,291		00:00:00	
BS11	DE0001137115	14.09.2007	2,2500000	BUNDSCHATZ 14.09.2007 2,25%	BUND		1	25.000.000	99,913	99,833	25.000.000	1	99,625		00:00:00	
BS12	DE0001137123	14.12.2007	2,7500000	BUNDSCHATZ 14.12.2007 2,75%	BUND	3	1	10.000.000	99,471	99,486	25.000.000	1	99,478	10.000.000	09:14:46	30.000.000
							1	10.000.000	99,468	99,494	10.000.000	1				
							1	10.000.000	99,466	99,496	10.000.000	1				
BB05	DE0001135051	04.01.2008	5,2500000	BUNDANL 04.01.2008 5,25%	BUND		1	10.000.000	100,357	100,383	10.000.000	1	100,500		00:00:00	
BO41	DE0001141414	15.02.2008	4,2500000	BUNDOBL 15.02.2008 4,25% S141	BUND		1	25.000.000	99,996	99,961	10.000.000	1	99,940		00:00:00	
BS13	DE0001137131	14.03.2008	3,0000000	BUNDSCHATZ 14.03.2008 3%	BUND		1	25.000.000	99,205	99,230	10.000.000	1	99,188		00:00:00	
BO42	DE0001141422	11.04.2008	3,0000000	BUNDOBL 11.04.2008 3% S142	BUND		1	10.000.000	99,100	99,122	25.000.000	1	99,079		00:00:00	
BS14	DE0001137149	13.06.2008	3,2500000	BUNDSCHATZ 13.06.2008 3,25%	BUND		1	10.000.000	99,072	99,099	20.000.000	2	96,958		00:00:00	
BB07	DE0001135077	04.07.2008	4,7500000	BUNDANL 04.07.2008 4,75%	BUND		1	25.000.000	100,314	100,337	1.000.000	1	100,303		00:00:00	
BB09	DE0001135093	04.07.2008	4,1250000	BUNDANL 04.07.2008 4,125%	BUND	2	20.000.000	99,785	99,812	25.000.000	1	99,780		00:00:00		
BS15	DE0001137166	12.09.2008	3,5000000	BUNDSCHATZ 12.09.2008 3,5%	BUND		1	10.000.000	99,107	99,135	10.000.000	1	99,070		00:00:00	
BO43	DE0001141430	10.10.2008	3,5000000	BUNDOBL 10.10.2008 3,5% S143	BUND		1	10.000.000	99,076	99,104	10.000.000	1	99,066		00:00:00	
BS16	DE0001137164	12.12.2008	3,7500000	BUNDSCHATZ 12.12.2008 3,75%	BUND	2	35.000.000	99,228	99,253	10.000.000	1	99,195		00:00:00		
							1	10.000.000	99,223	99,258	10.000.000	1				
							1	10.000.000	99,228	99,268	25.000.000	1				
BB10	DE0001135101	04.01.2009	3,7500000	BUNDANL 04.01.2009 3,75%	BUND		1	1.000.000	99,286	99,316	1.000.000	1	99,187		00:00:00	
BS17	DE0001137172	13.03.2009	3,7500000	BUNDSCHATZ 13.03.2009 3,75%	BUND		1	10.000.000	99,128	99,156	1.000.000	1	99,069		00:00:00	
BO44	DE0001141448	17.04.2009	3,2500000	BUNDOBL 17.04.2009 3,25% S144	BUND		1	1.000.000	98,294	98,324	1.000.000	1	96,330		00:00:00	
BS18	DE0001137180	12.06.2009	4,5000000	BUNDSCHATZ 12.06.2009 4,5%	BUND		1	25.000.000	100,390	100,415	25.000.000	1	100,130		00:00:00	
BB11	DE0001135119	04.07.2009	4,0000000	BUNDANL 04.07.2009 4%	BUND		1	10.000.000	99,595	99,615	10.000.000	1	99,560		00:00:00	
BB12	DE0001135127	04.07.2009	4,5000000	BUNDANL 04.07.2009 4,5%	BUND		1	10.000.000	100,851	100,881	10.000.000	1	100,640		00:00:00	
							1	25.000.000	100,349	100,389	25.000.000	1				
							1	10.000.000	100,337	100,397	10.000.000	1				
BO45	DE0001141455	09.10.2009	3,5000000	BUNDOBL 09.10.2009 3,5% S145	BUND		1	25.000.000	98,386	98,426	35.000.000	3	97,746		00:00:00	
BB13	DE0001135135	04.01.2010	5,3750000	BUNDANL 04.01.2010 5,375%	BUND		1	10.000.000	102,371	102,431	10.000.000	1	102,372		00:00:00	
BO46	DE0001141463	09.04.2010	3,2500000	BUNDOBL 09.04.2010 3,25% S146	BUND		1	10.000.000	97,403	97,433	10.000.000	1	96,870		00:00:00	
BB15	DE0001135150	04.07.2010	5,2500000	BUNDANL 04.07.2010 5,25%	BUND		1	10.000.000	102,483	102,543	10.000.000	1	102,230		00:00:00	
BO47	DE0001141471	08.10.2010	2,5000000	BUNDOBL 08.10.2010 2,5% S147	BUND		1	10.000.000	94,744	94,804	10.000.000	1	94,047		00:00:00	
BB16	DE0001135168	04.01.2011	5,2500000	BUNDANL 04.01.2011 5,25%	BUND	2	11.000.000	102,978	102,917	10.000.000	1	102,229		00:00:00		
BO48	DE0001141489	08.04.2011	3,5000000	BUNDOBL 08.04.2011 3,5% S148	BUND		1	10.000.000	97,295	97,335	10.000.000	1	96,566		00:00:00	
BB18	DE0001135184	04.07.2011	5,0000000	BUNDANL 04.07.2011 5%	BUND		1	10.000.000	102,396	102,435	10.000.000	1	101,724		00:00:00	
BO49	DE0001141497	14.10.2011	3,5000000	BUNDOBL 14.10.2011 3,5% S149	BUND		1	10.000.000	96,975	97,012	10.000.000	1	96,102		00:00:00	
BB19	DE0001135192	04.01.2012	5,0000000	BUNDANL 04.01.2012 5%	BUND		1	10.000.000	102,672	102,708	10.000.000	1	101,913		00:00:00	
BO50	DE0001141505	13.04.2012	4,0000000	BUNDOBL 13.04.2012 4% S150	BUND	1	1	10.000.000	98,773	98,798	10.000.000	1	98,788	10.000.000	10:29:57	10.000.000
BB20	DE0001135200	04.07.2012	5,0000000	BUNDANL 04.07.2012 5%	BUND		1	10.000.000	103,021	103,057	10.000.000	1	102,577		00:00:00	
BB21	DE0001135218	04.01.2013	4,5000000	BUNDANL 04.01.2013 4,5%	BUND		1	10.000.000	100,868	100,905	10.000.000	1	100,405		00:00:00	
BB23	DE0001135234	04.07.2013	3,7500000	BUNDANL 04.07.2013 3,75%	BUND		1	10.000.000	97,063	97,130	1.000.000	1	96,927		00:00:00	
BB24	DE0001135242	04.01.2014	4,2500000	BUNDANL 04.01.2014 4,25%	BUND		1	10.000.000	99,591	99,641	10.000.000	1	98,199		00:00:00	
BB25	DE0001135259	04.07.2014	4,2500000	BUNDANL 04.07.2014 4,25%	BUND	2	11.000.000	99,534	99,574	1.000.000	1	99,317		00:00:00		
BB26	DE0001135267	04.01.2015	3,7500000	BUNDANL 04.01.2015 3,75%	BUND		1	1.000.000	98,426	98,466	1.000.000	1	96,177		00:00:00	

EUB 11718 - INSUFFICIENT RESOURCE ACCESS LEVEL

# Broad “B2B” (Inter-Bank) Client Base



<b>ABN AMRO Bank</b>	<b>Commerzbank</b>	HSBC France S.A.	Nord LB
Banc of America Sec. Ltd.	<b>Credit Suisse Securities</b>	<b>HypoVereinsbank</b>	Royal Bank of Scotland
<b>Barclays Bank</b>	Deka Bank	JP Morgan	SEB AG
Bayerische Landesbank	<b>Deutsche Bank</b>	LB Baden-Württemberg	Société Générale
BHF Bank	Deutsche Bundesbank	LB Hessen-Thüringen	Tradition Securities and Futures
<b>BNP Paribas</b>	<b>Dresdner Bank</b>	Lehman	UBS
BRD Finanzagentur GmbH	DZ Bank	Merrill Lynch	<b>WestLB</b>
Citigroup Global Markets	Goldman Sachs	<b>Morgan Stanley</b>	WGZ-Bank

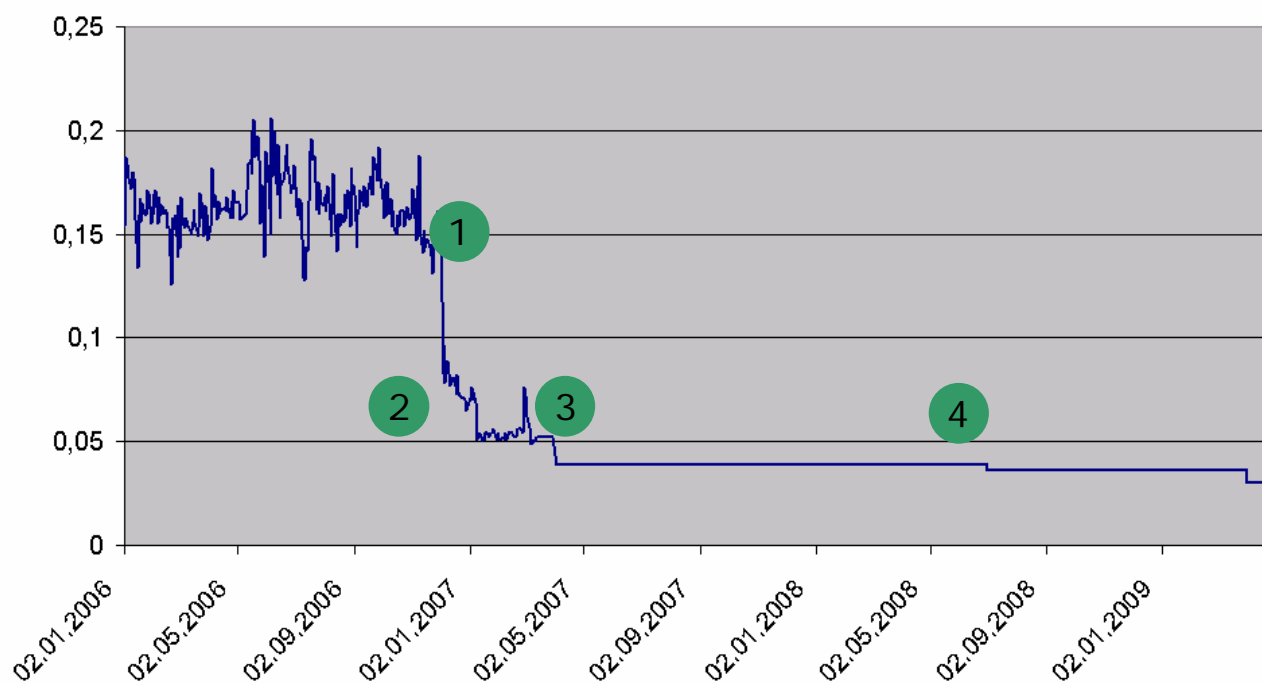
Eurex Bonds shareholders marked **bold**

# Permanent System Upgrades ensure quick Roundtrip Times



eurex bonds

### XETRA Average Daily Order MISS Roundtrip



## Milestones

- 1 Network Bandwidth Upgrade Phase 1 (1st December 2006 weekend to maximum 512Kbit/s)
- 2 Switch Off Nagle Algorithm for Network Communication (completed 9.01.07)
- 3 Introduction of Release 8.0, Network Bandwidth Upgrade Phase 2 (to 2Mbit/s)
- 4 Itanium® upgrade

Ø Since December 2006 the average MISS roundtrip time has been already reduced by factor 5 from 150 ms to 31 ms (fastest orders: 8 ms)

# Integrated Clearing offering Benefits



## § Eurex Clearing AG acts as the Central Counterparty for all trades

- I Counterparty risk reduction
  - ∅ (Post trade) Anonymity
  - ∅ One single counterparty instead of multiple counterparties
  - ∅ Margin concept vs. different credit lines
- I Processing efficiency
  - ∅ Single functionality for different markets (cash bonds, repos and derivatives)
  - ∅ Cross margining
  - ∅ One collateral pool
  - ∅ Settlement netting
  - ∅ Reduction of cross-border settlement

## § Clearstream Banking Luxembourg or Euroclear Bank act as international settlement institutions

## § In addition a domestic Clearstream Banking Frankfurt account can be used for bonds which are suitable for holding in collective safe custody

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# Information to the Public

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- § Eurex Bonds provides real-time price dissemination to vendors
  - | Bid and Ask prices and volumes
  - | Traded prices and volumes
  
- § Eurex Bonds indices – the “eb.rexX” family – covers different maturity ranges and overall indices as well as price and performance indices
  - | eb.rexX indices are calculated throughout the trading day
  - | eb.rexX indices are based on traded prices and binding quotes and were the first indices that provided this type of quality
  - | eb.rexX indices act as the underlying of Exchange Traded Funds (ETF)
    - ∅ ETFs based on Jumbo and German Government indices have been ranked within the top ten most traded ETFs on Xetra

# Eurex Bonds Data Vendor Codes



Vendor	Code
Bloomberg	EUBO
Moneyline	xe#<ISIN>
Reuters	<0#Eurexbonds>
Telekurs	ISIN_540
VWD	WKN.EUB

# Summary: Eurex Bonds´ Unique Selling Points



- § Product variety incl. ‘innovations’
  - | Entire Euro Government bond scope (benchmark approach)
  - | Basis and Inflation-linked ‘break-even’ instruments tradable as one instrument
- § Flexible and Liquidity-friendly market model
  - | Flexible and voluntary market making process without obligations
  - | (Block) Pre-arranged trade functionality to take advantage of clearing services
  - | Fee incentives for liquidity providers incl. ‘negative’ fees
- § Access to German Finance Agency secondary market management operations
  - | No formal Primary Dealer market making requirements in Germany
- § Reliable and high-performance trading platform
  - | Xetra® is the highly reliable trading system (99.97% availability) of Eurex Bonds
  - | Average Round trip time (MISS to MISS): 31 ms, fastest round trip time: 8 ms
- § Central Counterparty benefits (risk reduction and total anonymity)
  - | Intraday cross margining between cash and futures
  - | Settlement netting
- § Governance structure reflecting the interest of market participants
  - | Ensures effective consultation, discussion and decision processes



# Ваши преимущества как участника торгов на платформе Eurex Bonds



## § Многообразие финансовых и «инновационных» продуктов

- ┆ Полный спектр государственных еврооблигаций (метод эталонного подхода, benchmark approach)
- ┆ Возможность торговли базисными и инфляционно-индексируемыми (безубыточными, “break-even”) инструментами как одним инструментом

## § Способствующая ликвидности, гибкая рыночная модель

- ┆ Маркет-мейкерство на добровольной основе и без обязательств
- ┆ Функция (блочной) торговли по договоренности для получения скидки на клиринговые услуги
- ┆ Программа поощрений для провайдеров ликвидности, в т.ч. и предоставление «отрицательных» тарифов

## § Доступ к вторичному рынку государственных бумаг, оператором которого является Deutsche Finanzagentur

- ┆ Отсутствие формальных обязательств (Prime Dealer) для маркет-мейкеров в Германии

# Ваши преимущества как участника торгов на платформе Eurex Bonds



## § Техническая производительность

- | Xetra® является высоконадежной (99.97%) торговой системой Eurex Bonds
- | Среднее время передачи заявки из системы трейдера включая получение подтверждения (MISS to MISS): 31 мс, самые быстрые заявки Round trip time: 8 мс

## § Преимущества благодаря Центральному контрагенту (сокращение риска и полная анонимность)

- | Перекрестное маржирование в течение дня между спот и срочным рынками
- | Расчеты с использованием неттинга

## § Структура управления Eurex Bonds отражает интересы участников торгов

- | Эффективное консультирование и обеспечение информационной поддержки при принятии управленческих и стратегических решений

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# Contact

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## § Website / FAQs:

[www.eurex-bonds.com](http://www.eurex-bonds.com)

## § Marketing & Sales

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# Eurex Bonds

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Christian Klapproth