



## e u r e x circular 226/06

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**Recipients:** All Eurex members and vendors  
**Authorized by:** Peter Reitz

**U High Priority**

### **Position Limits: Changes to Exchange Rules for Eurex Deutschland and Eurex Zürich**

**Related Eurex Circulars:** 049/01, 175/06

**Contact:** Nadja Urban, tel. +49-69-211-1 51 05, e-mail: [nadja.urban@eurexchange.com](mailto:nadja.urban@eurexchange.com)

**Content may be most important for:**

- Ü Front Office / Trading
- Ü Middle + Back Office
- Ü Auditing / Security Coordination

**Attachments:**

Updated section of Exchange Rules for Eurex Deutschland and Eurex Zürich

**Summary:**

The Exchange Council of Eurex Deutschland and the Administrative Council of Eurex Zürich decided to adjust the regulations of sections 4.7 and the following of the Exchange Rules for Eurex Deutschland and Eurex Zürich (hereinafter "Exchange Rules") which concern position limits. The changes will come into effect on **December 1, 2006**.

The changes marked in the attachment are aimed at creating important space for participants' business models, at the same time safeguarding the necessary protective effects of position limits. The innovation comprises:

- Extended consideration of clients' accounts
- Possibility to reduce positions by order of the Management Boards

Besides, the Management Boards of the Eurex Exchanges decided in their session on September 20, 2006 to introduce reporting limits for Euro Fixed-Income Futures and, at the same time, to reduce the validity period for position limits in futures contracts.

This circular explains the new process as well as the course of action in case of exceeding position limits for Euro Fixed-Income Futures as of December 1, 2006.



**Position Limits: Changes to Exchange Rules for Eurex Deutschland  
and Eurex Zürich**

The Exchange Council of Eurex Deutschland and the Administrative Council of Eurex Zürich decided to adjust the regulations of sections 4.7 and the following of the Exchange Rules for Eurex Deutschland and Eurex Zürich (hereinafter "Exchange Rules") which concern position limits. The changes will come into effect on December 1, 2006.

The changes marked in the attachment are aimed at creating important space for participants' business models, at the same time safeguarding the necessary protective effects of position limits. The innovation comprises:

**1. Extended Consideration of Clients' Accounts**

In principle, a position limit is the maximum amount of contracts which an exchange participant is allowed to hold on its own account, on account of one of its clients or in co-operation with others. Accordingly, no exchange participant or any of its clients may hold or control, alone or in cooperation with others, a total position which exceeds the defined position limits. If positions on the exchange participant's client account exceed the position limit, the exchange participant has to provide evidence that none of the beneficial owners of its clients' positions holds a position above the corresponding position limit. This new regulation allows, for example, for considering also collective accounts of exchange participants' clients, since for the calculation of a position relevant for a limit transgression not only the client itself is taken into account, but each one of the beneficial owners.

**2. Possibility to Reduce Positions by Order of the Exchange Management Boards**

Beside the exchange participants' explicit obligation to reduce positions to the defined limit, the new regulation also entitles the Management Boards of the Eurex Exchanges to have positions reduced to the limit, in case an exchange participant does not comply with the Management Boards' order to reduce positions in due time. The Management Boards' direct intervention permitted in individual cases to avert damage to markets safeguards the protective effect of position limits.

**3. Introduction of Reporting Limits**

Furthermore, in their session on September 20, 2006 the Management Boards of the Eurex Exchanges decided reporting limits for Euro Fixed-Income Futures and, at the same time, reduced the validity period for position limits in futures contracts. With the new regulation, reporting limits will become effective on the first trading day of each delivery month and will convert into position limits three trading days before the last trading day. The procedure allows exchange participants to get prepared for position limits during the short period of reporting limits and, where required, to make the necessary arrangements.

Accordingly, the new process and the course of action in case position limits in Euro Fixed Income Futures are exceeded, will run as follows after December 1, 2006:

- (1) At least six trading days before the first calendar day of the delivery month reporting-/position limits will be published by circular. The limits apply only to long positions in the front-month contracts of the respective Euro Fixed Income Futures.
- (2) Reporting limits will become effective at the end of the last trading day before the first calendar day of the delivery month.

- (3) Exchange participants whose gross long positions on the **A-account** are above reporting limits, will be requested (via e-mail, etc.) by the Trading Surveillance Office of Eurex Deutschland or by the Independent Surveillance of Eurex Zürich to provide details of the relevant positions of the A-account's individual beneficial owners. The data provided must ensure correct assignment of each position to its beneficial owner.

Exchange participants whose net long positions exceed the reporting limits in the **M- or P-account**, will also be requested to provide details of their positions.

- (4) Three trading days before the last trading day of the expiring contract month position limits will become effective at the beginning of Continuous Trading of Fixed Income Futures (in general at 08:00 CET).
- (5) Exchange participants whose gross long positions on the **A-account** are above position limits, will be requested (via e-mail, etc.) by the Trading Surveillance Office of Eurex Deutschland or by the Independent Surveillance of Eurex Zürich to provide details of the relevant positions of the A-account's individual beneficial owners by 14:00 CET at the end of the preceding trading day (on the last trading day: by 10:00 CET). The data provided must ensure correct assignment of each position to its beneficial owner. If one client is/ several clients are above limits, the exchange participant will be requested by the Trading Surveillance Office, on behalf of the Management Boards of the Eurex Exchanges, to reduce correspondingly the client's/clients' position in the course of the trading day (on the last trading day: immediately).

Exchange participants whose net long positions exceed position limits on both **M- and P-account**, will also be requested to reduce their positions within the next two hours (on the last trading day: immediately).

- (6) If the exchange participant does not comply with its duty defined in point (5) in due time, the Management Boards of the Eurex Exchanges may make use of their right of closing out the amount of contracts in which the exchange participant exceeds the position limit.

Frankfurt, November 9, 2006

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## 4 General Provisions

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### 4.7 Position Limits

#### 4.7.1 Determination and Contents of Position Limits

The Board of Management of Eurex Deutschland or Eurex Zürich may set or alter position limits in order to ensure orderly options and futures trading and to avoid risks for the spot markets (*Kassamärkte*). Exchange Participants shall be notified of such determination of position limits allowing for a reasonable period of time; subsection 4.10 shall apply accordingly.

A position limit is a maximum number of contracts that may be held by one Exchange Participant for its own account or by one of its customers for its own account alone or in cooperation with others. Positions held on the basis of arrangements with third parties for a common purpose shall be included in any determination of compliance with position limits. Position limits are related to products; they are not related to the financial soundness of individual Exchange Participants.

Positions of Exchange participants or one of their customers in the Eurex trading system which - in case of execution - authorise them to receive the respective underlying in accordance with the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich shall be taken into account for the position limits.

#### 4.7.2 Changes Obligations in Connection with Position Limits

An Exchange Participant may not for its own account or for the account of any customer engage in any transactions at the Eurex Exchanges if there is any indication that, as a consequence of such transactions, such Exchange Participant or its customer, whether alone or jointly in cooperation with others, would hold or control a total position in excess of the position limits set by the Board of Management of Eurex Deutschland or Eurex Zürich, as the case may be.

If a position limit is exceeded pursuant to aforementioned provisions, the Exchange participant is obligated to immediately reduce the respective position to the limit. The Exchange participant undertakes to obtain the consent of its customer, in case such consent is necessary. If the Exchange participant fails to fulfil its obligation to reduce the position within the period of time determined by the Management Board, the Management Boards of the Eurex Exchanges shall – by carrying out the entries in the Eurex trading system - reduce the respective position to the limit on behalf and for account of the participant.

If the positions kept on the customer position account (A1) as a whole exceed the position limit, the Exchange participant has to prove the Trading Surveillance Office of Eurex Deutschland respectively the Independent Surveillance Eurex of Eurex Zürich that none of the beneficial owners of its customers' positions holds a position exceeding the position limit.

To provide this evidence, the Exchange participant shall, until 2 p.m. CET of a trading day, provide the Trading Surveillance Office of Eurex Deutschland respectively the Independent

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**Exchange Rules for  
Eurex Deutschland and Eurex Zürich**

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Surveillance Eurex of Eurex Zürich with information about the respective positions of the several beneficial owners at the end of the previous trading day. The information must guarantee an allocation of the respective positions to the beneficial owners of the positions. On the last trading day before expiry of a contract, these details shall be provided until 10 a.m. CET.

~~The Board of Management of Eurex Deutschland or Eurex Zürich may change position limits in order to maintain an orderly market. New limits shall become effective no earlier than the sixth exchange day following the date of their announcement to the Exchange Participants.~~

4.7.3 Monitoring of Position Limits

The Trading Surveillance Office of Eurex Deutschland and the Independent Surveillance Eurex of Eurex Zürich examine all positions of an Exchange Participant, including Agent Position Accounts, to verify compliance with the position limits. For this purpose, the Board of Management may use the services of a suitable auditor. Subsection 1.3 sentence 4 shall apply mutatis mutandis in all other respects.

4.7.4 Position Limits for Market Makers

For Exchange Participants with Market Maker admission (Market Makers), the Boards of Management of the Eurex Exchanges may determine specific position limits.

A Market Maker is authorised to temporarily exceed the position limits during the trading period. Upon closing of the trading period, the position limits may not be exceeded any more.

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