XONTRO.

PRICING WITH BRAIN

XONTRO Newsletter

Financial Institutes

No. 47

(English Version)

1. Interest calculation module modifications

If the act/act method is combined with variable, non-periodic or undetermined interest payment dates (GD814A, key values 1, 3 or 4), then, until the recent past, the interest module still branched out into the English method. From now on, these cases will be calculated according to act/act, if the coupon frequency matches the 12 months' structure, i.e. along with coupon durations of 1 month, 2 months, 3 months = quaterly, 4 months, 6 months = half-yearly, or 12 months = yearly. The coupon duration length will then be derived from the interest period (GD815B and C). [1]

Production launch date for this modification has already been 22 November 2010.

2. Issue (value) date

In the future, along with the so called "trading on terms of issue" ("Handel per Erscheinen") feature, the "issue (value) date" will be included in the contract notes, thereby temporarily using the "FZ" ("delivery versus payment", DVP) value date key that was hitherto allowed for manual trade entries only. Within the MT512, the value date is then given in label 30, the "FZ" value key in label 31P – as has already been the case along with "normal" trades having the "FZ" value date key. This date will then become relevant for the settlement initiation in CBF LION.

Production launch date for this modification will be 13 December 2010.

At a later date, this "FZ" key value having been inserted automatically will be replaced by the new "FE" ("fixed emission (issue) value date") key value. We kindly ask you to recognize this new "FE" key value within your programming interfaces already. The exact production launch date will be published in the future.

In addition, the issue (value) date is planned to be included in the execution confirmation MT519, too, in the future – presumably by the end of January 2011. For this purpose, along with subscriptions as well as with the order-based "trading on terms of issue", the field "version number (lastUpdateDat)" in label 35B, 3rd line – a field currently not used for XONTRO trades – will be used. Along with this, the date will be inserted into the first 8 digits; the remainder of the field will be filled with zeroes.

Example:

```
: 35B: ISIN DE0005492862
     ARISTOR AG
     20101022000000000
```

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[1] Normally, the coupon duration length derived by this means results in, e.g. along with quaterly coupons, approx. 90 days, thus yielding divisors of about 360. In case there exist (e.g. quaterly) coupons having „highly variable" interest dates, this would then yield different divisors…

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Page 2

XONTRO / Financial Institutes

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The exact production launch date will be published in the future.

By means of these measures, the subscriptions and issues having occurred more and more frequently in XONTRO are to be supported in the first place; the modifications depicted will, however, always be valid, independently from a subscription, within the so called "trading on terms of issue".

The "issue (value) date" will be taken over from the WM Data field GD660.

2.1. General rules

Along with the automated inclusion of „FZ" resp. "FE" + issue (value) date, the rules that follow below will be valid; the same rules will be applied along with the inclusion of the issue (value) date in the execution confirmation.

2.1.1. All ISINs except for bonds held in AKV custody [2]

Rule:

If (contraction date plus 2 exchange business or settlement days) is smaller than or equal to the issue date, then „FZ" („FE") and the issue date will be set automatically.

For the "borderline cases", this means:

a) If the contraction date lies 2 exchange business or settlement days ahead of the issue date, i.e. if the normal "national" settlement date is identical to the issue date, then "FZ" ("FE") will be set, too.

b) If the contraction date lies 1 exchange business or settlement day ahead of the issue date, then the "national" settlement date (T+2) is retained. This means that the settlement date for such a trade will not be brought forward to the issue date (i.e., no 1 day settlement period will be used).

2.1.2. Bonds held in AKV custody [3]

Rule:

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[2] I.e. all ISINs having a „national" (T+2) value date
[3] I.e. all ISINs having a „international" (T+3) value date

If (contraction date plus 3 exchange business or settlement days) is smaller than or equal to the issue date, then „FZ" („FE") and the issue date will be set automatically.

For the "borderline cases", this means:

c) If the contraction date lies 3 exchange business or settlement days ahead of the issue date, i.e. if the normal "international" settlement date is identical to the issue date, then "FZ" ("FE") will be set, too.

d) If the contraction date lies 2 or 1 exchange business or settlement days ahead of the issue date, in other words, if the normal "international" settlement date is 1 or 2 days later than the issue date, then the "international" settlement date ("FI" with T+3) is retained. This means that the settlement date for such a trade will not be brought forward to the issue date.

2.2. CCP

The inclusion of „FZ" („FE") prevents the trade from being transferred onto the CCP.

2.3. Manual trade entries, especially using a „deviant contraction date" („AS") and/or a manually entered „deviant settlement date" („FZ")

The rules valid for the automatic inclusion of "FZ" / "FE" also apply for manual trade entries (for direct (OTC) trades as well as for broker-initiated trade entries using "BxEM GE").

Along with trades having an "AS" ("deviant contraction date"), the settlement date is calculated in the same way as if the trade had been entered at "AS". This may lead for "FZ" ("FE") plus issue date to lie in the past; in case accrued interests are to be calculated, this may also result in exactly the same interest amount as if the trade had been entered in due time (i.e. at "AS").

In case the calculated "FZ" / "FE" also comes to lie in the past, within the clearstream systems this leads for the trade to be settled (delivered) on the next day following the day of forwarding the trade onto CBF LION (i.e. on the next day following the day of the trade entry).

This automatically calculated "FZ" / "FE" date may, however, be overwritten by a manual "FZ" entry. Along with manually entered "FZ", the following rules will apply for valid settlement dates in the future:

- The date must be "greater than" the trade entry date (rule valid today already)
  and
- The date must be "greater than" the issue date **(new)**

2.4. Accrued interest calculation

A „FZ" / „FE" date calculated automatically is relevant for the accrued interest calculation, too. As a rule, the issue date should be identical to the interest period starting date; this will then result in a ZERO interest amount automatically, because the interest value date lies 1 day ahead of the interest period starting date then. In case the issue date and interest period starting date fall apart from one another, then the calculated accrued interest amount results from the temporal combination of these two dates.

2.5. Note: Subscription period

If it is desired for all trades having been contracted within the subscription period to be delivered (settled) at the issue date, then the subscription period must end 2 (all ISINs except bonds in AKV custody) resp. 3 (bonds in AKV custody) days before the issue date (i.e. the subscription price must be fixed 2 resp. 3 days before the issue date).