

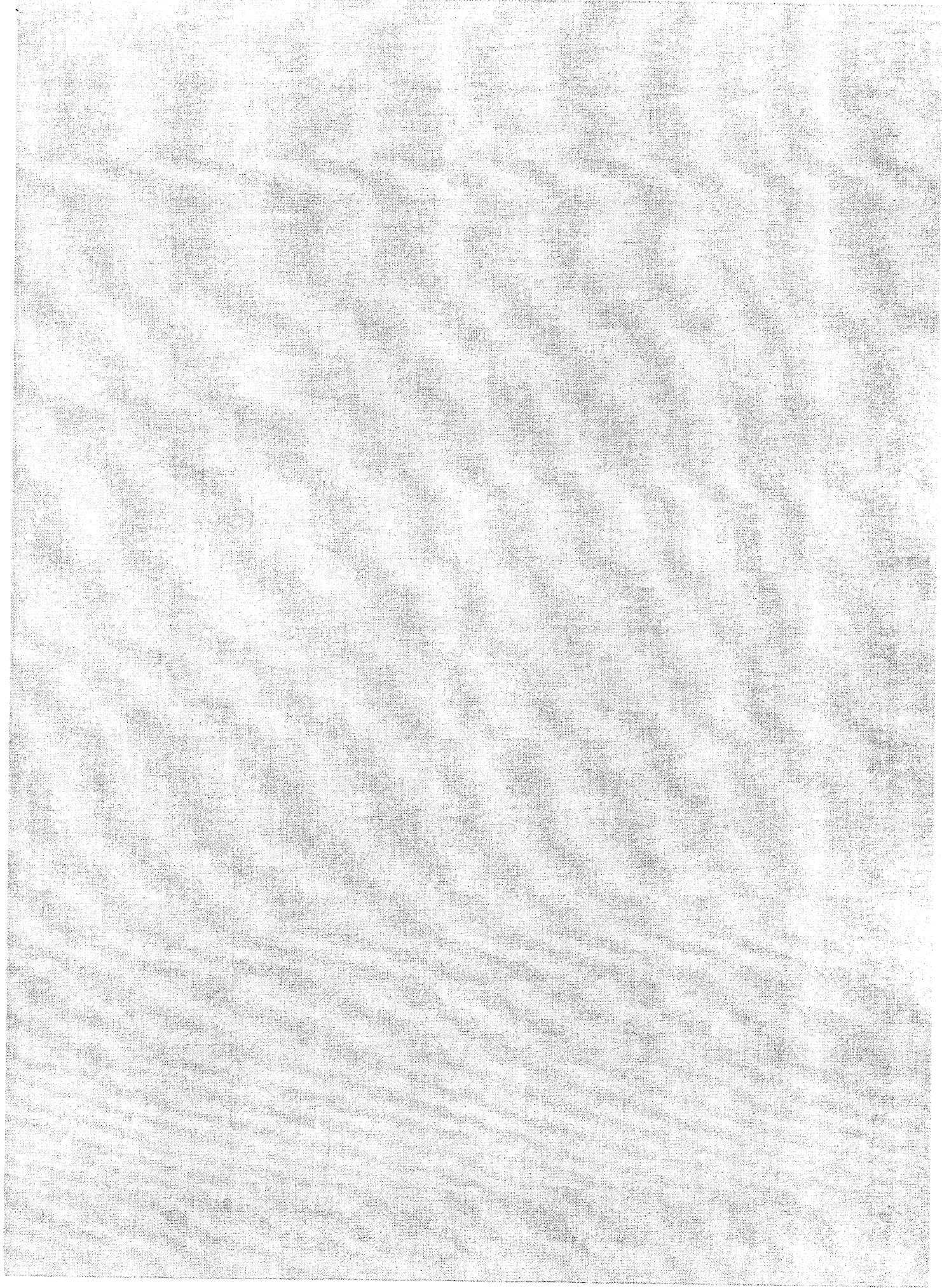
Appendices accompanying the Comment Letter filed by the Board of Trade
of the City of Chicago, Inc. on October 16, 2003

Re: U. S. Futures Exchange, L.L.C. Application for Contract Market Designation

APPENDIX A



An Introduction to Eurex US



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Membership at Eurex US follows the Eurex model. It is subject to the fulfillment of certain prerequisites, but confers no ownership rights to the exchange. The market design is based on equal treatment of all users. Unlike Eurex, no trader exam is required. Also, the application process for the Eurex US closely resembles similar processes already in place at U.S. exchanges.

The fee and pricing model recognizes significant volume contributors by implementing a tiered, volume based model. Market Makers are eligible for fee rebates provided that they fulfill their market making requirements. Also, all members are eligible for significant volume based rebates.

Eurex US will offer a full range of U.S. and European interest rate futures and options on futures, as well as futures on benchmark European indexes. Interest rate products will span the U.S. and Euro yield curve from two to 30 years. Equity index products will include futures on European indexes including the high profile Dow Jones EURO STOXXSM 50 and DAX[®].

Eurex US will use The Clearing Corporation (BoTCC), that has set the market standard for clearing US Treasury derivative products, to provide its clearing services. This will enable all market participants that already have existing relationships and technical interfaces with The Clearing Corporation, to re-utilize them for Eurex US and be operationally ready with limited additional effort. Eurex US will create new clearing alternatives by linking Eurex Clearing AG with The Clearing Corporation, giving members a choice of where to clear.

Euro Denominated Products

Members will also have direct access to a complete range of benchmark EUR denominated interest rate futures and options on futures. These include:

Interest Rate Futures	Interest Rate Options on Futures
Euro Schatz Futures (2 years)	Option on Euro Schatz Futures (2 years)
Euro Bobl Futures (5 years)	Option on Euro Bobl Futures (5 years)
Euro Bund Futures (10 years)	Option on the Euro Bund Futures (10 years)

The following EUR denominated products will also be made available for trading at Eurex US:

Equity Index Futures
Dow Jones EURO STOXX SM 50 Futures
DAX [®] Futures

For more detailed information regarding product specifications, please consult www.eurexus.com.

Trading

Trading on Eurex US takes place via a central order book to which all members have access. All orders and quotes are entered into the central order book, where they are automatically sorted by type, price and entry time. All orders are handled equally regardless of their origin and are matched according to price-time priority by the central exchange host in Chicago. Aggregated volumes are shown for the ten best bid and ask quotes. Both trading and clearing are fully anonymous from order entry through settlement.

Trading Phases

Trading at the exchange operates in three trading phases. The pre-trading period is the initiating phase, when members may make inquiries, enter, change or delete orders and quotes in preparation for trading. Orders and quotes are matched during the main trading phase, with transactions confirmed immediately online. The main trading phase ends with a closing auction for all futures. In the post-trading period, all inquiry features are available and market, limit or stop orders for the next day may be entered.

Trading hours on Eurex US will be the same as current trading hours on the a/c/e system, giving users 20 hour access to USD denominated products. Trading for U.S. Treasury products on Eurex US runs from 8:00 p.m. until the following day at 4:00 p.m. Chicago time.

Trading Schedule



OTC Trading Facilities

To fully meet the needs of its customers, on-exchange trading is supported by state-of-the-art trading functionalities (e.g. Inter Product Spreads) and OTC trading facilities. Eurex US will provide the following OTC trading features that recognize the need of the wholesales market to provide guaranteed execution to support defined trading strategies.

- Exchange for Physicals (Basis Trades)
- Exchange for Swaps
- Block Trading
- Volatility Trading (Delta Neutral Trading)

In providing these features, Eurex US meets the market's needs while ensuring the balance between the central order book driven markets and the guaranteed execution of trades.

Trading Features

Multiple Leg Strategy Trading called "Strategy Builder" enables market participants to create an individual strategy based on 38 predefined strategy types (Straddle, Butterfly, Condor etc.) and to announce it to the entire market. Thus the created and published strategies are visible on the whole market and can be traded via public strategy order books. In addition, Block Trading for strategies will be possible.

For more detailed information regarding trading features, please consult www.eurexus.com.

Market Making

Market making is essential in generating the initial liquidity critical to the success of the new exchange. It is the task of the Market Makers to bridge temporary imbalances between supply and demand in traded products. In order to provide our users with liquid and deep markets, the exchange recognizes the importance of these players and has designed two market making programs.

Market Makers may participate in either or both of the following programs for selected products:

- Regular Market Making (quotation on request)
- Permanent Market Making (continuous price provision)

Any member may apply to become a Market Maker provided it is in good standing and has entered into a market making agreement with the exchange.

In return for meeting market making obligations, all licensed Market Makers will be rewarded with fee reductions.

Regular Market Making

Licensed Regular Market Makers assume the obligation to provide firm bid and ask quotes following a quote request for a minimum number of contracts within a maximum spread and allotted time.

Regular Market Making will apply for 2, 5, 10 and 30 year U.S. Treasury Note/Bond Options on Futures.

Permanent Market Making

Permanent Market Makers assume the obligation to provide near-continuous firm bid and ask quotes for a minimum number of contracts within a maximum spread.

Permanent Market Making will apply to 2, 5, 10 and 30 year U.S. Treasury Note/Bond Futures and Options on Futures.

Due to the more stringent obligations, higher risk exposure and greater technical requirements for Permanent Market Making, greater fee reductions will apply for these Market Makers.

For more detailed information regarding Market Making, please consult www.eurexus.com.

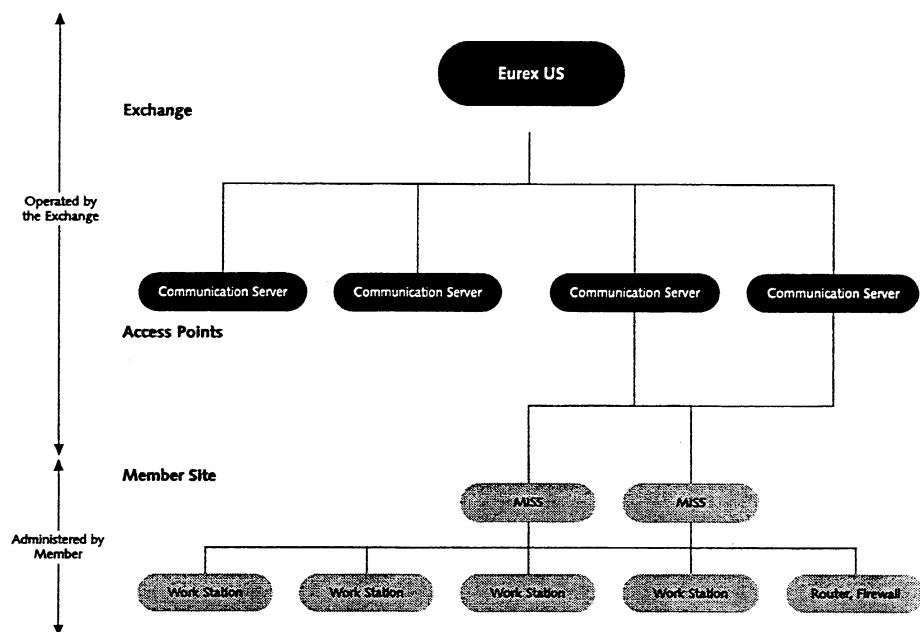
Technology

a/c/e, Eurex and now Eurex US are based on the same trading platform. Customers worldwide will be able to leverage their existing a/c/e infrastructures to benefit from low-cost, open access to the full range of USD and EUR denominated products.

The communication servers at access points located in various cities worldwide ensure the reliable transmission of input between the member servers (MISSEs) and the Chicago-based exchange hosts. One or several MISSEs may be linked to additional trader workstations. Redundancy has been designed into all levels of the network to increase protection against system failure. Should one of the computers fail, the communications architecture immediately switches to a backup system, thus ensuring continuous trading. The communications architecture also acts as a broadcaster, sending simultaneous transmissions of information to all members.

The trading software is delivered by the exchange and is installed by members. Based on a normal release schedule, one major visible new software release per year is provided and distributed to members via the electronic trading network, smaller patches or back end updates occur on an ongoing basis and are almost invisible for users. Extensive customer support will be provided by the Eurex US Sales Support Team.

Connection Model



Different access alternatives to the trading platform, including links through internet are offered to the participants. This addresses the individual requirements of the participants with respect to system availability, reach and costs.

Membership

Eurex is committed to creating deep and liquid electronic markets. Our business and connection model allows for theoretically unlimited access to the trading system, generating more volume over time as new members get connected. Membership at Eurex US will follow the Eurex model. Unlike the U.S. exchange model, it will not confer ownership rights to the exchange nor will it confer voting rights. Rather, Eurex US offers membership to all market participants on a level playing field. Membership will be possible for both firms and individuals. Once a company becomes a member, the exchange will not limit the number of traders that it registers on its behalf. Additionally, all exchange members may apply for market maker status for one or more products. Market Makers are obliged to quote binding bid and offer prices continuously or upon request, in the products which they support.

Companies and individuals considering Eurex US membership should contact our sales staff. We will arrange for a meeting to discuss membership procedures in detail. A list of contacts is provided in the last chapter of this document.

Trading Membership

Companies or individuals may become trading members without being clearing members. Trading membership allows them to enter their own transactions. If a trading member is a registered FCM (or similar non-U.S. entity), then it can also engage in customer business. Trading members who are not also clearing members must have a clearing agreement with a clearing member of The Clearing Corporation. If the trading member has a clearing agreement with a Clearing Corporation member, the trading member must authorize the clearing member to exercise and perform trade and position management functions online. At all times, clearing members can maintain a system-side overview of the payment and delivery obligations that result from their trading activities.

The trades executed on an exchange may be cleared and settled only by a single clearing member. However, trades can be "given-up" to other participants via the "give-up/take-up" functionality.

Transactions made on Eurex US are legally binding between The Clearing Corporation and a given clearing member, and in turn between that clearing member and the specific trading member.

Direct Access

Membership Requirements for Financial Institutions

All financial institutions are eligible to become members provided that the following requirements are fulfilled:

- Where relevant, be registered, licensed or otherwise permitted by the appropriate regulatory body to conduct business with financial derivatives
- Have financial resources of at least USD 50,000 unless the applicant is supervised by an appropriate regulatory body
- Have good commercial standing and business experience
- Be duly organized, existing and in good standing under the laws of its jurisdiction of organization
- Have appropriate operational capabilities (hardware, software, communication systems, staffing)
- Have a clearing agreement with a clearing member or be a clearing member
- As a non-U.S. applicant, enter into a written agency agreement appointing a third party as its U.S. agent for service of process for purposes of Commission Regulation 15.05

Membership Requirements for Individual Traders

Individual traders are eligible to become members provided that the following requirements are fulfilled:

- Have attained legal age
- Be of good character
- Have good commercial standing and business experience
- Have adequate financial resources and credit
- Have appropriate operational capabilities (hardware, software, communication systems)
- Enter into a clearing agreement with an admitted clearing member
- As a non-U.S. applicant, enter into a written agency agreement appointing a third party as its U.S. agent for service of process for purposes of Commission Regulation 15.05

Indirect Access

Order Routing Access

Member firms can offer their customers direct access to the exchange order book via an order routing system. Several prerequisites to order routing at the exchange exist, including real-time risk supervision. The exchange does require that member firms apply and be approved to order route customer orders. In general, it will be possible to provide order routing systems to either individual or institutional customers regardless of where they are located. Should you be interested in applying for such permission, please contact your sales representative.

Registration as Self-Employed Trader via Admitted Member

The trader must fulfill all requirements to become an official exchange trader and must be registered with the exchange. Nevertheless, according to the exchange rules it is not necessary that a registered trader be employed by the member firm. Therefore, member firms may offer office space and system connectivity to individual self-employed traders.

Data Redistribution

It is possible for members to redistribute Eurex US data to their clients. You can find general information regarding data procurement and dissemination as well as the Market Data Dissemination Agreement on our website at www.eurexus.com/market access. Please note that the dissemination of Eurex US market data is subject to fees.

Your Contacts for More Information

For further information please contact a member of our sales staff.

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*Until the final branding is officially communicated, "Eurex US" only constitutes a working title for U.S. Futures Exchange, L.L.C.



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APPENDIX B

BAKER & MCKENZIE

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141 W. Jackson Blvd.
Chicago, Illinois 60604-2994
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Dr. Rainer Magold
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Our reference: RM/ik

October 2, 2003

Approval for Operating Derivatives Exchange in Germany

Dear Terry:

With reference to your e-mail of September 30, 2003, the following summarizes the approval requirements for operating a derivatives exchange in Germany.

There are no specific rules or regulations addressing the requirements or procedure for obtaining a license to operate an exchange in Germany. The Exchange Act provides that the establishment of an exchange requires an approval by the supervisory authority of the state where the exchange will operate; any such approval can be withdrawn by such authority. It does not mention nor refer to any of the conditions which must be fulfilled in order to qualify for an approval.

In the absence of statutory provisions or regulations, the – scarce – legal writing dealing with this issue is unanimous in that the supervisory authorities have - fairly broad - discretion in determining whether or not any potential applicant is suited for operating an exchange and, perhaps more importantly, whether it is necessary or appropriate to have an additional exchange operating on their territory. It may even be questionable whether the administrative courts would take legal action brought by an applicant in view of a rejection by the supervisory authorities of a request to operate an exchange. In case of legal actions deemed "receivable" by the court, the court would have to determine whether or not the decision in question was based on inappropriate considerations. It is thought that the grants for a court to accept or reject a potential application may include economic and "structural" considerations, such as the economical relevance of an exchange for the state and its infrastructure and a policy not to have trading volumes "diluted" as a consequence of having too many exchanges operating on the state's territory in Germany.

FRIEDRICHSTRASSE 79-80
10117 BERLIN
TELEFON (49) (0) 30-2 03 87-600
TELEFAX (49) (0) 30-2 03 87-699

NEUER ZOLLHOF 3
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TELEFON (49) (0) 211-3 11 16-0
TELEFAX (49) (0) 211-3 11 16-199

THEATINERSTRASSE 23
80333 MÜNCHEN
TELEFON (49) (0) 89-552 38-0
TELEFAX (49) (0) 89-552 38-199

Almaty | Amsterdam | Antwerpen | Bahrain | Baku | Bangkok | Barcelona | Berlin | Bogotá | Bologna | Brasília | Brüssel | Budapest | Buenos Aires | Calgary | Caracas | Chicago
| Dallas | Düsseldorf | Frankfurt am Main | Gené | Guayaquil | Hanoi | Ho-Chi-Minh-Stadt | Hongkong | Houston | Juárez | Karó | Kiew | London | Madrid | Masand | Manila
| Melbourne | Mosko-Stadt | Miami | Monterey (Mexiko) | Moskau | München | New York | Palo Alto | Paris | Peking | Porto Alegre | Prag | Rád | Rio de Janeiro | Rom | San Diego | San Francisco |
St. Petersburg | Santiago de Chile | São Paulo | Singapur | Singapur | Stockholm | Sydney | Taseh | Tjuana | Tokio | Toronto | Valencia (Venezuela) | Warschau | Washington D.C. | Wien | Zürich

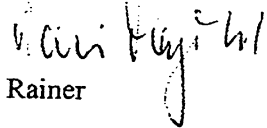
BANKVERBINDUNG (BANK ACCOUNT) | KOMMERZBANK AG FRANKFURT AM MAIN | Kto.-Nr.: 3 100 310 | BLZ 500 400 00 | IBAN DE 79 5002 0000 0310 0310 00

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As discussed, the above-described legal premises for approvals by the state authorities make it very difficult to determine in any given case whether there is a "legal right" of an entity to operate an exchange in any one of the German states, and it is hard to imagine that a denial of an approval by a state's supervisory authority based on other than purely nationalistic or protectionist grounds (and there are quite a few conceivable such grounds such as the policy of concentrating trading volumes at one exchange) can ever be successfully challenged in court.

Please let me know if there are any questions. I will be traveling until October 13 inclusive, and if there are any questions in the meantime, please contact Simone Jorden, or call me at my mobile (+49-171-747-1946).

Best regards,

Handwritten signature of Rainer in cursive script.

Rainer

APPENDIX C



141 West Jackson Blvd.
Suite 1460
Chicago, IL 60604
312.786.5700
fax 312.786.9171

September 24, 2003

Dear Stockholder:

We are writing to advise you of two very important initiatives that will require a decision by our stockholders.

First, the Board of Trade Clearing Corporation (the "*Company*" or "*The Clearing Corporation*") has entered into a long-term clearing services arrangement (the "*Clearing Agreement*") with Eurex Frankfurt AG ("*Eurex*") and its United States affiliates, forging a strategic relationship between the largest derivatives exchange in the world and the largest independent futures clearing organization in the United States. Under the Clearing Agreement, The Clearing Corporation will act as the clearing organization for Eurex's new U.S. futures exchange, U.S. Futures Exchange, L.L.C. ("*Eurex U.S.*"), which Eurex expects to launch on February 1, 2004. Eurex U.S. will offer trading in a wide range of U.S. Dollar- and Euro-denominated interest rate and stock index products. In addition, The Clearing Corporation is in the process of finalizing the terms of a clearing link with Eurex Clearing AG, Frankfurt that will allow clearing participants to clear both Eurex and Eurex U.S. contracts at The Clearing Corporation, expanding The Clearing Corporation's global presence with respect to both product offerings and client reach. As part of the new relationship between Eurex and The Clearing Corporation, Eurex has also agreed to invest \$15 million in The Clearing Corporation through one of its affiliates.

Second, the Clearing Corporation is undertaking an overall realignment of its corporate and capital structure that is designed to position it for the future after the termination of the Company's clearing relationship with the Chicago Board of Trade ("*CBOT*"). In addition to Eurex's \$15 million investment, this realignment will include a stock buyback program (the "*Repurchase Program*"), amendments to the Company's existing certificate of incorporation and bylaws (the "*Amendments*"), and the establishment of a guaranty fund (the "*Guaranty Fund*").

In the Repurchase Program, every stockholder will have the opportunity to sell up to 150 shares of stock back to The Clearing Corporation at \$16,628 per share, which represents the unaudited book value of a share of the Company's stock as of August 31, 2003. The Clearing Corporation anticipates that some stockholders will choose to hold on to some or all of their stock. If that happens, the funds that would have been used to repurchase their stock will be used – on a pro rata basis – to buy stock from other stockholders who wish to sell more than 1 shares.

The Board of Governors also has approved an amendment and restatement of The Clearing Corporation's certificate of incorporation (the "*Restated Charter*") and bylaws (the "*Restated Bylaws*"), subject to stockholder approval. The Restated Charter and Bylaws are designed to reflect the transition of the Company from a cooperative-type organization to a more traditional for-profit company.

Once the Restated Charter and Restated Bylaws go into effect, it will no longer be necessary to own stock in the Company in order to clear trades through The Clearing Corporation. Rather than requiring clearing participants to own stock, the Company will establish a separate Guaranty Fund into which clearing participants will deposit collateral to support the Company's obligations. The Guaranty Fund program is described in more detail in the accompanying Proxy Statement, but the key difference from current practice is that clearing participants will be able to satisfy their Guaranty Fund obligations using various forms of collateral in addition to Company stock. Initially, in order to ensure that the Guaranty Fund is adequately funded and that each clearing participant's obligations are adequately secured, the Rules of The Clearing Corporation will provide that each clearing participant will be deemed to have pledged any and all shares of Company stock owned by that clearing participant to the Guaranty Fund. For the same reason, the terms of the Repurchase Program provide that the repurchase price for shares sold back to The Clearing Corporation will not be paid to a selling stockholder directly, but will be deposited into the Guaranty Fund and credited to the account of the selling stockholder. The stock and cash that are initially deposited into the Guaranty Fund will be released, however, if a stockholder's Guaranty Fund obligations are subsequently reduced or if a stockholder deposits sufficient alternative collateral into the Guaranty Fund.

Concurrently with the Clearing Agreement, Eurex and The Clearing Corporation entered into a Stock Purchase Agreement (the "*Stock Purchase Agreement*"), under which U.S. Exchange Holdings, Inc., an affiliate of Eurex ("*Eurex U.S. Holdings*"), agreed to purchase \$15 million of a new class of common stock of the Company (the "*Class E Stock*") at a price equal to the Company's book value per share as of the end of the most recent quarter before the closing of the purchase. The Class E Stock will give Eurex U.S. Holdings the right to elect one director of the Company but cannot be voted in elections for other members of the Board. In addition, the Company has entered into a Stock Option Agreement (the "*Stock Option Agreement*") with Eurex U.S. Holdings. The Stock Option Agreement gives Eurex U.S. Holdings the right to buy such number of shares of the Company at fair market value as are necessary to bring its ownership of the Company's common stock to 51%. That right can be exercised, however, *only* if a third party has already bought or otherwise acquired a beneficial interest in more than 50% of the stock of the Company.

The Clearing Corporation has scheduled a special meeting of stockholders to be held on Thursday, October 23, 2003 (the "*Special Meeting*") to consider the realignment of The Clearing Corporation's corporate and capital structure and certain aspects of the transactions with Eurex. At the Special Meeting, you will be asked to consider and vote upon a proposal (the "*Proposal*") to approve the Amendments and the Stock Option Agreement.

If the Proposal is not approved, the Stock Purchase Agreement and Stock Option Agreement will terminate automatically and the Amendments, Repurchase Program and Guaranty Fund will not be implemented. *The Clearing Agreement, however, will remain in full*

force and effect, subject to Eurex's right to terminate it. In such a case, The Clearing Corporation would remain fully obligated to provide clearing services for Eurex U.S. and the Board of Governors would need to consider any alternatives available to the Company with respect to the Company's future structure and governance.

The Board of Governors has unanimously approved the Company's corporate and capital realignment and the transactions with Eurex and believes that they are in the best interest of The Clearing Corporation and its stockholders. ACCORDINGLY, THE BOARD OF GOVERNORS RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL.

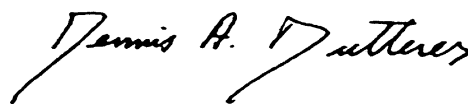
We hope you can attend the Special Meeting. The enclosed Proxy Statement provides you with detailed information about both the Eurex relationship and the realignment of The Clearing Corporation's corporate and capital structure. *We ask that you read the enclosed Proxy Statement carefully and in its entirety and, in particular, draw your attention to the section entitled "CERTAIN CONSIDERATIONS" beginning on page 11 for a discussion of certain risks and considerations relevant to the matters to be considered at the Special Meeting.*

Enclosed with the Proxy Statement are (1) a form of proxy for the Special Meeting, and (2) a form of election regarding the Repurchase Program. We ask that you complete and send back in the enclosed, pre-paid envelope the proxy and repurchase election form, even if you plan to attend the Special Meeting in person. *If you fail to complete and return the election form for the Repurchase Program, you will be deemed to have elected to sell NONE of your shares back to the Company.*

We hope you share our excitement about these two initiatives. Our new relationship with Eurex opens a new era for The Clearing Corporation. Our Clearing Agreement with Eurex should create great opportunities for stockholders and customers in a global marketplace. The new structure of The Clearing Corporation should position us for future growth and maintain our long history of leadership and innovation as an independent clearing organization. The Board of Governors has carefully considered the Proposal and believes it to be in the best interest of the Company and its stockholders. The Board unanimously recommends that stockholders vote in favor of the Proposal.

We appreciate your continued support and look forward to seeing you at the Special Meeting.

Very truly yours,



Dennis A. Dutterer
President and Chief Executive Officer
BOARD OF TRADE CLEARING CORPORATION

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BOARD OF TRADE CLEARING CORPORATION
141 West Jackson Boulevard, Suite 1460
Chicago, Illinois 60604

September 24, 2003

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Dear Stockholders:

There will be a Special Meeting (the "*Special Meeting*") of Stockholders of the Board of Trade Clearing Corporation (the "*Company*") at 440 South LaSalle Street, 2nd Floor Conference Center, Chicago, Illinois 60605 on Thursday, October 23, 2003 at 2:15 p.m. local time, for the following purposes:

1. To consider and vote upon a proposal (the "*Proposal*") to approve: (a) the Restated Certificate of Incorporation of the Company in the form of *Appendix A* to the Proxy Statement to which this Notice is attached; (b) the Restated Bylaws of the Company in the form of *Appendix B* to the Proxy Statement to which this Notice is attached (the items in clause (a) and (b) collectively, the "*Amendments*"); and (c) the Stock Option Agreement, dated as of September 3, 2003 (the "*Stock Option Agreement*"), between the Company and U.S. Exchange Holdings, Inc. ("*Eurex U.S. Holdings*"), an affiliate of Eurex Frankfurt AG, in the form of *Appendix C* to the Proxy Statement to which this Notice is attached; and
2. To transact such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

The Board of Governors has fixed the close of business on September 17, 2003 as the record date for the Special Meeting and only holders of record of common stock of the Company at the close of business on the record date are entitled to receive notice of and to vote at the Special Meeting or any adjournments or postponements thereof. These stockholders will be entitled to vote on the basis of one vote per stockholder as of the record date.


Approval of the Proposal requires the affirmative vote of a majority of all of the stockholders of the Company as of the record date for the Special Meeting. Accordingly, we ask that you complete and send back the enclosed proxy in the enclosed, pre-paid envelope. If the Proposal is approved, but closing of the transactions contemplated by the Stock Purchase Agreement dated as of September 3, 2003, among Eurex U.S. Holdings, Eurex Frankfurt AG and the Company (the "*Stock Purchase Agreement*") does not occur, the Company may elect to abandon the Amendments. In any event, the Amendments would not become effective until immediately prior to the closing of the transactions contemplated by the Stock Purchase Agreement.

The Company has instituted a repurchase program giving every stockholder the opportunity to sell up to 150 shares of stock back to the Company at \$16,628 per share, which represents the unaudited book value of the Company's common stock as of August 31, 2003. Please complete, sign and date the enclosed repurchase election form. *If you fail to complete and return the repurchase election form, you will be deemed to have elected to sell NONE of your shares back to the Company.*

The Board of Governors has appointed Deloitte & Touche LLP, certified public accountants, to act as the inspectors of election, with full power and authority to calculate the votes.

Your vote is very important. Whether or not you expect to attend the Special Meeting, please mark, sign, date and promptly return the enclosed proxy in the pre-paid envelope along with your completed repurchase election form. You are urged to vote "FOR" the Proposal.

By Order of the Board of Governors,



Secretary

QUESTIONS AND ANSWERS

The Stock Repurchase Program

Q: *The Board of Trade Clearing Corporation (“The Clearing Corporation” or the “Company”) is going to buy back some of its stock. How is that going to work?*

A: The Clearing Corporation is going to give every stockholder the opportunity to sell up to 150 shares of stock back to The Clearing Corporation at \$16,628 per share.

Q: *How was that price selected?*

A: Book value has historically been the benchmark that The Clearing Corporation has used to buy and sell its own stock. Although The Clearing Corporation’s Board of Governors indicated at the last stockholders meeting on April, 30, 2003 that The Clearing Corporation would seek to ensure that redeeming stockholders would receive at least \$15,800 per share, the Board determined when it approved this program on September 3, 2003 that it would be appropriate to use the most up-to-date unaudited book value as of the time the program was approved. (Unaudited book value as of August 31, 2003 was \$16,628 per share). Stockholders who sell shares will receive all cash, even though book value includes, in addition to cash and investment securities, the value assigned to The Clearing Corporation’s computers, software and other fixed and intangible assets.

Q: *I own more than 150 shares. Why can’t I sell all of my stock?*

A: The Clearing Corporation needs to have at least \$85 million in stockholders’ equity at the time Eurex makes its \$15 million investment. (The investment of \$15 million by Eurex will bring the total stockholders’ equity up to \$100 million or more.) Allowing all stockholders to redeem all of their stock would make this impossible. The Clearing Corporation anticipates that some stockholders may choose to hold on to some or all of their stock. If that happens, the funds that would have been used to repurchase their shares will be used – on a pro rata basis – to buy stock from other clearing members who want to sell more than 150 shares.

Q: *Can I sell my stock to anyone else?*

A: The Clearing Corporation currently has a “right of first refusal” and prohibits its members from selling their stock to anyone other than The Clearing Corporation or another clearing member. The Clearing Corporation has no plans to buy back any more stock once the share repurchase program and corporate realignment are completed or to sell more stock to new clearing participants. By the same token, stockholders will be free after the corporate realignment to sell their stock to any willing buyer (subject, in all cases, to applicable securities law and other legal requirements). This is subject to one exception: Eurex has agreed not to buy any more stock during the first year after it makes its investment.

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PROXY STATEMENT

INTRODUCTION

This Proxy Statement (this "*Proxy Statement*") is being furnished to the holders of the common stock, no par value per share, of the Board of Trade Clearing Corporation (the "*Company*" or "*The Clearing Corporation*") in connection with the Special Meeting of Stockholders of The Clearing Corporation to be held at 440 South LaSalle Street, 2nd Floor Conference Center, Chicago, Illinois on Thursday, October 23, 2003 at 2:15 p.m., local time, and at any adjournments or postponements thereof (the "*Special Meeting*").

At the Special Meeting, stockholders will be asked to vote on a proposal (the "*Proposal*") to approve: (a) the Restated Certificate of Incorporation of the Company in the form of *Appendix A* to this Proxy Statement; (b) the Restated Bylaws of the Company in the form of *Appendix B* to this Proxy Statement (the items in clause (a) and (b) being collectively referred to as the "*Amendments*"); and (c) the Stock Option Agreement, dated as of September 3, 2003 (the "*Stock Option Agreement*"), between the Company and U.S. Exchange Holdings, Inc. ("*Eurex U.S. Holdings*"), an affiliate of Eurex Frankfurt AG ("*Eurex*"), in the form of *Appendix C* to this Proxy Statement. This Proxy Statement explains the background, context and significance of the Proposal and the reasons why the Board of Governors of The Clearing Corporation has unanimously recommended a vote "FOR" the Proposal. Specifically, this Proxy Statement discusses:

- a realignment of The Clearing Corporation's corporate and capital structure designed to position the Company for its future after the termination of its clearing relationship with the Board of Trade of the City of Chicago, Inc. (the "*CBOT*"), including the Amendments, a stock buyback or repurchase program (the "*Repurchase Program*") and the establishment of a guaranty fund (the "*Guaranty Fund*"); and
- a series of arrangements that The Clearing Corporation has entered into with Eurex, the world's largest derivatives exchange, to establish a clearing relationship between the Company, Eurex and Eurex's affiliates, including Eurex's proposed new U.S. futures exchange ("*Eurex U.S.*"), and to provide for Eurex U.S. Holdings to invest \$15 million in The Clearing Corporation.

Enclosed with this Proxy Statement is (1) a form of proxy for the Special Meeting, and (2) a form of election regarding the Repurchase Program. Stockholders are asked to complete and send back the proxy and form of election in the enclosed, pre-paid envelope, even if they plan to attend the Special Meeting in person. If a stockholder fails to complete and return the election form for the Repurchase Program, the stockholder will be deemed to have elected to sell NONE of the stockholder's shares back to the Company.

This Proxy Statement is first being furnished to stockholders of the Company on September 24, 2003. *Stockholders are encouraged to read the Proxy Statement carefully and in its entirety. See the section entitled "CERTAIN CONSIDERATIONS" beginning on page*

11 for a discussion of certain risks and considerations relevant to the matters to be considered at the Special Meeting and the Repurchase Program.

SUMMARY

The following summary highlights some of the information in this document. It may not contain all of the information that is important to you. To understand the transactions between The Clearing Corporation and Eurex fully, and for a more complete description of the terms of the Repurchase Program and the Amendments, you should carefully read this document and the other documents to which you have been referred.

The Companies (pages 20 to 21)

Board of Trade Clearing Corporation

141 W. Jackson Boulevard

Suite 1460

Chicago, Illinois 60604

Telephone: 312/786-5700

The Clearing Corporation, a Delaware corporation founded in 1925, provides clearing and settlement services for trades in futures and options on futures contracts executed on exchanges as well as over-the-counter (“OTC”) transactions. The clearing and settlement process is multi-faceted and involves, among other things, reconciliation and maintenance of the records of open contracts; calculation, collection and maintenance of clearing participants’ margin deposits; daily cash settlement of gains and losses among clearing participants; and the processing of option exercises, delivery assignments and the final settlement of contracts in cash or by delivery. The Clearing Corporation also provides transaction processing for exchanges other than the CBOT, risk analysis services for member firms and other third parties, and ancillary services, such as data and information sharing, floor brokerage commission collection and payment, and give-up fee billing and collection. Historically, clearing services for contracts executed at the CBOT have accounted for the vast majority of the Company’s revenue.

Eurex Frankfurt AG

Neue Börsenstrasse 1

60487 Frankfurt/Main, Germany

Telephone: 49-69-2110

Eurex, the world’s largest futures and options exchange, is jointly owned and operated by Deutsche Börse AG and SWX Swiss Exchange. Eurex provides a marketplace for trading and clearing derivatives, including capital market products, equity index products and money market products. It offers its customers open and cost-effective access from many points around the globe. Eurex also operates the largest derivatives clearing organization in the world – Eurex Clearing AG, Frankfurt (“*Eurex Clearing*”). Since its inception in 1998, Eurex has become the market leader in derivative instruments, with total trading and clearing volume exceeding 800 million contracts in 2002 and reaching 524 million in the first half of 2003.

Eurex is the leading exchange in European index products, with a market share of over 70 percent. Furthermore, in the equity options business Eurex has traded contracts with an

underlying value of €583 billion in 2002, making it the largest equity options market worldwide. Eurex provides access to a broad range of international benchmark products through its a/c/e trading platform, which trades more than 80 percent of all U.S. bond futures. The Eurex U.S. trading system will be based on the same infrastructure and network.

The Eurex Transactions (pages 20 to 30)

On September 4, 2003, The Clearing Corporation announced that it has entered into a long-term clearing arrangement with Eurex and Eurex U.S. (the "*Clearing Agreement*"), forging a strategic relationship between the largest derivatives exchange in the world and the largest independent futures clearing organization in the United States. Under the Clearing Agreement, The Clearing Corporation will act as the clearing organization for Eurex U.S., which Eurex expects to launch early in 2004. The new exchange will offer trading in a wide range of U.S. Dollar- and Euro-denominated interest rate and stock index products. The Clearing Corporation and Eurex Clearing are also negotiating the terms of an agreement (the "*Link Agreement*") regarding the establishment and operation of a clearing link (the "*Link*"). The Link will allow all contracts traded on Eurex U.S., as well as contracts that are traded on Eurex and listed on Eurex U.S., to be cleared through either The Clearing Corporation or Eurex Clearing.

The Repurchase Program (pages 65 to 71)

In the Repurchase Program, every stockholder will have the opportunity to sell up to 150 shares of stock back to The Clearing Corporation at \$16,628 per share, which represents The Clearing Corporation's unaudited book value per share as of August 31, 2003. The Clearing Corporation anticipates that some stockholders will elect to hold on to some or all of their stock. If that happens, the funds that would have been used to repurchase their shares will be used – on a pro rata basis – to buy stock from other clearing members who want to sell more than 150 shares. The Clearing Corporation does not intend to complete the Repurchase Program, however, unless the Proposal is approved and all other conditions to Eurex U.S. Holdings' investment have been or are substantially contemporaneously satisfied or waived by Eurex U.S. Holdings.

The Charter and Bylaw Amendments (pages 57 to 62)

The Board of Governors has approved an amendment and restatement of the Company's certificate of incorporation in the form of *Appendix A* to this Proxy Statement (the "*Restated Charter*") and an amendment and restatement of the Company's bylaws in the form of *Appendix B* to this Proxy Statement (the "*Restated Bylaws*"), subject to stockholder approval. The Restated Charter and Restated Bylaws are designed to reflect the transition of the Company from a cooperative-type organization to a more traditional for-profit company. In addition, the Restated Charter will allow for the issuance of Class E common stock to, and the election of a director by, Eurex U.S. Holdings. If the Proposal is approved, but closing of the transactions contemplated by the Stock Purchase Agreement does not occur, The Clearing Corporation may elect to abandon the Amendments. In any event, the Amendments would not become effective until immediately prior to the closing of the transactions contemplated by the Stock Purchase Agreement.

The Restated Charter and Restated Bylaws will effect a number of important changes in The Clearing Corporation's corporate and capital structure, some of which are summarized in the chart below.

Topic	Before Amendments, Repurchase Program and Eurex Investment	After Amendments, Repurchase Program and Eurex Investment
Name of the Company	Board of Trade Clearing Corporation	The Clearing Corporation
Authorized Capital Stock	15,000 shares of stock, no par value (" <i>Current Stock</i> ")	3,600,000 shares of stock, par value \$0.01 per share, consisting of: <ul style="list-style-type: none"> • 3,000,000 shares of Class A common stock ("<i>Class A Stock</i>") • 100,000 shares of Class E common stock ("<i>Class E Stock</i>") • 500,000 shares of preferred stock ("<i>Preferred Stock</i>")
Issued Capital Stock	<ul style="list-style-type: none"> • 11,544 shares of Current Stock are outstanding • 1,720 shares of Current Stock are held in the Company's treasury 	Shares of Class A stock will be issued to stockholders after the closing of the Repurchase Program as follows: <ul style="list-style-type: none"> • Each share of Current Stock then outstanding will be reclassified as and converted into 100 shares of Class A Stock • The number of issued shares of Class A Stock will be between 507,300 and 1,154,400, depending on how many shares of Current Stock are tendered for repurchase • Shares of Class E Stock will be issued to Eurex U.S. Holdings (at September 30, 2003 book value) in exchange for its \$15,000,000 investment • There are no immediate plans to issue Preferred Stock; Preferred Stock will be available for future issuance at the Board's discretion, subject to Delaware law • All treasury shares will be cancelled

Total Capitalization	Stockholders' equity of \$191,950,333 at August 31, 2003 (unaudited)	Minimum stockholders' equity of \$100,000,000, consisting of at least \$85,000,000 in Class A Stock plus \$15,000,000 in Class E Stock
Name of Governing Board	Board of Governors	Board of Directors
Size of Board	Nine governors	Seven to fifteen directors, as determined by the Board from time to time
Composition of Board	Three Group A Governors and three Group B Governors elected on a one-vote-per-share basis Three At-Large Governors elected on a one-vote-per-stockholder basis	All directors but one elected by the holders of Class A Stock on a one-vote-per-share basis (" <i>Class A Directors</i> ") One director elected by the holder of Class E Stock (" <i>Class E Director</i> ")
Board Terms	Staggered three-year terms for all governors Members of the Board cannot serve more than two terms	Staggered three-year terms for the Class A Directors One-year term for the Class E Director No term limits for Board members
Committees	Membership of Board committees can include governors or any individuals admitted to membership in the Company	Membership of Board committees, including the nominating committee, will be limited to directors
Chairman of the Board	Chairman of the Board limited to two consecutive one-year terms	No term limits for Chairman of the Board
Board Compensation	Members of the Board are not compensated for Board service	It is currently envisioned that members of the Board would be compensated, in cash or through the issuance of stock, for their service as Board members

The Stock Option Agreement (pages 55 to 56)

In addition, the Company entered into the Stock Option Agreement with Eurex U.S. Holdings in the form of *Appendix C* to this Proxy Statement. The Stock Option Agreement gives Eurex U.S. Holdings the right to buy such number of shares of the Company as are necessary to bring its ownership of the Company's common stock to 51%. That right can be exercised, however, *only* if a third party has already bought or otherwise acquired a beneficial interest in more than 50% of the stock. The Stock Option Agreement was required by Eurex as part of the transactions and is designed to protect Eurex against the possibility that one of its competitors would try to take control of The Clearing Corporation despite Eurex's commitments to and investment in The Clearing Corporation under the Clearing Agreement and Stock Purchase Agreement. If The Clearing Corporation's stockholders do not approve the Proposal, the Stock Purchase Agreement and the Stock Option Agreement will automatically terminate.

The Guaranty Fund (pages 63 to 64)

If the Proposal is approved, it will no longer be necessary to own stock in The Clearing Corporation in order to clear trades through The Clearing Corporation. Rather than requiring clearing participants to own stock, the Company will establish a separate Guaranty Fund into which clearing participants will deposit collateral to support the Company's obligations. The key difference from current practice is that clearing participants will be permitted to deposit cash, U.S. Treasury securities and other approved instruments into the Guaranty Fund. Clearing participants who own Class A Stock will also be permitted to deposit that stock in full or partial satisfaction of their Guaranty Fund obligations. Clearing Corporation stock that is used for this purpose will be subject to a discount ("haircut") of approximately 15-20%, depending on the composition of The Clearing Corporation's balance sheet at the time. It is anticipated that the use of The Clearing Corporation stock for this purpose will begin to be phased out beginning in 2006, although this deadline may be extended. Clearing participants will be required to make a minimum Guaranty Fund contribution of \$200,000 for corporations, partnerships, limited liability companies and other legal entities and \$75,000 for individuals.

In order to ensure that the Guaranty Fund is adequately funded and each clearing participant's obligations are adequately secured, the Rules of The Clearing Corporation will provide that each clearing participant will initially be deemed to have pledged all shares of Company stock owned by that clearing participant to the Guaranty Fund. For the same reason, the terms of the Repurchase Program provide that the cash repurchase price for shares that the Company repurchases will not be paid to a selling stockholder directly, but will be deposited into the Guaranty Fund and credited to the account of the selling stockholder. The stock and cash that are initially deposited into the Guaranty Fund will be released, in accordance with the Rules of The Clearing Corporation, to the extent that a stockholder's Guaranty Fund obligations are reduced or the stockholder deposits sufficient alternative collateral into the Guaranty Fund.

The Special Meeting (pages 72 to 74)

Where and when: The Special Meeting will be convened and held on Thursday, October 23, 2003, at 2:15 p.m., local time, at 440 South LaSalle Street, 2nd Floor Conference Center, Chicago, Illinois 60605.

What stockholders are being asked to vote on: At the Special Meeting, stockholders will be asked to consider and vote on the approval and adoption of the Proposal. Stockholders also will be asked to vote on any other matters properly presented at the meeting or any adjournment of the meeting. At the present time, The Clearing Corporation knows of no other matters that will be presented for consideration at the meeting.

Who may vote: You may vote at the Special Meeting if you owned stock in The Clearing Corporation as of the close of business on the record date, September 17, 2003. Each stockholder will have one vote at the Special Meeting irrespective of the number of shares held by such stockholder.

What vote is needed: The affirmative vote of a majority of the stockholders of The Clearing Corporation is required to approve and adopt the Proposal. Because there were 87 stockholders as of the record date, such approval and adoption will require the affirmative vote of at least 44 stockholders. Abstentions, or the failure of a stockholder to vote in person or by proxy, will have the same effect as a vote against such approval and adoption.

Reasons for the Transactions (pages 23 to 30)

The Clearing Corporation historically has derived most of its revenue from processing and guaranteeing transactions in CBOT futures and options contracts. For example, in 2002 and through August 31, 2003, clearing fees related to the execution and post-trade processing of such CBOT contracts represented 80% and 84%, respectively, of The Clearing Corporation's revenues. As early as 1998, The Clearing Corporation's Board of Governors identified this reliance on a single large source of revenue as a risk to the long-term viability of the Company. This risk became reality on April 16, 2003 when the CBOT unilaterally terminated its 78-year relationship with The Clearing Corporation.

Confronted with the decision by the CBOT to move its clearing business to the Chicago Mercantile Exchange ("CME"), the Board considered many options, including liquidation of the Company and aligning The Clearing Corporation with another significant futures exchange. The Board decided that the plan developed by Eurex to have The Clearing Corporation act as the clearing house for trades executed on Eurex U.S. and, in certain cases, for trades executed on Eurex, gave The Clearing Corporation a unique opportunity to achieve its business objectives and to offer its current stockholders a stake in the success of Eurex U.S. Although the Clearing Agreement requires Eurex's consent before The Clearing Corporation may clear certain long-term interest rate futures and options on futures contracts for other exchanges, The Clearing Corporation retains the right to continue its diversification strategy and seek new business opportunities throughout the world.

Effect if Transactions Not Completed (page 30)

If the Proposal is not approved, the Stock Purchase Agreement and the Stock Option Agreement will terminate automatically. *However, the Clearing Agreement will remain in full force and effect, subject to Eurex's right to terminate that agreement, even if the stockholders do not approve the Proposal.* In such a case, The Clearing Corporation would remain fully obligated to provide clearing services for Eurex U.S. and the Board of Governors would, at that time,

consider any alternatives available to the Company with respect to the Company's future corporate structure and governance, including liquidation.

Recommendation to Stockholders (pages 23 to 30)

The Board of Governors has unanimously approved the Proposal and believes that it is in the best interests of The Clearing Corporation and its stockholders. *Accordingly, the Board of Governors recommends that stockholders vote "FOR" the Proposal.*

Certain U.S. Federal Income Tax Considerations (pages 75 to 80)

Stockholders who exchange some or all of their Current Stock for cash pursuant to the Repurchase Program will be subject to U.S. federal income tax on the receipt of cash, although the amount of such tax will depend upon certain tests and requirements under Sections 302 and 356 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"). Stockholders who do not participate in the Repurchase Program, and who instead exchange all of their Current Stock for Class A Stock, will not recognize gain or loss as a result of the exchange, their adjusted tax basis in the Class A Stock will equal their adjusted tax basis in the Current Stock exchanged and their holding period for the Class A Stock that they receive will include the holding period during which they held the Current Stock.

Tax matters are very complicated. The tax consequences to a stockholder of the Repurchase Program and the Amendments will depend on such stockholder's situation. We urge that each stockholder consult its tax advisor for a full understanding of the U.S. federal, state, local and foreign tax consequences.

CERTAIN CONSIDERATIONS

In addition to the other information contained in or incorporated by reference into this document, each stockholder should consider the following considerations carefully in deciding whether to vote for the Proposal.

Considerations Related to the Proposal

The Clearing Corporation will be dependent on one customer for a substantial portion of its revenues for the foreseeable future.

Once the CBOT ceases to use The Clearing Corporation to clear transactions, fees from Eurex U.S. will represent The Clearing Corporation's only near-term prospect for significant revenue. A failure by Eurex U.S. to generate significant trading volume will materially and adversely affect the operations and results of The Clearing Corporation. Moreover, if Eurex terminates its relationship with The Clearing Corporation and The Clearing Corporation is unable to attract new customers, its business will be materially and adversely affected.

There can be no assurance given that any significant level or portion of current Eurex trading activity will migrate to The Clearing Corporation for clearing services.

There is no requirement that Eurex members clear trades through The Clearing Corporation. There can be no assurance, therefore, that any significant level or portion of current Eurex exchange activity will migrate to The Clearing Corporation for clearing services. Financial information presented to The Clearing Corporation's Board of Governors assumes that a substantial portion of The Clearing Corporation's income will come from transactions executed on Eurex (see "*BACKGROUND OF THE PROPOSAL – Reasons for the Transactions; Recommendation of Board of Governors – Financial Information Considered by the Board of Governors*"). Failure of a significant level or portion of such activity to migrate to The Clearing Corporation could have a material adverse effect on the business and operations of The Clearing Corporation.

Eurex U.S. may be required to obtain regulatory approvals from the Commodity Futures Trading Commission ("CFTC"). These approvals could be delayed or denied, resulting in a material adverse impact on The Clearing Corporation's performance and potentially its viability as a going concern.

The application by Eurex U.S. to operate a U.S.-based contract market and the Link may require approval by the CFTC. If CFTC approval cannot be obtained or cannot be obtained in a timely manner, the prospects for The Clearing Corporation could be significantly impaired and its financial viability could be at risk. Generally speaking, depending on the circumstances, it could take several months to receive any necessary approvals from the CFTC. There can be no assurance that the CFTC and other regulatory approvals will be obtained by Eurex or, if obtained, that the approvals will be received in a timely manner.

Under the terms of its agreements with The Clearing Corporation, Eurex will have an option to acquire up to a 51% ownership interest in the common stock of The Clearing

Corporation in the event of a change in control, which could limit future business opportunities for The Clearing Corporation.

The Clearing Corporation has granted Eurex an option to buy up to 51% of the Company's common stock at fair market value if a third party has already bought or otherwise acquired a beneficial interest in more than 50% of the stock of the Company. The existence of this option could make it more difficult for a third party to acquire The Clearing Corporation even if doing so would be beneficial to its stockholders.

The Clearing Corporation is obligated to provide services under the Clearing Agreement whether or not its stockholders approve the Proposal.

If the stockholders do not approve the Proposal, The Clearing Corporation would remain fully obligated to provide clearing services for Eurex U.S. unless Eurex U.S. were to decide otherwise. The Board of Governors would then need to consider any alternatives available to the Company with respect to the Company's future corporate structure and governance, including liquidation.

The Link Agreement with Eurex Clearing may not be signed.

The Clearing Corporation and Eurex Clearing are currently negotiating the terms of the Link Agreement. The Stock Purchase Agreement requires the parties to use reasonable best efforts to execute the Link Agreement by October 15, 2003. There can be no assurance however, that the parties will agree upon the terms and sign a definitive Link Agreement. If a definitive Link Agreement is not signed, the Link will not be established.

The Link Agreement with Eurex, if finalized, will require the implementation of new operating systems.

The Link Agreement with Eurex, if finalized, will require the implementation of new operating systems. There can be no assurance that Eurex and The Clearing Corporation will successfully implement the new technologies and operating systems needed to operate under the Link Agreement.

There can be no assurance that Eurex U.S. will be able to capture market share from the CBOT or generate additional significant volume.

The Company's business strategy anticipates that Eurex U.S. will capture some of the trades that are currently executed on the CBOT. There is no assurance that Eurex U.S. will be able to penetrate this market. Prior attempts by other exchanges to capture market share from the CBOT have failed.

The Clearing Corporation may be overcapitalized if it is successfully realigned as a traditional for-profit corporation.

The Clearing Corporation is instituting the Repurchase Program to give every stockholder the opportunity to sell up to 150 shares of stock back to the Company. If every stockholder sells all the shares it is entitled to sell, the Company will have approximately

\$100 million of capital after the Eurex investment, an amount which the Company believes is more than sufficient given its new business strategy and the creation of the Guaranty Fund. If no shares of stock are tendered, the Company could have approximately \$200 million of capital after the Eurex investment. There can be no assurance that sufficient numbers of shares of common stock of the Company will be tendered under the Repurchase Program to prevent the Company from being overcapitalized. Any overcapitalization of the Company could diminish returns to stockholders.

Considerations Related to Common Stock of The Clearing Corporation

The Clearing Corporation has not requested or received any opinion regarding the value of The Clearing Corporation before or after its corporate realignment and the strategic alliance with Eurex or the value of the stock you currently own.

The Clearing Corporation has not verified the value of The Clearing Corporation in its current form or its value as a traditional for-profit corporation after the realignment of its corporate and capital structure, nor has The Clearing Corporation verified the value of the existing equity shares of The Clearing Corporation in connection with the realignment transactions. The Clearing Corporation is not required to receive (and is not receiving) a fairness opinion in connection with these transactions. Accordingly, there can be no assurance that the value of the common stock of the Company after the realignment will be at least equal to the value of the corresponding shares in the Company that you currently own. There also can be no assurance that the fair market value of the common stock after the realignment will not exceed the book value being offered in the Repurchase Program.

The Class A Stock that you retain in The Clearing Corporation will have limited or no liquidity and will not be protected from dilution.

There is currently no public market for the stock of The Clearing Corporation. The Class A Stock has not been registered with the Securities and Exchange Commission or with any state securities commission or authority, nor do individual stockholders have a right to compel registration. Class A Stock may not be sold unless it is registered or there is an applicable exemption from registration. The Class A Stock may be diluted by the issuance of additional shares of Class A Stock, Class E Stock or Preferred Stock.

The changes to The Clearing Corporation's corporate structure offer less protection for smaller stockholders.

Under The Clearing Corporation's Restated Charter, all votes will be cast on a one-vote-per-share basis. After the realignment, therefore, each stockholder's voting power will be based on the number of shares owned. In contrast, under the existing Certificate of Incorporation, votes on most matters are cast on a one-vote-per-stockholder basis. Furthermore, the Restated Charter no longer classifies the governing body into Group A Governors (representing members holding at least half of the issued and outstanding shares of stock of the Company) and Group B Governors (representing the remaining members of the Company).

The Clearing Corporation has various provisions in its Restated Charter and Restated Bylaws that could make it more difficult for the Company to be acquired.

The Clearing Corporation's Restated Charter and Restated Bylaws contain provisions that could make it more difficult for a third party to acquire The Clearing Corporation, even if doing so would be beneficial to its stockholders. These provisions include: authorizing the issuance of shares of "blank check" preferred stock and providing for a board of directors with staggered, three-year terms. In addition, as discussed above, Eurex has been granted an option to acquire up to 51% of the Company's common stock if a third party acquires a beneficial interest in more than 50% of the stock of the Company.

Considerations Related to the Business of The Clearing Corporation

The financial services industry, including the business of executing, processing, clearing and trading futures and options, is highly competitive.

The derivatives, securities and financial services industries are highly competitive. The Clearing Corporation expects that competition will intensify in the future. The Clearing Corporation's current and prospective competitors, both domestically and around the world, are numerous. Competitors include other clearing organizations, market data and information vendors and consortia of some of our clearing firms. Some of The Clearing Corporation's competitors and potential competitors have greater financial, marketing, technological and personnel resources than The Clearing Corporation. These factors may enable them to develop similar products, to provide lower transaction costs to their customers and to carry out their business strategies more quickly and efficiently than The Clearing Corporation can. In addition, our competitors may: price their products and services more competitively; develop and expand their network infrastructure and service offerings more efficiently; utilize better, more user-friendly and more reliable technology; and take greater advantage of acquisitions, alliances and other opportunities.

If The Clearing Corporation's products, markets and services are not competitive, its business, financial condition and operating results will be materially harmed. In addition, even if new entrants do not significantly erode The Clearing Corporation's market share, The Clearing Corporation may be required to reduce its fees significantly to remain competitive, which could have a material adverse effect on profitability.

The Clearing Corporation's cost structure is largely fixed. If The Clearing Corporation's revenues decline and it is unable to reduce its costs, its profitability will be adversely affected.

The Clearing Corporation's cost structure is largely fixed. The Clearing Corporation bases its cost structure on historical and expected levels of demand for its products and services. If demand for The Clearing Corporation's products and services and its resulting revenues decline, The Clearing Corporation may not be able to adjust its cost structure on a timely basis. In that event, its profitability will be adversely affected.

Clearing operations expose the Guaranty Fund to substantial credit risk of clearing participants. The Clearing Corporation's continued ability to provide clearing services would be adversely affected in the event of a significant default.

As a clearing services provider, The Clearing Corporation is the counterparty to all trades consummated on or through exchanges it services. As a result, it is exposed to significant credit risk of third parties, including its clearing participants. The Clearing Corporation is at risk if a clearing participant defaults on its obligations to The Clearing Corporation and its margin and guaranty fund deposits are insufficient to meet its obligations. The Clearing Corporation is also exposed, indirectly, to the credit risk of customers of its clearing participants. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. Although The Clearing Corporation has policies and procedures to help assure that its clearing participants can satisfy their obligations, these policies and procedures may not succeed in detecting problems or preventing defaults. The Rules of The Clearing Corporation will provide that clearing participants have no right to assert any claim against the assets of The Clearing Corporation other than the Guaranty Fund. However, there can be no assurance that these measures will be sufficient to protect The Clearing Corporation from a default or that it will not be materially and adversely affected in the event of a significant default that substantially depletes the Guaranty Fund.

If The Clearing Corporation experiences systems failures, capacity constraints or network security breaches, its ability to conduct its operations could be materially harmed and The Clearing Corporation could be subjected to significant costs and liabilities.

The Clearing Corporation is heavily dependent on the capacity and reliability of the computer and communications systems and software supporting its operations. The Clearing Corporation receives and/or processes a large portion of its clearing orders through electronic means, such as through public and private communications networks. The systems of The Clearing Corporation, or those of its third party providers, may fail or operate slowly, causing one or more of the following to occur: unanticipated disruptions in service to its participants; failed settlement of trades; financial losses; litigation or other participant claims; and regulatory sanctions.

There can be no assurance that there will be no systems failure from power or telecommunications failure, acts of God, war or terrorism, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, acts of vandalism or similar events. If any of The Clearing Corporation's systems do not operate properly or are disabled, including as a result of system failure, customer error or misuse of our systems, it could suffer financial loss, liability to customers, regulatory intervention or reputational damage that could affect demand by current and potential participants.

The Clearing Corporation's status as a CFTC registrant requires that its clearing systems be able to handle anticipated present and future peak trading volume. Heavy use of The Clearing Corporation's computer systems during peak trading times or at times of unusual market volatility could cause its systems to operate slowly or even to fail for periods of time. System failure or degradation could lead participants to file formal complaints with the CFTC or file lawsuits against, or cease doing business with, The Clearing Corporation or could lead the CFTC

or other regulators to initiate inquiries or proceedings for failure to comply with applicable laws and regulations.

The Clearing Corporation will need to continue to upgrade and expand its systems and make significant investments in additional hardware and software to accommodate increased volume. Inability of The Clearing Corporation's systems to accommodate an increasing volume of transactions could constrain its ability to expand its businesses and could cause it to lose business.

As a result of the reduction in The Clearing Corporation's workforce, it may lack sufficient personnel to run The Clearing Corporation.

The Clearing Corporation has experienced a significant reduction in staffing over the last several months. From June 2, 2003 through August 31, 2003, the number of its employees decreased by 41, which represented a reduction of approximately 29% in its total workforce. There can be no assurance that The Clearing Corporation will be able to continue to successfully run its business with this reduced number of employees. The Clearing Corporation may desire or need to recruit additional employees. However, there can be no assurance that these persons can successfully be recruited.

The Clearing Corporation depends on its executive officers and other key personnel to operate and manage The Clearing Corporation. Any loss of such personnel could negatively impact its ability to successfully manage its business.

The future success of The Clearing Corporation depends, in significant part, upon the continued service of its executive officers, as well as various key management, technical and operations personnel. In particular, The Clearing Corporation believes that it is difficult to hire and retain executive management with the skills and abilities desirable for managing and operating a clearing organization. The loss of key people could have a material adverse effect on the business, financial condition and operating results of The Clearing Corporation. There can be no assurance that any of its key personnel will not voluntarily terminate his or her employment with The Clearing Corporation.

The future success of The Clearing Corporation also will depend in significant part on its ability to recruit and retain highly skilled and often specialized individuals as employees, particularly in light of the rapid pace of technological advances. The level of competition in the derivatives industry for people with these skills is intense, and from time to time The Clearing Corporation has experienced losses of key employees. Significant losses of key personnel, particularly to other employers with which The Clearing Corporation competes, could have a material adverse effect on its business, financial condition and operating results.

The Clearing Corporation may not effectively manage its growth.

The Clearing Corporation intends to develop and expand its business, including both through new customers and new products and services. This growth may place a significant strain on The Clearing Corporation's management, personnel, systems and resources. The Clearing Corporation must continue to improve its operational and financial systems and managerial controls and procedures, and it will need to continue to expand, train and manage its

technology workforce. The Clearing Corporation must also maintain close coordination among its technology, accounting, finance and marketing organizations. There can be no assurance that The Clearing Corporation will manage its growth effectively, and failure to do so could have a material adverse effect on the business, financial condition and operating results of The Clearing Corporation.

The Clearing Corporation may not be able to protect its intellectual property rights, which could materially harm its business.

The Clearing Corporation relies primarily on trade secret, copyright, service mark, trademark and patent law and contractual protections to protect its proprietary technology and other proprietary rights. The Clearing Corporation has filed several patent applications covering its technology. Notwithstanding the precautions taken to protect its intellectual property rights, it is possible that third parties may copy or otherwise obtain and use proprietary technology of The Clearing Corporation without authorization or otherwise infringe on its rights. The Clearing Corporation also seeks to protect its software and databases as trade secrets and under copyright law. The copyright protection afforded to databases, however, is fairly limited. While the arrangement and selection of data generally are protectable, the actual data may not be, and others may be free to create databases that would perform the same function. In some cases, including a number of The Clearing Corporation's most important products, there may be no effective legal recourse against duplication by competitors. In addition, in the future, The Clearing Corporation may have to rely on litigation to enforce its intellectual property rights, protect its trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs or divert resources, either of which could adversely affect the business of The Clearing Corporation.

Considerations Related to The General Environment and Economy

Domestic and international market and economic conditions, many of which are beyond the control of The Clearing Corporation, could impact its clearing and processing volumes and its financial results in a material adverse manner.

The Clearing Corporation generates revenues primarily from its transaction clearing and processing services, and it expects to continue to do so for the foreseeable future. Each of these revenue sources is substantially dependent on the trading volume in the markets that The Clearing Corporation serves. Trading volume in those markets, in turn, is directly affected by U.S. domestic and international factors that are beyond The Clearing Corporation's control, including, but not limited to:

- economic, political and market conditions;
- broad trends in industry and finance;
- changes in levels of trading activity, price levels and price volatility in the derivatives markets and in underlying fixed-income, equity, foreign exchange and commodity markets;

- legislative and regulatory changes;
- competition;
- changes in government monetary policies and foreign exchange rates;
- consolidation in its customer base and within its industry; and
- inflation.

Any one or more of these factors may contribute to reduced activity in these markets. The future economic environment will be subject to periodic downturns, including possible recession and lower volatility in financial markets, and may not be as favorable as it has been in recent years. As a result, period-to-period comparisons of financial results are not necessarily meaningful. Trends less favorable than those of recent periods could result in decreased trading volume, decreased capital formation and a more difficult business environment for The Clearing Corporation. Material decreases in trading volume would have a material adverse effect on the financial condition and operating results of The Clearing Corporation.

Future government regulation and legislation could limit the future growth or ability of The Clearing Corporation or Eurex to compete.

Eurex U.S. and The Clearing Corporation are regulated by the CFTC. Changes in laws, regulations or governmental policies could have a material adverse effect on the way The Clearing Corporation conducts its business. If The Clearing Corporation fails to comply with applicable laws, rules or regulations, it may be subject to censure, fines, cease-and-desist orders, suspension of its business, removal of personnel or other sanctions.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Some of the statements in this Proxy Statement constitute forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause The Clearing Corporation's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These factors include, among other things, those listed under "**CERTAIN CONSIDERATIONS**" and elsewhere in this Proxy Statement.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology.

Although The Clearing Corporation believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither The Clearing Corporation nor any other person assumes responsibility for the accuracy and completeness of such statements. The Clearing Corporation is under no duty to update any of the forward-looking statements after the date of this Proxy Statement.

BACKGROUND OF THE PROPOSAL

THE CLEARING CORPORATION

The Clearing Corporation, a Delaware corporation founded in 1925, provides clearing and settlement services for trades in futures and options on futures contracts executed on exchanges as well as OTC transactions. The clearing and settlement process is multi-faceted and involves among other things, reconciliation and maintenance of the records of open contracts; calculation, collection and maintenance of clearing participants' margin deposits; daily cash settlement of gains and losses among clearing participants; and the processing of option exercises, delivery assignments and the final settlement of contracts in cash or by delivery. The Clearing Corporation also provides transaction processing for exchanges other than the CBOT, risk analysis services for member firms and other third parties, and ancillary services, such as data and information sharing, floor brokerage commission collection and payment, and give-up fee billing and collection. Historically, clearing services for contracts executed at the CBOT have accounted for the vast majority of the Company's revenue.

The Clearing Corporation's principal office is located at 141 West Jackson Boulevard, Suite 1460, Chicago, Illinois 60604; Telephone: 312/786-5700; Website: www.clearingcorp.com.

EUREX ENTITIES

Eurex

Eurex, the world's largest futures and options exchange, is jointly owned and operated by Deutsche Börse AG and SWX Swiss Exchange. Eurex provides a marketplace for trading and clearing derivatives, including capital market products, equity index products and money market products. It offers its customers open and cost-effective access from many points around the globe. Since its inception in 1998, Eurex has become the market leader in derivative instruments, with total trading and clearing volume exceeding 800 million contracts in 2002 and reaching 524 million in the first half of 2003.

Eurex is the leading exchange in European index products, with a market share of over 70 percent. Furthermore, in the equity options business, Eurex has traded contracts with an underlying value of €583 billion in 2002, making it the largest equity options market worldwide.

Eurex provides access to a broad range of international benchmark products through its a/c/e trading platform, which trades more than 80 percent of all U.S. bond futures. The global Eurex network and Eurex plan to continue to use this infrastructure for Eurex U.S.

Eurex's principal office is located at Neue Börsenstrasse 1, 60487 Frankfurt/Main, Germany; Telephone: 011-49-69-2110; Website: www.eurexchange.com.

Eurex Clearing

Eurex Clearing was founded in 1998 as a wholly owned subsidiary of Eurex. It was created as the result of the merger of two derivatives exchanges, DTB Deutsche Terminbörse and

SOFFEX (Swiss Options and Financial Futures Exchange). After the Eurex exchanges were established, Eurex Clearing expanded its services to include other products such as bonds and repurchase transactions. Eurex Clearing assures the fulfillment and clearing of futures and options on the Eurex exchanges. Eurex Clearing also may provide clearing services for other international products and trading platforms.

Eurex U.S. Holdings

Eurex U.S. Holdings is a wholly-owned subsidiary of Eurex. Eurex U.S. Holdings will hold Eurex's participation in Eurex U.S. and may, in the future, hold Eurex's participation interests in other businesses.

Eurex U.S.

Eurex U.S. will be a CFTC-regulated futures exchange. Eurex U.S. intends to offer a full range of products, including futures contracts and options on futures contracts on U.S. and European interest rates and indices. Eurex U.S. will offer customers worldwide 20-hour/day electronic trading in U.S. Dollar- and Euro-denominated futures and options on futures and, through the planned Link with The Clearing Corporation, will for the first time give U.S. customers direct access to and choice of clearing for the most liquid European futures contracts. Eurex U.S., which will be based in and fully operated out of Chicago, will use The Clearing Corporation as its U.S. clearing partner.

RECENT EVENTS

The Clearing Corporation has provided clearing services to the CBOT since 1925. In 1998, however, the CBOT entered into extensive negotiations with the CME regarding the development of a "common clearing" facility that would have resulted in the merger of The Clearing Corporation and the Clearing House Division of the CME. Although those negotiations did not come to fruition, they were a "wake-up call" for The Clearing Corporation, prompting The Clearing Corporation to request a formal contract with the CBOT and to seek to diversify its client base in an effort to ensure that it would not be solely dependent upon a single client in the future. The Clearing Corporation addressed the terms of a possible clearing services agreement with the CBOT at various times over the next several years. The Clearing Corporation and the CBOT never made substantial progress in those discussions, however. The Clearing Corporation, therefore, continued to provide clearing services to the CBOT based on the same informal understandings that had historically governed their relationship.

At the same time, and recognizing the need to diversify The Clearing Corporation's revenue sources and the potential to provide additional opportunities for clearing members, the Board of Governors made a number of business decisions that were designed to preserve and maximize stockholders' investment in The Clearing Corporation. In particular, beginning in late 1999 and continuing to the present, the Board of Governors adopted and reaffirmed a business philosophy of providing clearing, processing, and other services in a commercially viable manner to exchanges and markets that represent business opportunities for clearing members or which are otherwise in the best interest of The Clearing Corporation. Thus, The Clearing Corporation deploys its Give-Up Automated Invoicing System (GAINS®) technology for

NQLX, LLC, provides Automated Transfer of Money (“*ATOM*®”) processing for the New York Board of Trade and licenses its ATOM system to the CME. The Clearing Corporation also provides trade processing services for BrokerTec Clearing Company, LLC and, either directly or through its Guaranty Clearing Corporation subsidiary, has entered into agreements to provide clearing and settlement services to ChemConnect, Inc., Commodities Management Exchange, Inc., the IntercontinentalExchange, Inc. and Merchants’ Exchange LLC.

On February 19, 2003, the CBOT’s Chairman, First Vice Chairman, and President made a presentation to The Clearing Corporation’s Board of Governors in which they expressed an interest in aligning the business interests of the CBOT and The Clearing Corporation, and in negotiating a contract with The Clearing Corporation to reflect this alignment. The Clearing Corporation’s Board of Governors was equally interested in arriving at a mutually acceptable contract with the CBOT. One key open issue was whether The Clearing Corporation would be permitted to continue clearing and/or processing transactions for other markets as well as the CBOT.

On March 31, 2003, The Clearing Corporation received an unsolicited offer from the CBOT to acquire The Clearing Corporation. The Board of Governors discussed the financial terms of the proposal, including the fact that the proposal called for a cash payment of only \$5 million over The Clearing Corporation’s “net book value” and that most of the proposed consideration to stockholders would have been in the form of shares of a new class of preferred stock to be issued by the CBOT. The proposed terms of the preferred stock were not provided by the CBOT. The CBOT’s March 31 proposal expressly stated that it would expire on April 7, 2003 unless it was accepted by The Clearing Corporation on or before that date. The Board of Governors accordingly resolved to notify the CBOT that it was not possible to properly evaluate the CBOT’s proposal, much less agree to its terms (which were indefinite), within the brief time that had been provided by the CBOT. The Clearing Corporation so informed the CBOT. The CBOT did not extend the deadline for its offer, which expired on April 7, 2003.

On April 16, 2003, the CBOT announced that it had signed an agreement for the CME to provide clearing and related services for all CBOT products, effective January 2, 2004, thus unilaterally terminating its 78-year relationship with The Clearing Corporation.

The prospect of losing The Clearing Corporation’s largest customer prompted the Board of Governors to accelerate its new business efforts. The Clearing Corporation retained investment bankers to provide the Board of Governors with strategic advice regarding its various business opportunities, and received expressions of interest in new business arrangements from a number of sources. The Clearing Corporation and its investment bankers reviewed these proposals with management of The Clearing Corporation and the Board of Governors which concluded that, with the exception of the Eurex proposal, the proposals were too indefinite or insubstantial to be worth pursuing. The Board of Governors therefore instructed management to continue discussions with Eurex regarding the terms of a possible strategic relationship.

The CBOT renewed its offer to acquire The Clearing Corporation on May 19, 2003. Unlike its earlier offer, which would have resulted in clearing members receiving a \$5 million cash premium over the book value of The Clearing Corporation (with the balance being payable in the form of a new class of CBOT preferred stock), the CBOT’s revised offer would have

resulted in the payment of \$5 million over the net liquidating value of The Clearing Corporation (in other words, its book value less the cost of employee severance, other benefits and termination costs associated with leases, licenses and contracts).

On May 20, 2003, the Board of Governors of The Clearing Corporation, having balanced the revised CBOT proposal against the terms of what had been negotiated with Eurex, entered into a letter of intent with Eurex to establish a long-term clearing relationship to create a global clearing solution. Negotiations with Eurex relating to the terms of the Clearing Agreement, Stock Purchase Agreement and Stock Option Agreement continued through June, July, August and into September, with meetings in London, Chicago and Frankfurt.

In July, the Company retained new investment bankers. The new investment bankers requested and the Board agreed, that part of their fee will be paid in Class A Stock of The Clearing Corporation.

At its September 3, 2003 meeting, the Board voted to approve the Clearing Agreement, the Stock Purchase Agreement and the Stock Option Agreement and to take other steps necessary to realign the corporate structure of The Clearing Corporation. In a joint press release on September 4, 2003, The Clearing Corporation and Eurex announced the signing of the Clearing Agreement, the Stock Purchase Agreement and the Stock Option Agreement.

REASONS FOR THE TRANSACTIONS; RECOMMENDATION OF THE BOARD OF GOVERNORS

Background

The Clearing Corporation historically has derived most of its revenue from processing and guaranteeing transactions in CBOT contracts. In 2002 and from January 1, 2003 through August 31, 2003, clearing fees related to the execution and post-trade processing of CBOT contracts represented 80% and 84%, respectively, of The Clearing Corporation's revenues. As early as 1998, The Clearing Corporation's Board of Governors identified this reliance on a single large source of revenue as a risk to the long-term viability of The Clearing Corporation. The Clearing Corporation, therefore, began to implement a plan to diversify its business, entering into services contracts with other marketplaces, and holding discussions with numerous exchanges and clearing organizations around the world.

The Clearing Corporation was openly investigating and implementing these diversification strategies, including discussions with Eurex, when the CBOT unexpectedly announced on April 16, 2003 that it had entered into an exclusive joint clearing agreement with the CME. Under the terms of this agreement, the CBOT will require its members to process and clear trades executed on the CBOT through the CME's clearing division. Given that decision by the CBOT, the Board of Governors undertook a review of its business objectives and strategies in the context of the impending loss of the Company's primary source of revenue.

In addition to the Eurex transactions, the Board also considered other options, including liquidation of the Company and attempting to align itself with another significant futures exchange. The Board decided that the plan developed by Eurex to have The Clearing Corporation act as the clearing house for trades executed on Eurex U.S. and for certain trades

executed on Eurex, gave The Clearing Corporation a unique opportunity to achieve its business objectives and to offer its stockholders a stake in the success of Eurex U.S. Although the Clearing Agreement requires Eurex's consent before The Clearing Corporation may clear certain long-term interest rate futures and options on futures contracts for other exchanges, The Clearing Corporation retains the right to continue its diversification strategy and seek new business opportunities throughout the world.

Over the past several months the Board reviewed an array of scenarios for the Eurex transactions in an effort to gauge the range of potential financial outcomes to stockholders. The scenarios are described in "**Financial Information Considered by the Board of Governors**" below. It also reviewed equity research reports on Deutsche Börse prepared by investment banking firms to evaluate how the Eurex U.S. initiative is being assessed by independent third parties.

Financial Information Considered by the Board of Governors

In its consideration of the Eurex transactions and related matters described in this Proxy Statement, the Board of Governors considered four scenarios developed by the Company's management to describe possible financial outcomes of the plan to provide clearing services to Eurex. While it is the intention of The Clearing Corporation to proactively diversify its business across additional clients and products, future potential revenue unrelated to Eurex and Eurex contracts was not considered in this analysis. Each scenario is based on assumptions about volume growth in the futures and options on futures contracts that Eurex intends to list on Eurex U.S., as well as Eurex and Eurex U.S. market share in these markets. For comparative purposes, the three-year compound annual growth rate in trading volumes for the relevant CBOT and Eurex products are 28% and 31%, respectively (based on annualized 2003 volumes through August). The scenarios are labeled A, B, C, and D, with A being the most optimistic and D being the least optimistic. These scenarios are based on assumed growth rates derived from Eurex's presentations to management concerning the projected volume of futures trading on Eurex and Eurex U.S. as well as management's own estimates with respect thereto.

The Clearing Corporation does not as a matter of course make public projections as to future sales, earnings or other results. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information but, in the view of The Clearing Corporation's management, was prepared on a reasonable basis. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Proxy Statement are cautioned not to place undue reliance on the prospective financial information. Neither The Clearing Corporation's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information. *Although The Clearing Corporation believes that the expectations reflected in the scenarios are reasonable, it cannot guarantee future results, levels of activity, performance or achievements.*

The Clearing Corporation expects to earn revenue through its relationship with Eurex by clearing transactions in three distinct product groups: transactions executed on Eurex but cleared by The Clearing Corporation, transactions in Euro-denominated products executed on Eurex U.S., and transactions in U.S. Dollar-denominated products executed on Eurex U.S. In addition to clearing fees from these transactions, The Clearing Corporation will in some instances earn fees for contracts that are transferred between The Clearing Corporation and Eurex Clearing.

In order to evaluate the revenue potential of the relationship with Eurex, it is necessary to understand the volume traded on Eurex. In 2002, 552.7 million contracts were traded on Eurex in the fixed income and index products relevant to the proposed Clearing Agreement. During the first eight months of 2003, 478.8 million such contracts were traded, yielding an annualized projection of 718.2 million contracts for 2003. This volume level for 2003 is the base volume to which growth assumptions in the following scenarios are applied.

Scenario A assumes that Eurex volume in the relevant fixed income and index products will grow at an annual rate of 10%, and that Eurex U.S. will achieve volume equivalent to 20% of Eurex volume in Euro-denominated products. The Eurex U.S. volume is expected to come from growth that otherwise would have occurred on Eurex and from expanded trading hours. Eurex U.S. volume in these products is projected to grow by 10% per year after 2004. This scenario further assumes 20% annual growth of the market for U.S. Treasury futures, and that Eurex captures 30% of trading volume in this market in 2004 and 100% thereafter. In total for the four years, Scenario A assumes that 41% of clearing fees revenue comes from Euro-denominated products and 59% from U.S. Dollar-denominated products.

Scenario B assumes that Eurex volume in the relevant products will grow at an annual rate of only 2%, and that most of the growth will occur on Eurex U.S. which will achieve volume equivalent to 20% of Eurex volume in Euro-denominated products. The Eurex U.S. volume is expected to come from growth that otherwise would have occurred on Eurex and from expanded trading hours. Eurex U.S. volume in these products is expected to grow modestly by 2% per year after 2004. This scenario further assumes 9% annual growth of the market for U.S. Treasury futures, and that Eurex captures 9% of trading volume in this market in 2004, 40% in 2005, 76% in 2006, and 95% in 2007. In total for the four years, Scenario B assumes that 50% of clearing fees revenue comes from Euro-denominated products and 50% from U.S. Dollar-denominated products.

Scenario C assumes that Eurex volume in the relevant products will grow at an annual rate of 2%, and that Eurex U.S. will achieve volume equivalent to 14% of Eurex volume in Euro-denominated products. The Eurex U.S. volume is expected to come from growth that otherwise would have occurred on Eurex and from expanded trading hours. Eurex U.S. volume in these products is projected to grow by 2% per year after 2004. This scenario further assumes annual growth of the market for U.S. Treasury futures of 20% in 2004, 16% in 2005, 12% in 2006, and 8% in 2007. This scenario also assumes that Eurex captures 9% of trading volume in this market in 2004, 40% in 2005, and 50% thereafter. In total for the four years, Scenario C assumes that 51% of clearing fees revenue comes from Euro-denominated products and 49% from U.S. Dollar-denominated products.

Scenario D assumes that Eurex volume in the relevant products will grow at an annual rate of 2%, and that Eurex U.S. will achieve volume equivalent to 14% of Eurex volume in Euro-denominated products. The Eurex U.S. volume is expected to come from growth that otherwise would have occurred on Eurex and from expanded trading hours. Eurex U.S. volume in these products is projected to grow by 2% per year after 2004. This scenario further assumes annual growth of the market for U.S. Treasury futures of 20% in 2004, 16% in 2005, 12% in 2006 and 8% in 2007, but assumes that Eurex captures only 2.5% of trading volume in this market. In total for the four years, Scenario D assumes that 94% of clearing fees revenue comes from Euro-denominated products and 6% from U.S. Dollar-denominated products.

Each scenario assumes that The Clearing Corporation will charge a transaction fee of €0.05 per clearance for Euro-denominated products and \$0.05 per clearance for U.S. Dollar denominated products. Under the terms of its Clearing Agreement with Eurex and Eurex U.S., The Clearing Corporation reserves the right to increase such fees to €0.06 and \$0.06, respectively, after August 1, 2004. A clearance is defined as one side of any contract traded on Eurex U.S. or any Eurex contract cleared by The Clearing Corporation, including certain post-trade transactions. Each scenario further assumes that the number of post-trade transactions for contracts cleared by The Clearing Corporation is consistent with historical averages.

The financial projections assume that The Clearing Corporation will earn interest on its invested cash at an annual rate of 2%. The assumed currency conversion rate is 1.10 U.S. Dollar per Euro.

The Clearing Corporation's total expenses are projected to decline in 2004 and again in 2005 and 2006. Head count is projected to remain at its current level. Occupancy expense in 2005 will decline as The Clearing Corporation reduces the amount of office space that it occupies. General and administrative expenses are projected to decline in 2004 as the corporate restructuring is completed, but are projected to increase by 3% per year thereafter. Reductions in data processing expense are expected to be achieved by selective outsourcing and reduction of processing power as appropriate. Significant reductions in depreciation and amortization expense will be realized by a reduction in capital expenditures compared to historical averages.

The tables below summarize projected clearing revenues and net income for each scenario for 2004 through 2007, as well as the total for the four-year period. *All of these scenarios, as well as the analysis of liquidation value set forth below, involve known and unknown risks, uncertainties and other factors that may cause The Clearing Corporation's actual results, levels of activity, performance or achievements to be materially different from any, or even all, of the future results, levels of activity, performance or achievements expressed or implied by these scenarios or the liquidation value analysis. These factors include, among other things, those listed under "CERTAIN CONSIDERATIONS" and elsewhere in this Proxy Statement. Although The Clearing Corporation believes that the expectations reflected in the scenarios and the liquidation value analysis are reasonable, it cannot guarantee future results, levels of activity, performance or achievements.*

Clearing Revenue, Dollars in Millions	2004	2005	2006	2007	4 Year Total
Scenario A	\$35.6	\$106.2	\$123.0	\$142.7	\$407.5
Scenario B	\$23.2	\$60.3	\$85.0	\$102.5	\$271.0
Scenario C	\$20.6	\$57.7	\$68.8	\$72.4	\$219.5
Scenario D	\$16.9	\$32.2	\$34.1	\$34.9	\$119.1

Net Income, Dollars in Millions	2004	2005	2006	2007	4 Year Total
Scenario A	\$2.3	\$46.6	\$57.6	\$70.1	\$176.6
Scenario B	-\$5.2	\$18.8	\$34.3	\$45.1	\$93.1
Scenario C	-\$6.8	\$17.2	\$24.5	\$26.8	\$61.7
Scenario D	-\$9.0	\$2.4	\$3.3	\$3.7	\$0.4

The Clearing Corporation, with the assistance of its financial advisor, analyzed the potential return on investment on the proposed \$100 million equity investment. This internal rate of return analysis was based on the projected earnings for each scenario from 2004 to 2007. To approximate the terminal value of the Common Stock, a range of perpetuity growth rates of 0% to 15% was applied to projected 2007 net income. The perpetuity growth rate is defined as the year-over-year rate at which net income is assumed to grow after 2007. This stream of projected net income was then discounted back to determine the internal rate of return.

Internal Rate of Return Analysis

Perpetuity Growth Rate	0.0%	5.0%	7.5%	10.0%	15.0%
Scenario A	47.6%	53.2%	56.8%	61.3%	75.1%
Scenario B	27.7%	33.2%	36.8%	41.2%	54.6%
Scenario C	14.4%	19.5%	22.7%	26.7%	38.9%
Scenario D	-28.1%	-24.3%	-21.9%	-18.9%	-10.2%

Assumes initial investment of \$100 million.

Liquidation of The Clearing Corporation

The Board of Governors also evaluated the option of liquidating The Clearing Corporation. In a liquidation, The Clearing Corporation would incur certain terminative expenses and costs to wind down the Company's affairs. Management has estimated these costs and their impact on The Clearing Corporation's liquidation value, as shown in the table below.

Estimated Liquidation Value as of December 31, 2003

	August 31, 2003	4 Months' Activity ⁽¹⁾	Liquidation Adjustments	Liquidation Value
Assets				
Cash & Temporary Investment	\$176,882,707	\$6,947,925	\$623,764 ⁽²⁾	\$184,454,396
Other Current Assets	9,523,937	(100,000)	(2,353,669) ⁽³⁾	7,070,268
Property - Net	15,962,693	(2,570,852)	(8,391,841) ⁽⁴⁾	5,000,000
Margin Deposits	16,599,500	0	(16,599,500) ⁽⁵⁾	0
Total Assets	\$218,968,837	\$4,277,073	(\$26,721,246)	\$196,524,664
Liabilities & Stockholders' Equity				
Liabilities				
Accounts Payable & Accrued Expenses	\$4,030,556	\$0	\$22,102,000 ⁽⁶⁾	\$26,132,556
Liability (Receivable) for Income Taxes	6,388,448	0	(11,278,611) ⁽⁷⁾	(4,890,163)
Margin Deposits	16,599,500	0	(16,599,500) ⁽⁸⁾	0
Total Liabilities	27,018,504	0	(5,776,111)	21,242,393
Stockholders' Equity	191,950,333	4,277,073	(20,945,135)	175,282,271
Total Liabilities & Stockholders' Equity	\$218,968,837	\$4,277,073	(\$26,721,246)	\$196,524,664
Shares Outstanding	11,544	11,544	11,544	11,544
Net Book Value per Share	\$16,628	\$371	(\$1,814)	\$15,184

- (1) To roll forward the August 31 balance sheet to December 31, 2003.
- (2) To record unrealized gain on investments.
- (3) To write off all prepaid expenses.
- (4) To write down property and equipment to net realizable value.
- (5) Eliminated by offset against corresponding liability. See Note 8.
- (6) To record estimated termination liabilities.
- (7) To record net tax benefits of liquidation adjustments.
- (8) Eliminated by offset against corresponding assets. See Note 5.

Recommendation

The Board of Governors has unanimously approved the Company's corporate and capital realignment and the transactions associated with the Eurex investment and believes that they are in the best interest of The Clearing Corporation and its stockholders. *Accordingly, the Board of Governors recommends that you vote "FOR" the Proposal.*

In reaching this decision, the Board consulted with The Clearing Corporation's management, as well as The Clearing Corporation's professional advisors, and gave significant consideration to a number of factors bearing on its decision, including those described below (the order of which does not reflect their relative significance):

- the strategic options available to The Clearing Corporation and the assessment of the Board of Governors that none of those options presented superior opportunities or were likely to create greater value for The Clearing Corporation's stockholders than the prospects presented by the proposed transactions with Eurex;
- the current and prospective environment in which The Clearing Corporation operates, including the competitive environment for clearing operations, futures and options exchanges and other financial institutions generally, the dramatic shift in strategies by futures exchanges and clearinghouses around the world, and the trend toward consolidation in the financial services industry;
- the possible risks and potential returns, from a financial point of view, which may be available to holders of common stock of The Clearing Corporation based on the prospective operations of the Company;
- the terms and conditions of the agreements with Eurex, including the parties' respective representations, warranties, covenants and other agreements, and the conditions to closing, including the limitations on The Clearing Corporation's ability to clear certain interest rate contracts for other exchanges and the option granted to Eurex U.S. Holdings to acquire 51% of the stock of The Clearing Corporation upon a change of control;
- the fact that all stockholders will receive cash for up to 150 shares of common stock in The Clearing Corporation (which number may be greater for some stockholders depending on the willingness of other stockholders to hold more common stock);
- the fact that the receipt of Class A Stock by stockholders of The Clearing Corporation would not be taxable and that the Class A Stock could be used, subject to limitations, to secure the Guaranty Fund obligations of clearing participants;
- the value that likely would be received by stockholders of The Clearing Corporation in the event of its liquidation; and

- the likelihood of The Clearing Corporation's stockholders approving the transaction.

The foregoing discussion of information and factors considered by the Board is not intended to be exhaustive but is believed to include all material factors considered by the Board. In view of the wide variety of factors considered by the Board, the Board did not find it practicable to quantify or otherwise assign relative weights to the specific factors considered. In addition, the Board did not reach any specific conclusion on each factor considered, or any aspect of any particular factor, but conducted an overall analysis of these factors. However, taking into account all of the factors set forth above, the Board unanimously approved the transactions associated with the Eurex investment and believes that they are in the best interest of The Clearing Corporation and its stockholders. *Accordingly, the Board of Governors recommends that you vote "FOR" the Proposal.*

EFFECT IF TRANSACTIONS NOT COMPLETED

If the Proposal is not approved, the Stock Purchase Agreement and the Stock Option Agreement will terminate automatically. *However, the Clearing Agreement will remain in full force and effect, subject to Eurex's right to terminate that agreement, even if the stockholders do not approve the Proposal.* In such a case, The Clearing Corporation would remain fully obligated to provide clearing services for Eurex U.S. and the Board of Governors would, at that time, consider any alternatives available to the Company with respect to the Company's future corporate structure and governance, including liquidation.

THE COMPANY

SUMMARY OF FINANCIAL PERFORMANCE

Selected Financial Data

Set forth below is the unaudited summary statement of financial condition of The Clearing Corporation for 2001, 2002 and the eight months ended August 31, 2003 and the unaudited summary statement of income for 2000, 2001, 2002 and the eight months ended August 31, 2003. *Please note that these historical financial statements cannot be relied on to predict future performance as these financial statements are not reflective of the Company's future business strategy.*

Summary Statement of Financial Condition (unaudited)

(\$ in thousands, except for per share amounts)

	At December 31,		At August 31, 2003
	2001	2002	
Assets			
Cash, Member Margin Deposits	\$60,682	\$17,588	\$16,600
Other Cash and Investment Securities	163,825	180,040	175,716
Other Assets	29,318	27,628	26,654
Total Assets	\$253,825	\$225,256	\$218,969
Liabilities			
Member Margin Deposits	\$60,682	\$17,588	\$16,600
Other Liabilities	6,926	5,558	10,419
Total Liabilities	\$67,608	\$23,146	\$27,019
Stockholders Equity	\$186,217	\$202,110	\$191,950
Liabilities & Stockholders Equity	\$253,825	\$225,256	\$218,969
Shares Outstanding	12,481	12,904	11,544
Book Value Per Share	\$14,920	\$15,663	\$16,628

Summary Statement of Income (unaudited)

(\$ in thousands)

	12 Months Ended December 31,			8 Months Ended August 31, 2003
	2000	2001	2002	
Revenues				
Clearing	\$29,746	\$34,089	\$48,953	\$42,341
Other Revenue	13,151	12,938	11,380	6,949
Total Revenues	\$2,897	\$47,027	\$60,333	\$49,290
Total expenses	\$35,907	\$41,465	\$45,217	\$30,730
Income Before Taxes	\$6,990	\$5,562	\$15,116	\$18,560
Provision for Income Taxes	2,347	1,796	5,682	7,235
Net Income	\$4,643	\$3,766	\$9,434	\$11,325

Comparison of 2001 to 2002

The Clearing Corporation's 2002 volume of 959,181,158 clearances was the largest total in its history, reflecting a 28.5% increase over the prior year. Financial and metal clearance volume accounted for 82.7% of the total, and agricultural volume 17.3%. When calculating clearance volume, both sides of every trade are included along with non-trading activity such as transfers and position adjustments, and transactions processed through the Average Pricing and Give-up Systems. Revenue for 2002 totaled \$60.3 million, an increase of 28.3% from 2001. Clearing and processing revenue was \$49.0 million, an increase of 43.6% compared to the prior year, and the effective clearing fee was 4.93 cents per contract side. Interest income decreased by 28.7%, primarily as a result of lower interest rates on The Clearing Corporation's portfolio of investment securities.

Total expenses for the year were \$45.2 million, an increase of 9.0% compared to the previous year, due to a higher level of systems development activity.

Stockholders' equity per outstanding share at December 31, 2002 was \$15,662, an increase of 5.0% from the prior year-end.

Comparison of August 31, 2002 to August 31, 2003

The Clearing Corporation's volume of clearances for the eight months ended August 31, 2003, was 818,695,489, reflecting a 29.9% increase over the corresponding period in the prior year. Financial and metal clearance volume accounted for 85.8% of the total, and agricultural volume 14.2%. Revenue for the eight months ended August 31, 2003 totaled \$49.3 million, an increase of 23.9% from the corresponding period in the prior year. Clearing and processing revenue was \$42.3 million, an increase of 32% compared to the corresponding period in the prior year, and the effective clearing fee was 5.00 cents per contract side. Interest income decreased by 15.4%, primarily as a result of lower interest rates on The Clearing Corporation's portfolio of investment securities.

Total expenses for the period ending August 31, 2003 were \$30.7 million, an increase of 10.1% compared to the corresponding period in the previous year, due primarily to increased professional fees, network costs and software amortization.

Stockholders' equity per outstanding share at August 31, 2003 was \$16,628, an increase of 7.3% from the prior year-end.

BUSINESS STRATEGY

The Clearing Corporation intends to continue the diversification strategy it has been pursuing for the last few years. Management believes that demand for clearing services, as well as the emergence of new futures markets and products, are all potential sources of growth for The Clearing Corporation. Furthermore, management believes that market participants would welcome a clearing model that offers independence, true choice of clearing platforms, global access to the world's major markets and integrated clearing services for multiple markets. The Clearing Corporation has identified three major strategic initiatives to help prepare for the business opportunities in its future:

1. Provide clearing participants "clearing choice," allowing a firm to choose which clearing house it wishes to use to clear trades for a given exchange. The Link Agreement is an example of such a solution – if and when it is made effective, members will be able to have trades from Eurex or Eurex U.S. cleared at either The Clearing Corporation or Eurex Clearing. The Clearing Corporation will continue to explore similar relationships with other marketplaces, exchanges and clearinghouses throughout the world.

2. Provide a comprehensive clearing solution that permits clearing participants to clear multiple markets and products at a single clearinghouse. This will allow clearing participants to consolidate clearing and settlement functions, enhance risk management opportunities, and utilize collateral more efficiently. The Clearing Corporation currently provides clearing and settlement services for several markets, and will continue looking new clearing relationships with marketplaces that offer products of interest to its participants.

3. Leverage the clearing infrastructure (including applications, computer systems, communications networks) to provide transaction processing and related and ancillary services to other exchanges and clearing organizations. Management believes this approach will provide a higher return on existing assets, and help maintain a low-cost business model. The Clearing Corporation currently provides some of these services to BrokerTec Clearing Company, LLC, the New York Board of Trade, and NQLX, LLC, and is engaged in efforts to secure other customers. The Clearing Corporation also is in negotiations with ChemConnect, Inc., Commodities Management Exchange, Inc., IntercontinentalExchange, Inc. and Merchants' Exchange LLC, all of which are guaranteed by the Company's Guaranty Clearing Corporation subsidiary, to become the clearinghouse for those exchanges and markets. If those negotiations are successfully completed, it is anticipated that those exchanges and markets would be backed solely by a \$8 million commitment that would be entirely separate from the Guaranty Fund and capital of The Clearing Corporation. It is further anticipated that the capital backing that separate fund would be withdrawn after one year, at which point those exchanges and markets would be obligated to make new arrangements.

MANAGEMENT OF THE COMPANY

The Clearing Corporation's Board of Governors currently consists of nine members, three of whom are elected each year by the stockholders to three-year terms. Six of the nine Governors are elected by stockholders on a "one share, one vote" basis; the other three are elected on a "one member, one vote" basis. In addition, The Clearing Corporation's President is an *ex-officio* non-voting member of the Board. Governors do not currently receive compensation for serving on the Board. For a discussion of proposed changes to corporate structure and governance, see "THE CHARTER AND BYLAW AMENDMENTS".

Board of Directors

If the Proposal is approved and after the Amendments become effective, the nine current members of the Board of Governors will continue to serve as the Class A Directors of The Clearing Corporation for a transitional period. They will be joined by a new Class E Director elected by Eurex U.S. Holdings after the closing of the Eurex investment. As soon as practicable thereafter, this ten-member transitional Board will meet to determine the size of the permanent

Board and to propose a slate of directors to govern The Clearing Corporation under the new business plan. It is expected that the Board will consider, among other things, the composition of the stockholders of the Company, after giving effect to the Repurchase Program, in determining an appropriate slate which is expected to be drawn from the existing Board of Governors of the Company, the current President of the Company and representatives of stockholders of the Company after giving effect to the Repurchase Program. The current members of the Board of Governors of the Company and the executive officers of the Company are identified below. The Clearing Corporation does not anticipate any change in the executive officers of the Company. A subsequent meeting of the stockholders of The Clearing Corporation will be called to elect the new directors.

Michael C. Dawley, Chairman

Mr. Dawley serves as Chairman of the Board of Governors of The Clearing Corporation.

Mr. Dawley is Vice President, Global Futures Services, at Goldman, Sachs & Co. ("Goldman Sachs") in New York. He is a member of Goldman Sachs' senior management team with responsibilities including exchange, clearing, and regulatory oversight. Mr. Dawley has been with Goldman Sachs for 18 years, the first 11 years in Chicago and the last 7 years in New York. He began his career at E.F. Hutton and has been involved in the derivatives industry for 25 years in numerous capacities, including independent trader, sales and marketing, and head of global futures operations. Mr. Dawley currently is a member of the CBOT and CME. He also is a member of the CBOT FCM Committee and the CME Clearing House Risk Committee, and is Vice Chairman of the Futures Industry Association.

Mr. Dawley was elected to a three-year term as Governor of The Clearing Corporation in February 2000 and was re-elected to a second term in February 2003. He served as First Vice Chairman of the Board from July 2001 to February 2002, and as Chairman of the Board from February 2002 to February 2003. In February 2003, Mr. Dawley was re-elected to serve as Chairman of the Board through February 2004.

Joseph J. Murphy

Mr. Murphy serves as First Vice Chairman of The Clearing Corporation.

Mr. Murphy is the President of Refco, LLC, one of the world's largest global futures commission merchants ("FCMs"), and also is the Chief Executive Officer of Refco Global Futures and the Executive Vice President of Refco Group Ltd., LLC. The Refco Group provides a broad range of global financial services to clients throughout the world. In addition to being one of the largest institutional and retail brokers, Refco has a significant "local" clearing operation.

Prior to joining Refco, Mr. Murphy served at HSBC Futures as Executive Managing Director in charge of North American futures, cash securities, and OTC derivative sales out of the Chicago office. Mr. Murphy began his financial career with Chase Manhattan Bank in 1983 where, during his tenure, he worked in the treasury, securities, and derivatives areas. While at Chase, he focused on balance sheet and distribution issues, sales and trading.

Mr. Murphy was elected to a three-year term as a Governor of The Clearing Corporation in February 2001, and was elected to serve as First Vice Chairman of the Board in both February 2002 and February 2003, each time for a one-year term.

Mr. Murphy has been a full member of the CBOT since 1996. His other professional affiliations include memberships in the CME, New York Board of Trade, and New York Mercantile Exchange. He also is Treasurer of the Board of Directors of the Futures Industry Association and serves on the Board of the National Futures Association.

Michael J. Brinati

Mr. Brinati serves as Second Vice Chairman of The Clearing Corporation.

Mr. Brinati is President, Chief Executive Officer and a principal shareholder of Iowa Grain Company, a Chicago-based FCM and clearing member. Mr. Brinati joined Iowa Grain Company in 1984, and shortly thereafter assumed management responsibilities as an officer and director of the firm. He has actively participated in executive management of Iowa Grain Company since the commencement of his tenure in 1984, and he assumed responsibilities as President and Chief Executive Officer in 1991.

Mr. Brinati was appointed a Governor of The Clearing Corporation in April 1997 to fill a vacancy on the Board of Governors for a term expiring in February 1998. Mr. Brinati was elected to a three-year term as a Governor of The Clearing Corporation in February 1998 and was re-elected in February 2001 for an additional three-year term. Mr. Brinati served as Second Vice Chairman of the Board from February 1999 to February 2002. He was again elected to serve as Second Vice Chairman in February 2003 for a one-year term.

Mr. Brinati is a full member of the CBOT and has been a member of the CBOT since 1984. He is an active floor broker and proprietary trader in the soybean quadrant on the CBOT trading floor. Mr. Brinati has served and currently serves as director of other private and publicly held companies.

Kevin G. Collins

Since June 2002, Mr. Collins has served as the Global Head of Futures and Options for Deutsche Bank. From March 1999, Mr. Collins served as a Managing Director of Deutsche Bank Alex Brown Inc., where he headed up Deutsche Bank Futures and Options Division in North America. From 1997 to 1999, Mr. Collins served as the regional head of the Deutsche Bank Futures and Options Division, Asia, based in Tokyo. From 1993 to 1997, Mr. Collins was a Director at BZW New York (now Barclays Capital), where he served as Head of Sales for non-dollar futures and options. From 1991 to 1993, Mr. Collins worked for the First National Bank of Chicago, London (now Bank One), where he was Senior Institutional Salesman for Futures and Options. From 1989 to 1991, Mr. Collins handled institutional sales for GNI Ltd., London with respect to financial futures and options. From 1987 to 1989, Mr. Collins worked in retail sales for GNI Ltd., London with respect to commodities futures and options.

Mr. Collins was elected to a three-year term as a Governor of The Clearing Corporation in February 2002.

Mr. Collins is currently a member of the Brokertec Futures Exchange Executive Committee.

Gerald F. Corcoran

Mr. Corcoran has worked in the derivatives industry since 1987, when he joined R. J. O'Brien & Associates, Inc. ("RJO"). During his tenure with RJO, Mr. Corcoran has served in several capacities, including that of Chief Financial Officer, Chief Operating Officer, and has served as RJO's Chief Executive Officer since June 2000. Mr. Corcoran also is a member of RJO's Board of Directors.

Mr. Corcoran was elected to a three-year term as a Governor of The Clearing Corporation in February 2003.

Mr. Corcoran is a former member of the CME, where he served on the Clearing House Committee.

Wendell A. Kapustiak

Mr. Kapustiak is a Managing Director of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). He has over 27 years of experience in the derivatives industry, during this time gaining experience as a trader and introducing broker, as well as background in futures research, operations and technology. From 1996 to 2000, Mr. Kapustiak was based in London where he held the positions of Director of Global Futures Clearing, Director of Global Futures Operations, and Director of Futures, Debt and Core Operations at Merrill Lynch. Mr. Kapustiak relocated to Chicago in 2000 to assume his present role as Merrill Lynch's Director of Global Futures Operations.

Mr. Kapustiak was elected to a three-year term as a Governor of The Clearing Corporation in February 2000, and was re-elected to a second three-year term in February 2003.

Alex H. Ladouceur

Mr. Ladouceur is currently Executive Vice President, Head of Global Derivatives, for Prudential Equity Group, Inc. ("Prudential"). He has worked with Prudential since July 2001 and is responsible for all operating activities of the company's futures operations, foreign exchange, base and precious metals, managed futures, and all futures support areas, including exchange floors in New York, Chicago, London, and Hamburg.

Prior to joining Prudential, Mr. Ladouceur worked for Credit Lyonnais and Credit Lyonnais Rouse Ltd. ("CL" and "CLR", respectively) from 1987 to 2001. During his time with Credit Lyonnais, Mr. Ladouceur served as a Trading Manager in the Abu Dhabi office, CLR (1987-1990); Senior Vice President, Marketing and Sales, New York, CLR (1990-1992); President, CLR (USA) (1992-2001); Director, CLR London (1994-2001); Managing Director, Global Cash Markets, CLR (1998-2000); and Managing Director, Foreign Exchange, CL (2000-2001).

Mr. Ladouceur was elected to a three-year term as a Governor of The Clearing Corporation in February 2002.

Mr. Ladouceur currently sits on the Executive Committee of the Board of the Futures Industry Association.

James G. McCormick

Mr. McCormick joined TransMarket Group L.L.C. ("TransMarket") in 1982 and has served as its President and Chief Executive Officer since 1991. TransMarket is a proprietary trading firm with offices in Chicago, New York, London, Paris, and Sydney. In the course of his work for TransMarket, Mr. McCormick has established floor and screen trading operations, traded on the floor, recruited personnel, managed sales staff, and coordinated the firm's international business ventures. Prior to joining TransMarket, Mr. McCormick began his 30-year career in the financial services industry with Continental Illinois Bank (now Bank of America) in 1970. In 1977, he was transferred to London with the affiliated UK Merchant Bank, Continental Illinois, Ltd. During this time, Mr. McCormick developed and managed its International Securities Department, as well as establishing the bank's presence on the London International Financial Futures Exchange.

Mr. McCormick was elected to a three-year term as a Governor of The Clearing Corporation in February 2002.

Mr. McCormick is a full member of the CBOT (since 1993), and is a member of the CME, National Futures Association, and National Association of Securities Dealers.

John L. Pietrzak

Mr. Pietrzak has been a sole owner clearing member of The Clearing Corporation, doing business under the name Longwood Trading, since 1997. From 1998 to the present, Mr. Pietrzak has been a Risk Consultant for Cassandra Group and Eroom Securities. From 1997 to 1998, he was a partner with Sparta Group, a Chicago Board Options Exchange proprietary trading firm. From 1995 to 1996, Mr. Pietrzak was a partner with Cassandra Group, L.P., an equity options trading fund. Prior to beginning his career as a trader in 1979, Mr. Pietrzak was a member of the professional staff at Price Waterhouse & Co.

Mr. Pietrzak was elected to a three-year term as a Governor of The Clearing Corporation in February 2001.

Mr. Pietrzak has been a full member of the CBOT since 1979 and a member of the Chicago Board Options Exchange since 1987. He served on the CBOT's Board of Directors in 1993, 1994 and 1995.

Executive Officers

Dennis A. Dutterer

President and Chief Executive Officer

Mr. Dutterer is the President and Chief Executive Officer of The Clearing Corporation. He formerly was Executive Vice President, Chief Administrative Officer and General Counsel of the Company. From April 2000 to January 2001, Mr. Dutterer also served as Interim President and Chief Executive Officer of the CBOT.

Prior to joining The Clearing Corporation in 1985, Mr. Dutterer served as General Counsel of the Commodity Futures Trading Commission from 1981 to 1983. From 1983 to 1985, he was a partner in the Washington, D.C. law firm of Wiley, Rein & Fielding.

Before beginning professional activities in the futures industry, Mr. Dutterer practiced as a trial lawyer from 1973 to 1977 with the United States Department of Justice, and served from 1977 to 1981 as Assistant United States Attorney for the District of Columbia. From 1978 to 1981, Mr. Dutterer was Deputy Chief of the Civil Division of the United States Attorney's Office.

Brett F. Paulson

Executive Vice President and Chief Information Officer

Mr. Paulson is Executive Vice President and Chief Information Officer at The Clearing Corporation. Mr. Paulson joined The Clearing Corporation's Information Systems Department in May 1995 as the Director of Business Application Development, Database Administration.

Prior to joining The Clearing Corporation, he was a Vice President, Fixed Income Trading Technology at CS First Boston in New York City from January 1994 to May 1995. From April 1990 to January 1994, he was a Director, Global Markets Technology for Continental Bank (and later ISSC, a subsidiary of IBM). From September 1981 to April 1990, Mr. Paulson was Assistant Vice President, Information Technology at Harris Trust and Savings Bank, a subsidiary of the Bank of Montreal, located in Chicago. From May 1977 to September 1981, he held positions of increasing responsibility in Information Technology at International Harvester Company.

Mr. Paulson has served as an officer for several technology-related user groups and committees. Mr. Paulson is an active participant on the Technology Committee of the Futures Industry Association.

Nancy K. Brooks

Vice President, General Counsel and Secretary

Ms. Brooks is Vice President, General Counsel and Secretary of The Clearing Corporation. She is responsible for all legal and regulatory matters, internal audit functions, and corporate secretarial duties for The Clearing Corporation. Ms. Brooks joined The Clearing Corporation's Legal Department in October 1992 as a staff attorney. In 1994, she was appointed Assistant Secretary and was promoted to Associate General Counsel. Ms. Brooks was named

Acting General Counsel and Secretary in April 1998 and in December 1998, was appointed Vice President, General Counsel and Secretary of The Clearing Corporation.

Prior to joining The Clearing Corporation, Ms. Brooks was an associate attorney at Jones, Day, Reavis & Pogue in Chicago from 1988 to October 1992, practicing in the corporate, transactional, secured finance and bankruptcy areas. Prior to 1988, Ms. Brooks was an associate attorney at Isham, Lincoln & Beale in Chicago, Illinois.

Ms. Brooks is a member of the American Bar Association, Illinois Bar Association, Chicago Bar Association, and the Futures Industry Association. She is admitted to practice in Illinois and is a member of the Board of Editors of Futures and Derivatives Law Report.

Donald F. Sternard
Vice President, Marketplace Services

Mr. Sternard is Vice President, Client and Marketplace Services at The Clearing Corporation. He is responsible for relationship management and project coordination with various exchanges and entities that do business with The Clearing Corporation. Together with Mr. Dutterer and Mr. Paulson, Mr. Sternard is responsible for implementation of the Eurex relationship. Mr. Sternard joined The Clearing Corporation in August 1999. In December 2000, he was appointed Vice President, Project Management Office and in May 2001, to his current position.

Prior to joining The Clearing Corporation, he was the Managing Director of the Market Surveillance Department at the CBOT from February 1997 to August 1999. From January 1985 to February 1997, he held various positions within the Market Surveillance Department, from Senior Market Analyst to Director. From June 1983 to January 1985, Mr. Sternard was an Investigator with the CBOT.

David G. Thome
Vice President, Chief Financial Officer and Treasurer

Mr. Thome is Vice President, Chief Financial Officer and Treasurer at The Clearing Corporation. Mr. Thome joined The Clearing Corporation in June 1999.

Prior to joining the Company, he was a consultant at CNA Insurance Company in Chicago from September 1996 to May 1999. From February 1995 to August 1996, he was Senior Vice President, Finance at the Chicago Stock Exchange. From August 1985 to January 1995, Mr. Thome held positions of increasing responsibility at the Chicago Board Options Exchange, ending as Vice President and Treasurer. From June 1982 to July 1985, he was on the audit staff at Deloitte, Haskins & Sells in Chicago.

Mr. Thome is a certified public accountant and a member of the American Institute of CPAs and the Illinois CPA Society.

Virginia S. Willcox
Vice President, Human Resources and Public Relations

Ms. Willcox is Vice President of Human Resources and Public Relations at The Clearing Corporation. As such, she is responsible for the Human Resources and Office Services Departments, as well as for public relations initiatives for The Clearing Corporation. Ms. Willcox joined The Clearing Corporation in August 1992 as a Human Resources Generalist. In July 1994, she was promoted to Director of Human Resources. Ms. Willcox was appointed Vice President of Human Resources in December 1998.

Prior to joining The Clearing Corporation, Ms. Willcox was Director of Administration for Defense Group Inc. in Arlington, Virginia from July 1989 to May 1992. From July 1984 to July 1989, she was with First Virginia Bank, NA as an Assistant Vice President and Loan Officer.

Ms. Willcox is a member of the Society of Human Resource Professionals and a certified professional in Human Resources.

EXECUTIVE COMPENSATION

Consistent with the proposed corporate realignment which would make The Clearing Corporation more closely resemble a traditional for-profit corporation, it is anticipated that the Board of Directors of The Clearing Corporation will consider implementing a program for management incentive compensation and director compensation involving the grant of stock or stock options consistent with industry practice.

THE TRANSACTION DOCUMENTS

DESCRIPTION OF THE CLEARING AGREEMENT

The following is a summary of the material terms of the Clearing Agreement. The Clearing Agreement, and not this document, is the legal document that governs the terms of the clearing services to be provided to Eurex U.S. by The Clearing Corporation.

Clearing Services

Pursuant to the terms of the Clearing Agreement, unless the Link Agreement provides otherwise, Eurex U.S. will require that contracts listed on Eurex U.S. ("*Eurex U.S. Contracts*") be submitted to The Clearing Corporation for clearance in accordance with the rules of The Clearing Corporation and The Clearing Corporation will provide clearing, settlement, and related services for those contracts. The Eurex U.S. Contracts initially covered by the Clearing Agreement are:

- EuroBund futures and options thereon;
- EuroBOBL futures and options thereon;
- EuroSchatz futures and options thereon;
- DAX futures;
- EuroSTOXX 50 futures;
- 30-Year Treasury Bond futures and options thereon;
- 10-Year Treasury Note futures and options thereon;
- 5-Year Treasury Note futures and options thereon; and
- 2-Year Treasury Note futures and options thereon.

Eurex U.S. and The Clearing Corporation will use their reasonable best efforts to have the above contracts listed on Eurex U.S. and clearing services available for such contracts not later than February 2, 2004.

Eurex U.S. will be responsible for matching all trades in Eurex U.S. Contracts, and for providing such other information as The Clearing Corporation may reasonably require regarding matched trades, before submitting the trades to The Clearing Corporation. Provided Eurex U.S. has supplied all required information to The Clearing Corporation, novation (the substitution of The Clearing Corporation for the parties to the original matched trade) generally will be automatic upon submission of matched trades to The Clearing Corporation by Eurex U.S.

Clearing Fees

The Clearing Corporation may charge up to \$.06 per clearance (€0.06 for U.S.-Traded Eurex Contracts (as defined below)), except during the period from February 1, 2004 to August 1, 2004, when the maximum The Clearing Corporation may charge is \$.05 per clearance (€0.05 for U.S.-Traded Eurex Contracts). These clearing fees are in addition to (and not in lieu of) fees that may be charged by The Clearing Corporation and/or Eurex Clearing for the transfer of trades and/or positions through the Link. A "*U.S.-Traded Eurex Contract*" is a Eurex U.S. Contract that is traded on Eurex U.S. pursuant to an agreement with Eurex and that is denominated in a currency other than the U.S. dollar and as to which variation margin payments and collection, final settlements, deliveries and option exercises must be effected in a manner consistent with the rules of Eurex and Eurex Clearing.

The Clearing Agreement does not affect the fees The Clearing Corporation may charge to third parties for clearing or processing non-Eurex U.S. products, except that The Clearing Corporation cannot offer a lower fee to a third party (other than one party with which The Clearing Corporation currently has a contractual relationship) for clearing a contract that is competitive with a Eurex U.S. Contract unless The Clearing Corporation offers the same fee to Eurex U.S. In the event the lower fee is contingent upon certain conditions, such as guaranteed minimum volume or annual payments, Eurex U.S. will be entitled to the lower fee only if it is willing to match the terms of the other deal.

Cost Reimbursement

Eurex U.S. will reimburse The Clearing Corporation for all of the work performed by The Clearing Corporation or its agents reasonably necessary to commence providing clearing and settlement services for Eurex U.S. Contracts (the "*Implementation Work*"). Eurex has agreed to reimburse The Clearing Corporation \$443,700 for Implementation Work performed prior to the signing of the Clearing Agreement and will be required additionally to reimburse The Clearing Corporation for work performed after that date through the commencement of trading on Eurex U.S. Eurex U.S. will also reimburse The Clearing Corporation for work performed to provide clearing services for new Eurex U.S. Contracts ("*New Contracts Work*"), but only to the extent that the cost of New Contracts Work exceeds \$500,000 during any successive (rolling) twelve month period. The price for Implementation Work and New Contracts Work each will be as agreed to by The Clearing Corporation, Eurex U.S. and Eurex, or absent such agreement, on a time and materials basis which shall include \$150 per hour for each Clearing Corporation employee and for each independent consultant retained by The Clearing Corporation to effect Implementation Work or New Contracts Work.

Until Eurex U.S. has been repaid for all amounts advanced to cover the costs of Implementation Work and New Contracts Work, The Clearing Corporation will pay to Eurex U.S., within thirty days of the end of each calendar year, the greater of (1) 50% of all net income earned by The Clearing Corporation from the clearing of Eurex U.S. Contracts after deduction of any payments by The Clearing Corporation pursuant to provisions of the Link Agreement for implementation work under the Link Agreement, and (2) 50% of all revenues received by The Clearing Corporation from the clearing of Eurex U.S. Contracts to the extent such revenues exceeded the sum of (x) \$35 million during such calendar year and (y) the amount of any

payments by The Clearing Corporation for implementation work under the Link Agreement, but only to the extent such payments have not already been deducted as provided in clause (1).

For all other types of additional services that Eurex U.S. may request The Clearing Corporation to provide under The Clearing Agreement (such as new types of reports), Eurex U.S. will reimburse The Clearing Corporation for the price of such additional services as agreed to by The Clearing Corporation, Eurex U.S. and Eurex, or absent such agreement, on a time and materials basis which shall include, \$150 per hour for each Clearing Corporation employee and for each independent consultant retained by The Clearing Corporation to make changes related to such additional services. The Clearing Corporation will not be obligated to return the reimbursement amounts paid by Eurex U.S. for such additional services.

Change of Control

In the event there is a change of control of The Clearing Corporation and the third party controlling The Clearing Corporation is a futures or securities exchange or an affiliate thereof, The Clearing Corporation will for the next succeeding five years or, if shorter, the remainder of the term of the Clearing Agreement, (1) pay to Eurex U.S. an amount equal to 50% of the clearing fees paid to The Clearing Corporation in respect of Eurex U.S. Contracts after such change of control; and (2)(a) if the Option has not been granted prior to the change of control, not clear interest rate, equity or commodity products traded on such futures or securities exchange, or (b) if the Option has been granted prior to the change of control, not clear interest rate, equity or commodity products for such futures or securities exchange if such interest rate, equity or commodity products are competitive with Eurex U.S. Contracts offered at the time the change of control occurs. For purposes of the Clearing Agreement, "*change of control*" means the occurrence of any of the following at any time after the date of the Clearing Agreement: (i) any person or group (within the meaning of Rule 13d-1 under the Securities Exchange Act of 1934) of persons shall have become the "beneficial owner" (as that term generally is used in Rule 13d-3 under the Securities Exchange Act of 1934) of more than 50% of the then outstanding voting securities of The Clearing Corporation; (ii) a majority of the board of directors of The Clearing Corporation shall consist at such time of individuals other than (x) members of the board of directors of The Clearing Corporation on the date hereof and (y) other members of such board of directors (or similar governing body) recommended, elected or approved to succeed or become a director of The Clearing Corporation by a majority of such members referred to in clause (x), by a nominating committee appointed by the board or the chairman thereof, or by members so recommended, elected or approved; or (iii) the board of directors, or if applicable the stockholders, of The Clearing Corporation shall have approved the sale of all or substantially all of the assets of The Clearing Corporation in one transaction or a series of related transactions.

Consent Rights

Without the express written consent of Eurex or Eurex U.S., The Clearing Corporation will not:

- enter into or otherwise give effect to any form of cross-margin, risk offset or portfolio margining involving Eurex U.S. Contracts or U.S.-Traded Eurex Contracts;

- except as otherwise required by applicable law, (i) clear Interest Rate Contracts (as defined below) on any exchange or market other than Eurex or Eurex U.S., or (ii) enter into or otherwise give effect to any form of clearing link involving the transfer of Interest Rate Contracts traded on a Competing Organization (each as defined below) into an omnibus account, either at The Clearing Corporation or at the clearinghouse designated by such Competing Organization; or
- enter into or otherwise give effect to any form of strategic alliance, joint venture, merger or acquisition with a Competing Organization.

If The Clearing Corporation's revenues from the clearing of Eurex U.S. Contracts are less than \$50 million during the three-year period commencing six months after the date The Clearing Corporation first begins providing clearing services for a Eurex U.S. Contract and less than \$25 million in the last of those three years, The Clearing Corporation can require Eurex to buy an additional \$10 million in Clearing Corporation common stock at book value in order for the consent rights described above to remain in effect.

"Interest Rate Contracts" are (i) futures contracts and options on futures contracts that are denominated in Euros, any other European currency or United States Dollars and which reference sovereign debt with a maturity at the date of issuance of not less than 1.75 years or more than 30 years, (ii) an index of such instruments, and (iii) Swapnotes denominated in Euros, any other European currency or United States Dollars, but excludes futures contracts, and options on such contracts, that are based on interest rate instruments with a maturity of less than 1.75 years that may be listed for trading (in "strips" or otherwise) for periods extending beyond 1.75 years.

"Competing Organizations" means: (i) the CBOT; (ii) CME; (iii) Euronext.liffe; (iv) International Securities Exchange, Inc.; (v) IntercontinentalExchange, Inc.; (vi) The London Clearing House Limited; (vii) Clearnet S.A.; and (viii) their respective successors and affiliates.

Indemnification

The Clearing Corporation has agreed to indemnify Eurex U.S., and Eurex U.S. and Eurex have jointly and severally agreed to indemnify The Clearing Corporation, with respect to any losses, liabilities, claims, settlements, judgments, awards, actions, suits and costs whatsoever, including reasonable attorneys' fees and disbursements and the reasonable costs of enforcing the indemnity, arising out of or related to:

- any third-party claim, demand, action, suit or proceeding of any nature (**"Proceeding"**), or any threatened Proceeding, that arises out of, or relates to, an allegation that any portion of the data, data files and other information provided by that party, or any use thereof by or for the benefit of the other party as contemplated under the Clearing Agreement, infringes, upon, violates or misappropriates any intellectual property or other rights of any person, but excluding with respect to the indemnification of The Clearing Corporation, information protected by U.S. United States Patent No. 4,903,201, commonly known as the "Wagner Patent";

- any Proceeding, or threatened Proceeding, that arises out of, or relates to, an allegation that the party has violated applicable law, including in connection with the enforcement (or failure to enforce) its rules; and

- any Proceeding, or threatened Proceeding, that arises out of or relates to, the gross negligence, bad faith or willful misconduct of the party in connection with the performance of its obligations under the Clearing Agreement.

Term; Termination

The Clearing Agreement will have an initial term of seven years and will automatically renew for successive three-year periods provided neither The Clearing Corporation nor Eurex U.S. delivers notice at least one year prior to the end of the initial seven-year period or any succeeding three-year period of its intention not to renew.

The Clearing Agreement may be terminated by either Eurex U.S. or The Clearing Corporation in the following circumstances:

- upon thirty days notice if the total number of Eurex U.S. Contracts and U.S.-Traded Eurex Contracts cleared by The Clearing Corporation is less than 300 million during the twelve-month periods preceding December 1, 2008 or December 1, 2009;

- at any time upon notice in the event the other party defaults in the performance of any of its obligations and does not cure such default: (i) if such default is a failure to pay any amount due to the other party, within thirty days after receipt of written notice of such default; or (ii) if such default is not a failure to pay an amount, promptly and in any event within thirty days after receipt of written notice of such default;

- at any time upon notice in the event that the other party fails to obtain or maintain in effect any license, designation or registration required to be held by such party in order to perform its obligations under the Clearing Agreement; and

- immediately upon notice in the event of the insolvency of the other party.

Eurex U.S. may terminate the Clearing Agreement in the following circumstances:

- upon notice if the Book Value (as defined in "DESCRIPTION OF THE STOCK PURCHASE AGREEMENT") of The Clearing Corporation is (i) at any time less than \$25 million, or (ii) is less than \$50 million for thirty consecutive days;

- in the event of a change of control of The Clearing Corporation, by delivering notice within 30 days after Eurex U.S. receives notice of such change of control; and

- in the event the stockholders do not approve the Proposal, by delivering notice within 30 days after Eurex U.S. receives notice that stockholder approval was not obtained.

The Clearing Corporation can terminate the Clearing Agreement upon notice if Eurex U.S. Holdings does not purchase the Shares if, as and when required by the Stock Purchase Agreement, by delivering notice within 30 days of the date set forth for the closing.

DESCRIPTION OF THE STOCK PURCHASE AGREEMENT

The following is a summary of the material terms of the Stock Purchase Agreement. The Stock Purchase Agreement, and not this document, is the legal document that governs the terms of the purchase of Class E Stock by Eurex U.S. Holdings.

Financial Terms of the Stock Purchase

Pursuant to the terms of the Stock Purchase Agreement, The Clearing Corporation will issue and sell to Eurex U.S. Holdings for \$15 million in cash, a number of shares of Class E Stock of The Clearing Corporation equal to \$15 million divided by the Book Value as of the end of the most recent quarter before the closing of the transaction (the "*Shares*"). For purposes of this determination, "*Book Value*" is defined as the book value per share reflected on the most recent quarterly balance sheet of The Clearing Corporation published prior to the date of determination, calculated by dividing total stockholders' equity by the number of issued and outstanding shares of common stock, in each case reflected on such balance sheet and after taking into account the effect of the Repurchase Program, the Amendments and related actions (the "*Recapitalization*").

Closing of the Transaction

The sale and purchase of the Shares (the "*Closing*") will take place on the fifth business day following the satisfaction or waiver of all conditions to the obligations of the parties set forth in the Stock Purchase Agreement or on another date mutually agreed to by The Clearing Corporation and Eurex U.S. Holdings (the "*Closing Date*").

Conditions to the Closing

The obligations of The Clearing Corporation to complete the sale of the Shares are subject to the following conditions:

- The representations and warranties of Eurex U.S. Holdings contained in the Stock Purchase Agreement that are qualified by materiality shall be true and correct and the representations and warranties not so qualified shall be true and correct in all material respects and The Clearing Corporation shall have received a certificate from Eurex U.S. Holdings to such effect.
- Eurex U.S. Holdings shall be in material compliance with its covenants and agreements contained in the Stock Purchase Agreement and The Clearing Corporation shall have received a certificate from Eurex U.S. Holdings to such effect.
- No court order making any of the transactions contemplated by the Stock Purchase Agreement, the Clearing Agreement or the Stock Option Agreement

(the Clearing Agreement and the Stock Option Agreement being hereinafter called the "*Ancillary Agreements*") illegal or prohibiting their consummation shall be in effect and no proceeding seeking to prohibit or prevent the Closing or materially diminish the benefits expected to be realized by The Clearing Corporation shall be pending.

- All authorizations of all governmental authorities required for the consummation of the transactions contemplated by the Stock Purchase Agreement or the Ancillary Agreements shall have been received.

The obligations of Eurex U.S. Holdings to complete the purchase of the Shares are subject to the following conditions:

- The representations and warranties of The Clearing Corporation contained in the Stock Purchase Agreement shall be true and correct in all material respects and Eurex U.S. Holdings shall have received a certificate from The Clearing Corporation to such effect.
- The Clearing Corporation shall be in material compliance with its covenants and agreements contained in the Stock Purchase Agreement and Eurex U.S. Holdings shall have received a certificate from The Clearing Corporation to such effect.
- No court order making any of the transactions contemplated by the Stock Purchase Agreement or the Ancillary Agreements illegal or prohibiting their consummation shall be in effect and no governmental authority shall have taken any action that has the effect of making any of the transactions contemplated by the Stock Purchase Agreement or the Ancillary Agreements illegal or prohibiting their consummation.
- No proceeding seeking to prohibit or prevent the Closing or materially diminish the benefits expected to be realized by Eurex U.S. Holdings or seeking damages in excess of \$1 million in connection with the consummation of the transactions shall be pending.
- All authorizations of all governmental authorities required for the consummation of the transactions contemplated by the Stock Purchase Agreement or the Ancillary Agreements shall have been received, so long as no governmental authority has imposed any condition on Eurex U.S. Holdings that would, in the reasonable judgment of Eurex U.S. Holdings, have a material adverse effect on Eurex U.S. Holdings' ability to conduct its business after the Closing or on the results of operations, assets or financial condition of the business of Eurex U.S. Holdings after the Closing. It has been agreed, however, that CFTC approval of the Link or of trading, clearing and settling Eurex U.S. Contracts or of the designation of Eurex U.S. as a contract market are not required for the Closing.

- All consents of all persons, other than governmental authorities, required for the execution, delivery and performance of the Stock Purchase Agreement and the consummation of the transactions contemplated thereby shall have been received.
- The stockholders of The Clearing Corporation shall have approved the Proposal and the Amendments shall have been completed.
- The Recapitalization shall have been completed, other than the provisions of the Recapitalization which by their terms are to occur at or after the Closing.
- The aggregate Book Value of The Clearing Corporation immediately prior to the Closing shall not be less than \$85 million after giving effect to the Recapitalization.

Representations and Warranties

The Stock Purchase Agreement contains representations and warranties by The Clearing Corporation with respect to, among other things, its incorporation, good standing and authority; its capital structure; its material contracts, debt instruments and leases; and other customary representations and warranties.

The Stock Purchase Agreement contains representations and warranties by Eurex U.S. Holdings and Eurex with respect to, among other things, their incorporation, good standing and authority; securities law matters; compliance by Eurex U.S. with the Commodity Exchange Act (“CEA”); and other customary representations and warranties.

Additional Agreements

Conduct of Business

The Clearing Corporation has agreed that until the Closing it will conduct its business in the ordinary course and consistent with past practice and that, except as disclosed to Eurex U.S. Holdings, it will (i) use reasonable efforts to preserve intact its business organization and its current customer and other significant business relationships and (ii) not take any action which could reasonably be expected to result in a breach of a representation, warranty or covenant.

The Clearing Corporation has further agreed not to take or agree to take any of the following actions without the prior written consent of Eurex U.S. Holdings or except as disclosed to Eurex U.S. Holdings in the Stock Purchase Agreement:

- except in the ordinary course of business consistent with past practice, subject any of its assets to any encumbrance other than those permitted by the Stock Purchase Agreement;
- except in the ordinary course of business consistent with past practice, release any encumbrance or discharge any liability;

- except as provided for pursuant to the Recapitalization, redeem any capital stock or declare or make any dividend or distributions to stockholders;
- merge with or acquire an interest of 5% or more of any person or acquire a substantial portion of the assets or business of any person or otherwise acquire any assets out of the ordinary course of business;
- except as provided for pursuant to the Recapitalization, issue or sell any capital stock or other securities, or any option, warrant or other interest in The Clearing Corporation or any subsidiary except in the ordinary course of business as provided in the Bylaws;
- except as provided for pursuant to the Recapitalization, enter into any agreement or arrangement with a director, officer, employee or stockholder, except in the ordinary course of business or as provided in the Bylaws;
- make any material change in any method of accounting other than changes required by U.S. generally accepted accounting principles;
- make any change in its accounting methods for tax purposes or make, change or revoke any tax election or settle any material tax liability;
- except in the ordinary course of business consistent with past practice, incur any debt in excess of \$250,000 individually or \$500,000 in the aggregate;
- make or commit to make any capital expenditure in excess of \$500,000 individually or \$1,000,000 in the aggregate;
- increase compensation, bonuses, pensions or other benefits payable by The Clearing Corporation or any subsidiary in excess of \$500,000 in the aggregate or establish or increase any benefit under any benefit plan except as required by law;
- amend or terminate any material contract or the rights thereunder; or
- allow any circumstance or development that would, individually or in the aggregate, constitute a material adverse effect to The Clearing Corporation.

Solicitation of Transactions

The Clearing Corporation has agreed that prior to the date of the Special Meeting, it will not, and it will instruct its officers, directors, employees, subsidiaries, agents, advisors and other representatives not to, directly or indirectly, solicit, initiate or encourage or take any action to facilitate, any inquiry or offer that constitutes or may reasonably be expected to lead to a Competing Transaction or enter into, maintain or continue discussions in furtherance of such inquiries or agree to endorse any Competing Transaction and will terminate all such existing discussions. The Clearing Corporation agrees to notify Eurex U.S. Holdings promptly of any proposal or inquiry regarding a Competing Transaction. Notwithstanding the foregoing, The Clearing Corporation may

furnish information to and have discussions with a person who has made an unsolicited written proposal regarding a Competing Transaction if The Clearing Corporation (i) determines in good faith that such proposal would constitute a Superior Proposal, (ii) provides written notice to Eurex U.S. Holdings and Eurex of its intent to furnish information or have discussions at least three business days prior to taking any such action, and (iii) has obtained an executed confidentiality agreement from such person.

The term "*Competing Transaction*" means any of the following: (i) any merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or other similar transaction involving The Clearing Corporation or any subsidiary holding more than 20% of the assets of The Clearing Corporation and its subsidiaries on a consolidated basis; (ii) any sale, lease, exchange, transfer or other disposition of all or a substantial part of the assets of The Clearing Corporation and its subsidiaries on a consolidated basis; (iii) any sale, exchange, transfer or other disposition of 20% or more of any class of equity securities of The Clearing Corporation; (iv) any tender offer or exchange offer that would result in any person beneficially owning 20% or more of any class of equity securities of The Clearing Corporation; (v) any solicitation in opposition to approval and adoption of the Stock Purchase Agreement by the stockholders of The Clearing Corporation; or (vi) any other transaction which would reasonably be expected to impede, interfere with, prevent or materially delay any of the transactions contemplated by the Stock Purchase Agreement.

The term "*Superior Proposal*" means an unsolicited bona fide written offer to consummate the acquisition of at least 50% of the outstanding shares of stock of The Clearing Corporation on terms that The Clearing Corporation determines in good faith to be more favorable to its stockholders than the Eurex transactions and to be reasonably likely to be consummated, taking into account all legal, financial and regulatory aspects, provided that an offer cannot be deemed a Superior Proposal if any financing required to consummate the transaction is not committed and is not likely to be obtained on a timely basis.

Strategic Transactions

The Clearing Corporation has agreed that until the termination or expiration of the Clearing Agreement, it will not enter into a Strategic Transaction unless it: (i) has notified Eurex U.S. Holdings of all material terms of the Strategic Transaction; (ii) has entered into good faith negotiations with respect to the proposed Strategic Transaction with Eurex U.S. Holdings for a period of 30 days; and (iii) has not received an offer from Eurex U.S. Holdings after the end of the 30 days on terms that are financially equivalent or more favorable than the terms received from the third party with respect to the Strategic Transaction. A "*Strategic Transaction*" means: (1) any sale by The Clearing Corporation of securities that would result in a change of control; (2) the consummation of any plan of merger, consolidation, share exchange or other business combination with another person; or (3) any transaction, the result of which is that a majority of seats of the Board of Governors of The Clearing Corporation or other similar body of a successor corporation are occupied by individuals who did not hold those seats prior to such transaction.

Restriction on Transfer: Put and Call Options

Eurex U.S. Holdings has agreed that until the termination or expiration of the Clearing Agreement, it will not transfer the Shares without The Clearing Corporation's prior written consent other than to an affiliate of Eurex (a "*Permitted Transferee*") and only so long as the Permitted Transferee has agreed to be bound by this transfer restriction and by the restriction described in the next sentence. Eurex U.S. Holdings has also agreed that in the event it ceases to be an affiliate of Eurex and has not transferred the Shares to a Permitted Transferee, The Clearing Corporation shall have the option, exercisable for 60 days after it receives notice that Eurex U.S. Holdings has ceased to be an affiliate of Eurex, to purchase and cause Eurex U.S. Holdings to sell all of the Shares. Eurex U.S. Holdings would sell the Shares at the lesser of Book Value and Fair Market Value (determined in accordance with the Stock Option Agreement but exclusive of any control premium) at the time of the exercise of the option. Payment would be required in cash and the closing would be within 90 days of the effective date of the option.

Subject to the transfer restriction described above, Eurex U.S. Holdings may transfer the Shares if Eurex U.S. Holdings: (i) has received a bona fide offer for all of the Shares (an "*Offer*"); (ii) has notified The Clearing Corporation of all material terms of the Offer; (iii) has entered into good faith negotiations with respect to the sale of the Shares with The Clearing Corporation for a period of 30 days after Eurex U.S. Holdings gave the notification specified in clause (ii); (iv) has not received an offer from The Clearing Corporation on terms that are financially equivalent or more favorable than the terms of the Offer or entered into an agreement which requires a closing within 90 days after expiration of the negotiation period specified in clause (iii); and (v) has consummated the transaction with such third party within 90 days after the expiration of the negotiation period.

Within 60 days after the termination or expiration of the Clearing Agreement, Eurex U.S. Holdings shall have the option (the "*Put Option*") to sell and cause The Clearing Corporation to purchase all of the Shares. Eurex U.S. Holdings would sell the Shares at the greater of Book Value and Fair Market Value (determined in accordance with the Stock Option Agreement but exclusive of any control premium) at the time of the exercise of the Put Option. Payment would be required in cash and the closing would be within 90 days of the effective date of the Put Option.

Finally, Eurex and Eurex U.S. Holdings agree that until the first anniversary of the Closing Date, neither of them shall (nor permit their affiliates to) acquire direct or indirect beneficial ownership of any shares of capital stock of The Clearing Corporation without the prior written consent of The Clearing Corporation (acting through its Board of Directors) except pursuant to the Stock Purchase Agreement or the Stock Option Agreement.

Clearing Arrangements

The Clearing Corporation has agreed that it will not allow participants in a clearing fund or similar arrangement established by The Clearing Corporation or its

subsidiaries for providing credit support for the clearing of trades by The Clearing Corporation or its subsidiaries to satisfy their obligations to contribute property to the clearing fund through contributions of Class A Stock, except in compliance with the following requirements or as otherwise agreed in writing by The Clearing Corporation and Eurex: (a) no participant may contribute (i) more than two-thirds of its total holdings of Class A Stock after the second anniversary of the Commencement Date, (ii) more than one-third of its total holdings of Class A Stock after the third anniversary of the Commencement Date, and (iii) any Class A Stock after the fourth anniversary of the Commencement Date; (b) The Clearing Corporation and its subsidiaries will not credit any participant's contribution requirements by more than the product of the Adjusted Book Value of the shares of Class A Stock contributed by any participant multiplied by the Discount Rate; and (c) The Clearing Corporation shall recalculate the Adjusted Book Value and the Discount Rate at least quarterly. "*Adjusted Book Value*" means the amount per share of Class A Stock that is equal to (a) (i) the book value of all cash and U.S. Treasury securities and other financial instruments held by The Clearing Corporation provided that they are the of the same type that are accepted by The Clearing Corporation as margin ("*Investment Securities*"), minus (ii) the sum of the liquidation preference of any outstanding shares of preferred stock of The Clearing Corporation and its subsidiaries and the principal amount of any outstanding indebtedness of The Clearing Corporation and its subsidiaries (excluding any intercompany indebtedness), divided by (b) the number of shares of Class A and Class E Stock issued and outstanding on such date (computed on a fully diluted basis after giving effect to the exercise of any and all outstanding conversion rights, warrants and options (other than the Option)). "*Discount Rate*" means, with respect to Investment Securities owned by The Clearing Corporation, the weighted average of the discounts from fair market value applied by The Clearing Corporation when Investment Securities are deposited with it by clearing participants as margin.

Other Covenants

The Stock Purchase Agreement contains the following additional covenants by the parties:

- Eurex guarantees the prompt payment and performance of Eurex U.S. Holdings' obligations under the Stock Purchase Agreement;
- The Clearing Corporation and Eurex agree to use reasonable best efforts to execute and deliver a Link Agreement prior to October 15, 2003;
- The Clearing Corporation agrees to use reasonable efforts to effectuate as soon as practicable the provisions of the Recapitalization that by their terms are to occur before the Closing;
- The Clearing Corporation agrees that it will not, in connection with any transaction between stockholders of The Clearing Corporation and third parties or any public offering of securities of The Clearing Corporation, amend its certificate of incorporation or bylaws with respect to restrictions regarding

transfer of shares to which the stockholders of The Clearing Corporation are subject as of the date of the Stock Purchase Agreement unless Eurex U.S. Holdings is permitted to participate on a basis proportionate to its holdings;

- The Clearing Corporation agrees to take all action necessary to increase the size of its Board of Directors to permit Eurex U.S. Holdings to designate the Class E Director and elect the Class E Director to the Board of Directors upon receipt of approval of the Proposal by the stockholders;
- The Clearing Corporation agrees to call and hold a stockholders' meeting as soon as possible in order to approve the Proposal;
- The Clearing Corporation agrees to prepare and distribute to its stockholders this Proxy Statement seeking the approval and adoption of the Proposal ;
- Each party agrees to use reasonable best efforts to obtain any approvals required from any governmental authority to consummate the transactions contemplated by the Stock Purchase Agreement;
- Each party agrees to notify the other party of any communication it or any affiliate receives from any governmental authority and agrees not to participate in any meeting with any governmental authority unless it consults with the other party in advance;
- Each party agrees not to issue a press release with respect to the Stock Purchase Agreement or the transactions contemplated thereby without the consent of the other party unless such party believes in good faith that such disclosure is required by law;
- Each party agrees not to disclose the confidential information of the other party or use it for any other purpose for a period of five years after the date of the Stock Purchase Agreement; and
- The Clearing Corporation agrees to give reasonable access to information respecting The Clearing Corporation to the officers, employees and authorized agents, accountants, counsel and representatives of Eurex U.S. Holdings.

Indemnification

Each party agrees to indemnify the other party with respect to any losses, claims, costs and expenses, awards, judgments and penalties (including reasonable attorneys' and consultants' fees but excluding consequential, punitive, special or incidental damages or lost profits unless such damages are otherwise subject to indemnity under the Stock Purchase Agreement and are required to be paid to a third party who is not an affiliate) arising out of any breach of a representation or warranty (interpreted without giving effect to any limitations or qualifications as to materiality) or any breach of a covenant or agreement contained in the Stock Purchase Agreement. The representations and warranties provided in the Stock Purchase Agreement survive for eighteen months after the Closing Date except that the representations with respect to

Common Stock

Voting Rights

Under the Restated Charter, except as noted below, the holders of Class A Stock and Class E Stock will be entitled to one vote per share on all matters to be voted on by the stockholders of The Clearing Corporation. The holders of the shares of Class A Stock, voting as a separate class, will be entitled to elect the Class A Directors and the holders of the shares of Class E Stock, voting as a separate class, will be entitled to nominate and elect the Class E Director. The holders of Class A Stock will be entitled to elect all of the directors and shall have exclusive voting power on all matters at any time when no Class E Stock is issued and outstanding and the holders of Class E Stock will be entitled to elect all of the directors and shall have exclusive voting power on all matters at any time when no Class A Stock is issued and outstanding (subject, in each case, to the rights of any holders of the Preferred Stock). Additional shares of Class E Stock may not be issued, other than those issued as of the Closing to Eurex U.S. Holdings, unless the holders of a majority of the outstanding shares of Class E Stock approve such issuance at a meeting of such stockholders.

Dividends and Distributions

Under the Restated Charter, all shares of Class E Stock will be treated identically with shares of Class A Stock with respect to dividends and other distributions (whether of cash, securities or other property); provided that if dividends are declared that are payable in shares of Class A Stock or Class E Stock, then holders of Class A Stock shall receive dividends payable in shares of Class A Stock and holders of Class E Stock shall receive dividends payable in shares of Class E Stock; provided further that such stock dividends shall be payable at the same rate on both classes of stock.

Conversion

The Class A Stock is not convertible into any other class or series of stock of The Clearing Corporation. Each outstanding share of Class E Stock will be automatically converted into one share of Class A Stock (i) immediately following the issuance of shares of Class A Stock pursuant to the exercise of the option granted (the "*Option Event*") under the Stock Option Agreement and (ii) in the event such share is sold or transferred to any person other than to an affiliate of Eurex. All shares of Class E Stock reacquired by The Clearing Corporation as a result of a conversion shall be retired and may not be reissued by The Clearing Corporation.

Liquidation

Subject to the rights of the holders of the Preferred Stock, the holders of Class A Stock and the holders of Class E Stock will be entitled to participate ratably on a per share basis in all distributions to the holders of Common Stock in any liquidation, dissolution or winding up of The Clearing Corporation.

Subdivisions, Reclassifications and Combinations

Under the Restated Charter, The Clearing Corporation may not subdivide, reclassify or combine any class of Common Stock without at the same time making an equivalent subdivision, reclassification or combination of the other class of Common Stock.

Mergers, Consolidations and Asset Dispositions

The shares of Class A Stock and the shares of Class E Stock will be treated in a manner that is economically equivalent in the event The Clearing Corporation merges or consolidates with or into another corporation (where The Clearing Corporation is not the surviving corporation or where there is any change whatsoever in, or distribution with respect to, the outstanding shares of Class A Stock or Class E Stock), or sells, transfers or otherwise disposes of all or substantially all of its property, assets or business to another corporation and, pursuant to the terms of such merger, consolidation or disposition of assets, (a) shares of common stock of the surviving, resulting or acquiring corporation, as the case may be, or (b) any cash, shares of stock or other securities or property of any nature whatsoever (including warrants or other subscription or purchase rights) in addition to or in lieu of common stock of the surviving, resulting or acquiring corporation, as the case may be, are to be received by or distributed to the holders of Class A Stock or Class E Stock.

Reservation of Class A Stock

At all times prior to the earliest of (i) the Option Event, (ii) the Termination Date (as defined in the Stock Option Agreement) and (iii) the termination of the Stock Option Agreement in accordance with the terms thereof, the Company shall reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Class A Stock, for the purpose of (a) effecting conversion of the shares of Class E Stock into Class A Stock and (b) issuing shares of Class A Stock to Eurex U.S. Holdings pursuant to the Stock Option Agreement, a number of shares of Class A Stock equal to 51% of the total number of authorized shares of Common Stock, and the shares of Class A Stock that are so reserved may not be issued for any other purpose.

Preferred Stock

Under the Restated Charter, the board of directors of The Clearing Corporation is authorized to issue one or more series of Preferred Stock. Subject to Delaware law, the Preferred Stock may have such voting powers, preferences, dividend or distribution rights or other special rights as the board of directors may determine.

Restrictions on Ownership and Transfer

The provisions of the Current Charter that allow the Company to (i) claim a lien on all shares of its outstanding stock, (ii) repurchase stock from clearing members who are overcollateralized and require clearing members who are undercollateralized to purchase additional stock, and (iii) exercise a right of first refusal over any sales of stock, will be eliminated in the Restated Charter.

Board of Directors

General

Under the Restated Charter, the business and affairs of The Clearing Corporation will be managed by or under the direction of the Board of Directors (note the change of name from "Board of Governors"), consisting of no fewer than seven and no more than fifteen directors, as such number may be determined from time to time by the Board of Directors. Under the Restated Charter, the Class A Directors are divided into three subclasses, designated as Class A-I, Class A-II and Class A-III. There will be no longer a distinction between "Group A", "Group B" and "At Large" members of the Board as in the Current Charter.

Terms of Office of Directors

The Class A-I Directors will be initially elected for a term to expire at the first annual meeting of stockholders following the Effective Time, the Class A-II Directors will be initially elected for a term to expire at the second annual meeting of stockholders following the Effective Time and the Class A-III Directors will be initially elected for a term to expire at the third annual meeting of the stockholders following the Effective Time. After the expiration of these initial terms, all Class A Directors will be elected for three-year terms.

Removal of Directors

Beginning at the conclusion of the first meeting of stockholders held after the Effective Time and ending upon the occurrence of the Option Event, a Class A Director may be removed only for cause. At all times prior to the conclusion of the first meeting of stockholders held after the Effective Time and at all times from and after the Option Event, a Class A Director may be removed with or without cause. A Class E Director may be removed with or without cause at any time.

Vacancies and Newly Created Directorships

Any vacancy of any kind in the position of Class A Director may be filled by a vote of the holders of Class A Stock or by a majority of the Class A Directors then in office. Any vacancy of any kind of a Class E Director may be filled only by a vote of the holders of Class E Stock.

Power to Adopt, Amend, Modify, Alter or Repeal the Bylaws

Under the Restated Charter, the Board of Directors is expressly authorized to adopt, amend, modify, alter or repeal the bylaws of The Clearing Corporation. This right is unchanged from the Current Charter.

Amendment, Alteration, Change and Repeal of Provisions of Charter

The Restated Charter may be amended, altered, changed and repealed by the Board of Directors (in accordance with the provisions of the Restated Charter), provided, however, that no amendment shall be permitted that: (a) alters or changes the powers, preferences or special rights

of the shares of Class E Stock so as to affect them adversely; or (b) alters or changes in any manner Section 4(b) (the total number of authorized shares of Class E Stock), Section 4(A)(1)(d) (the prohibition against the issuance of additional Class E Stock), Section 4(A)(7) (reserve shares of Class A Stock) or Section 5(b)(iii) (term limit on the Class E Director) of the Restated Charter, unless, in each instance, the holders of a majority of the outstanding shares of Class E Stock have voted in favor of such amendment at a meeting of such stockholders.

RESTATED BYLAWS

If the Proposal is approved by the stockholders, the Restated Bylaws, a copy of which is attached to this document as *Appendix B* and is incorporated into this document by reference, will replace the current bylaws of The Clearing Corporation (the "*Current Bylaws*") in its entirety. The following is a summary of some of the provisions of the Restated Bylaws. This summary is qualified in its entirety by reference to both the Current Bylaws and the proposed Restated Bylaws. You should read the Restated Bylaws because it, and not this summary, will serve as the new bylaws of The Clearing Corporation if approved by the stockholders.

Structure of The Clearing Corporation

The Restated Bylaws effect a number of important changes to The Clearing Corporation's structure since the Restated Bylaws are designed to reflect the transition of The Clearing Corporation from a cooperative-type organization to a more traditional private company. Most importantly, the Current Bylaws give The Clearing Corporation a "right of first refusal" and prohibit members from selling stock to anyone other than another clearing member. Under the Restated Bylaws, stockholders will be permitted to sell their stock to any willing buyer, subject, in all cases, to applicable securities law and other legal requirements. Provisions of the Current Bylaws that allow the Company to claim a lien on all shares of its outstanding stock, repurchase stock from clearing members whose Company shareholdings exceed their relative risk requirement and require clearing members whose Company shareholdings do not meet their relative risk requirements to purchase additional stock will be eliminated.

Qualifications of the President

The Current Bylaws prohibit the President from being a member of an exchange, a stockholder of The Clearing Corporation or a partner or officer of a firm or corporation which is a stockholder or member of The Clearing Corporation. Such requirements on the qualifications of the President have been eliminated in their entirety under the provisions of the Restated Bylaws.

Special Meetings

Under the Current Bylaws, the chairman must call a special meeting upon the written request of twenty-five stockholders. According to the provisions of the Restated Bylaws, the Board of Directors must call a special meeting of stockholders upon the written request of stockholders representing not less than one-third of the then outstanding voting power of the Common Stock of The Clearing Corporation.

Term Limits of Chairman

Under the Current Bylaws, the chairman can be elected to such a position for no more than two consecutive one-year terms. The chairperson position will have no stated term limit under the Restated Bylaws.

Committees

Under the Current Bylaws, the membership of Board committees can include governors or any individuals admitted to membership in The Clearing Corporation or who represent member firms. Under the Restated Bylaws, the membership of Board committees, including the nominating committee, will be limited to directors of The Clearing Corporation.

THE GUARANTY FUND

In the event of a default by a clearing member, The Clearing Corporation has historically looked first to the original margin posted by the defaulting member as collateral for its positions. Second, The Clearing Corporation looked to the value of any other property of the defaulting member, including the remaining value of any positions carried by the defaulting member that The Clearing Corporation could rightfully claim. In addition, if the default arose as a result of trading in the clearing member's house account, The Clearing Corporation could invoke any applicable guarantees issued on behalf of the defaulting member. In the event those sources of funds proved to be insufficient, The Clearing Corporation would have used its capital and/or other financial resources as necessary to make good any deficiency.

Unlike most other clearinghouses, The Clearing Corporation historically has not maintained a separate guaranty fund. Instead, The Clearing Corporation's capital effectively served as a reserve fund to assist in meeting its obligations to clearing members and to provide liquidity in the event of a clearing member default. Members of The Clearing Corporation accordingly were required to purchase shares of stock in The Clearing Corporation, and stock ownership requirements were periodically reallocated among clearing members in order to ensure that each member's share ownership reflected its relative volume and margin requirements during the preceding twelve months.

As part of its corporate realignment, The Clearing Corporation intends to create a separate Guaranty Fund. Instead of relying on its capital as a source of back-up liquidity, the Rules of The Clearing Corporation will provide that the Guaranty Fund constitutes the full extent of The Clearing Corporation's obligations. In other words, in the unlikely event of a clearing participant default, The Clearing Corporation would not be obligated to make its resources, other than the Guaranty Fund, available to make up any remaining shortfall.

The Clearing Corporation will require that clearing participants deposit cash, U.S. Treasury securities or other approved instruments into the Guaranty Fund to support their obligations. It is anticipated that The Clearing Corporation will accept the same types of securities in the Guaranty Fund as it currently accepts to satisfy original margin requirements and that those securities will receive the same "haircuts" as they do for margin purposes. (A list of acceptable security types and haircut rates is available on The Clearing Corporation's web site, www.clearingcorp.com.) Clearing participants who own Class A Stock will be permitted to deposit that stock in full or partial satisfaction of their Guaranty Fund requirements.

It is presently anticipated that the minimum required balance for the Guaranty Fund will be 5% of the maximum daily risk margin requirements of all clearing participants combined, calculated on a six-month rolling basis (or as many days of experience as are available during a start-up period). By way of illustration, if the Guaranty Fund had been established on March 1, 2003 and the minimum required Guaranty Fund balance had been determined based on the risk of the CBOT contracts then being cleared by The Clearing Corporation, the minimum balance in the Guaranty Fund would have been \$141 million – compared to The Clearing Corporation's liquid assets of \$176.9 million – as of August 31, 2003.

Clearing Corporation elects, in its sole discretion, to increase the size of the Repurchase Program.

In addition, despite any other terms of the Repurchase Program, The Clearing Corporation will not be required to accept any shares of Current Stock for repurchase, and The Clearing Corporation may terminate the Repurchase Program before accepting any shares for repurchase, if it determines in its sole discretion that:

- the Repurchase Program would violate any applicable law or regulation or any applicable interpretation of the staff of the CFTC or the Securities and Exchange Commission, or
- any action or proceeding has been instituted or threatened in any court or by any governmental agency with respect to the Repurchase Program.

The Clearing Corporation expressly reserves the right, at any time or at various times, to extend the period of time during which the Repurchase Program is open. Consequently, The Clearing Corporation may delay acceptance of any shares of Current Stock for repurchase by giving oral or written notice of such extension to the stockholders. During any such extensions all shares of Current Stock with respect to which a repurchase election has been made will remain subject to the Repurchase Program, and The Clearing Corporation may accept them for repurchase unless they have been previously withdrawn.

The Clearing Corporation expressly reserves the right to amend or terminate the Repurchase Program, and to reject for repurchase any shares of Current Stock not previously accepted for repurchase, upon the occurrence of any of the conditions of the Repurchase Program specified above. The Clearing Corporation will give oral or written notice or public announcement of any extension, amendment, non-acceptance or termination to the stockholder as promptly as practicable. In the case of any extension, such notice will be issued no later than 8:00 a.m., Chicago time, on the business day after the previously scheduled expiration date.

These conditions are for the Company's sole benefit and it may assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any or at various times in its sole discretion. If The Clearing Corporation fails at any time to exercise any of the foregoing rights, that failure will not constitute a waiver of such right. Each such right will be deemed an ongoing right that The Clearing Corporation may assert at any time or at various times.

PROCEDURES FOR SUBMITTING A REPURCHASE ELECTION FORM

Only a registered holder of shares of Current Stock may participate in the Repurchase Program. To participate in the Repurchase Program, a holder must complete, sign and date the repurchase election form, or a facsimile of the repurchase election form, and mail or deliver such repurchase election form in the enclosed pre-paid envelope or send such form by facsimile to The Clearing Corporation prior to the expiration time.

Any repurchase election form that is delivered to The Clearing Corporation and not withdrawn prior to the expiration time will constitute an agreement between such holder and The

Clearing Corporation in accordance with the terms and subject to the conditions set forth in this document and in the repurchase election form.

The method of delivery of the repurchase election form to The Clearing Corporation is at the holder's election and risk. In all cases, holders should allow sufficient time to assure delivery to The Clearing Corporation before the expiration time.

The Clearing Corporation will determine in its sole discretion all questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of repurchase election forms. The Clearing Corporation's determination will be final and binding. The Clearing Corporation reserves the absolute right to reject any repurchase election forms not properly completed and executed, or any repurchase election forms the acceptance of which would, in the opinion of counsel, be unlawful. The Clearing Corporation also reserves the right to waive any defects, irregularities or conditions as to particular repurchase election forms. The Clearing Corporation's interpretation of the terms and conditions of the Repurchase Program (including the instructions in the repurchase election form) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with repurchase election forms must be cured within such time as The Clearing Corporation shall determine. Although The Clearing Corporation intends to notify stockholders of defects or irregularities with respect to repurchase election forms, neither it nor any other person will incur any liability for failure to give such notification. Repurchase election forms will not be deemed received by The Clearing Corporation until such defects or irregularities have been cured or waived.

If a repurchase election form is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by The Clearing Corporation, they should also submit evidence satisfactory to The Clearing Corporation of their authority to execute and deliver the repurchase election form.

WITHDRAWAL OF REPURCHASE ELECTIONS

Except as otherwise provided in this document, stockholders may withdraw their repurchase elections at any time prior to the expiration time of the Repurchase Program. For a withdrawal to be effective, the Secretary of The Clearing Corporation must receive a written notice (which may be by electronic mail, facsimile transmission or letter) of withdrawal prior to the expiration time of the Repurchase Program.

Any such notice of withdrawal must specify the name of the stockholder who submitted the repurchase election to be withdrawn. If a notice of withdrawal is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by The Clearing Corporation, they should also submit evidence satisfactory to The Clearing Corporation of their authority to execute and deliver the withdrawal notice.

Once a repurchase election has been withdrawn by a stockholder, a new repurchase election may be submitted by following the procedures described above under "PROCEDURES

FOR SUBMITTING A REPURCHASE ELECTION FORM" at any time prior to the expiration time of the Repurchase Program.

COMPLETION OF REPURCHASE PROGRAM; PAYMENT OF REPURCHASE PRICE

The Clearing Corporation will accept all repurchase elections that have been properly submitted and not withdrawn prior to the expiration time and will pay for (and thereby repurchase) in the manner described below: (i) all of the shares that stockholders elect to sell back to The Clearing Corporation pursuant to the initial allocation and (ii) that number of shares that are eligible for repurchase pursuant to the subsequent allocation promptly after all of the conditions to the Repurchase Program have been satisfied or waived (subject to such delay as may be necessary to calculate the appropriate proration of shares requested to be repurchased pursuant to the subsequent allocation). For a further explanation of the initial and subsequent allocation process, please refer to the section entitled "**TERMS OF THE REPURCHASE PROGRAM—Number of Shares Eligible for Repurchase**" above. For a further explanation of the conditions to the Repurchase Program, please refer to the section entitled "**CONDITIONS TO THE REPURCHASE PROGRAM**" above. The Clearing Corporation's acceptance of repurchase elections may be made by oral or written notice or public announcement, and upon such acceptance the holders of the shares of stock accepted for repurchase shall cease to have any rights with respect thereto, except the right to receive, in respect of each such share, the repurchase price in the manner described below.

Stockholders who elect to sell shares back to The Clearing Corporation pursuant to the Repurchase Program will not receive a direct payment of the repurchase price. Rather, The Clearing Corporation will pay for each share of Current Stock that is repurchased by crediting the selling stockholder's account in the Guaranty Fund with an amount of cash equal to the \$16,628 repurchase price. Such cash will subsequently be released from the Guaranty Fund, in accordance with the rules of The Clearing Corporation, to the extent that the stockholder's Guaranty Fund obligation is reduced or replacement collateral is deposited into the Guaranty Fund.

Shares of Current Stock that are repurchased by The Clearing Corporation pursuant to the Repurchase Program will be deemed issued but not outstanding shares of Current Stock of The Clearing Corporation.

OTHER IMPORTANT CONSIDERATIONS

Any stockholder who does not deliver a properly completed and executed repurchase election form or facsimile to The Clearing Corporation prior to the expiration time will be deemed to have elected not to participate in the Repurchase Program and no shares of Current Stock of that stockholder will be repurchased pursuant to the Repurchase Program.

The Clearing Corporation reserves the right, in its sole discretion, to repurchase or make offers for any shares of its stock that remain outstanding following the expiration or termination of the Repurchase Program and, to the extent permitted by applicable law, to repurchase shares of its stock in one or more additional repurchase programs, tender offers,

privately negotiated transactions or otherwise. The terms and prices of such repurchases could differ significantly from the terms of this Repurchase Program.

Although the Board of Governors has approved the Repurchase Program, neither The Clearing Corporation nor the Board makes any recommendation to any stockholder as to whether and to what extent to participate. Participation in the Repurchase Program is voluntary, and stockholders must make their own decision as to whether to participate and, if so, to what extent. Before making their decision, stockholders should read this document carefully and in its entirety, and should consult their own financial and tax advisors.

THE SPECIAL MEETING

TIME, PLACE AND DATE

The Special Meeting will be convened and held on Thursday, October 23, 2003, at 2:15 p.m., local time, at 440 South LaSalle Street, 2nd Floor Conference Center, Chicago, Illinois 60605.

PURPOSES

At the Special Meeting stockholders will be asked to consider and vote on the Proposal. Stockholders also will be asked to vote on any other matters properly presented at the meeting or any adjournment of the meeting. At the present time, The Clearing Corporation knows of no other matters that will be presented for consideration at the meeting.

QUORUM

The Clearing Corporation's current bylaws provide that the holders of a majority of the outstanding shares of stock entitled to vote and represented by a designated representative must be present in person or represented by proxy at the Special Meeting to constitute a quorum. If a quorum is not present, the holders of a majority of the shares of stock entitled to vote and represented by a designated representative, present in person or represented by proxy, at the meeting will have the power to adjourn the meeting to another time and/or place, without notice other than announcement at the meeting, except as provided below, until a quorum is present or represented.

At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting must be given to each stockholder of record entitled to vote at the meeting. Withdrawal of stockholders from any meeting will not cause the failure of a duly constituted quorum at such meeting.

RECORD DATE

The Board of Governors has fixed the close of business on September 17, 2003 as the record date for the determination of the stockholders entitled to notice of, and to vote at, the Special Meeting. As of the record date, 11,544 shares of Current Stock were outstanding and such shares were held by 87 stockholders entitled to vote.

SHARES ENTITLED TO VOTE

A stockholder may vote at the Special Meeting if that person owned stock in The Clearing Corporation as of the record date. Each stockholder will have one vote at the Special Meeting irrespective of the number of shares held by such stockholder.

VOTES REQUIRED

The affirmative vote of a majority of the stockholders of The Clearing Corporation is required to approve and adopt the Proposal. Because there were 87 stockholders as of the record date, such approval and adoption will require the affirmative vote of at least 44 stockholders. Abstentions, or the failure of a stockholder to vote in person or by proxy, will have the same effect as a vote against such approval and adoption.

RECOMMENDATION OF THE BOARD OF GOVERNORS

The Board of Governors has unanimously approved the Company's corporate and capital realignment and the transactions with Eurex and believes that they are in the best interests of The Clearing Corporation and its stockholders, and has declared the Restated Charter and the Restated Bylaws to be advisable. Accordingly, the Board of Governors recommends that stockholders vote FOR the Proposal.

VOTING PROCEDURES

A stockholder may vote in person or by proxy. The Clearing Corporation hopes that each stockholder will be able to attend the annual meeting in person, but if it is not possible for a stockholder to be present, that person should execute and return the enclosed proxy by facsimile or by using the enclosed, pre-paid envelope addressed directly to The Clearing Corporation. Deloitte & Touche LLP, independent certified public accountants, will act as inspectors of election and count the ballots. Stockholders should do so as soon as possible.

If a stockholder has timely submitted a properly executed proxy, clearly indicated its vote and has not revoked its proxy, its shares will be voted as indicated. If a stockholder has timely submitted its properly executed proxy but has not clearly indicated its vote, such shares will be voted FOR the Proposal.

If any other matters are properly presented at the meeting for consideration, the persons named in the proxy will have the discretion to vote on these matters in accordance with their best judgment. Proxies voted against the Proposal will not be voted in favor of any adjournment of the meeting for the purpose of obtaining a quorum.

REVOCAION OF PROXIES

A stockholder may revoke its proxy at any time prior to its exercise by:

- giving written notice of revocation to the Secretary of The Clearing Corporation (a notice of revocation need not be on any specific form);
- appearing and voting in person at the Special Meeting; or
- properly completing and executing a later dated proxy and delivering it to The Clearing Corporation at or before the Special Meeting.

The presence of a stockholder without voting at the meeting will not automatically revoke that stockholder's proxy, and any revocation during the meeting will not affect votes previously taken.

VALIDITY OF PROXIES

The inspectors of election will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of proxies. Their determination will be final and binding. The Board of Governors has the right to waive any defects, irregularities or conditions as to the manner of voting. The Clearing Corporation may accept a proxy by any form of communication permitted by Delaware law so long as The Clearing Corporation is reasonably assured that the communication is authorized by the stockholder.

SOLICITATION OF PROXIES

The accompanying proxy is being solicited on behalf of the Board of Governors of The Clearing Corporation. The expenses of preparing, printing and mailing the proxy and material used in the solicitation will be borne by The Clearing Corporation. Employees and agents of the Company will assist in the solicitation of proxies.

POSTPONEMENT OF SPECIAL MEETING

The Clearing Corporation reserves the right, in its sole discretion and for any reason, to postpone the Special Meeting to a later date and time. Written notice of any such postponement will be given to each stockholder entitled to vote at the Special Meeting.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

GENERAL

The following is a summary of the material U.S. federal income tax matters that each stockholder should consider with respect to the Repurchase Program relating to the Current Stock. This summary is based upon provisions of the Code, existing final, temporary, and proposed U.S. Treasury regulations promulgated under the Code, judicial authority and administrative rulings and practice, all of which are subject to change, possibly with retroactive effect. This summary deals only with shares of Current Stock that stockholders have held as capital assets within the meaning of Section 1221 of the Code, and does not address special tax consequences that may be relevant to each stockholder if such stockholder is, among other things:

- a tax-exempt organization,
- an insurance company,
- a dealer of securities who does not hold the Current Stock as an investment,
- a trader of securities who has elected mark-to-market treatment with respect to Current Stock, or
- a person holding Current Stock as part of hedge or hedging transaction, a conversion transaction, or as a position in a straddle for U.S. federal income tax purposes.

This summary is not binding on the Internal Revenue Service (the “*IRS*”). The Clearing Corporation has not sought, and will not seek, any ruling from the IRS or opinion of counsel with respect to the statements made in the following summary, and there can be no assurance that the IRS will not take a position contrary to such statements or that any such contrary position taken by the IRS would not be sustained by a court. This summary does not discuss all aspects of U.S. federal income taxation that may be important to each stockholder in light of such stockholder’s individual circumstances, and many stockholders may be subject to special tax rules. In addition, this summary does not discuss any state, local, foreign, or other tax considerations. Accordingly, **stockholders should consult their own tax advisors to determine the specific consequences of the proposed redemption and reorganization.**

As used herein, the term “foreign holder” applies to a stockholder if such stockholder is not:

- a citizen or individual resident of the United States,
- a corporation, or other business entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof or therein,
- an estate whose income is subject to U.S. federal taxation regardless of source, or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership (including for this purpose any other entity, whether or not organized in or under the laws of the United States or any political subdivision thereof, treated as a

partnership for U.S. federal income tax purposes) holds Current Stock, and a stockholder is a partner in such partnership, then such stockholder's tax treatment as beneficial owner of Current Stock generally will depend upon his or her status and the activities of the partnership.

Depending on whether, and to what extent, a stockholder participates in the Repurchase Program, only the following portion(s) of this summary will apply to such stockholder:

- If The Clearing Corporation redeems all of a stockholder's shares of Current Stock pursuant to the Repurchase Program, the U.S. federal income tax consequences described below under **"THE REPURCHASE PROGRAM"** will apply to such stockholder.
- If The Clearing Corporation does not redeem any of a stockholder's shares of Current Stock, and all of such stockholder's shares of Current Stock are thereafter exchanged for Class A Stock, the U.S. federal income tax consequences described below under **"THE EXCHANGE—Holders Not Participating in the Repurchase Program"** will apply to such stockholder.
- If The Clearing Corporation redeems less than all of a stockholder's shares of Current Stock, with such stockholder's remaining shares of Current Stock being exchanged for Class A Stock, the U.S. federal income tax consequences described below under **"THE EXCHANGE—Holders Participating in the Repurchase Program"** will apply to such stockholder.
- If a stockholder participates in the Repurchase Program, regardless of the extent of such stockholder's participation, the U.S. federal income tax consequences described below in the section entitled **"BACKUP WITHHOLDING"** will apply to such stockholder.
- If a stockholder is a foreign holder, the U.S. federal income tax consequences described below in the section entitled **"FOREIGN HOLDERS"** will apply to such stockholder.

THE REPURCHASE PROGRAM

If The Clearing Corporation redeems all of a stockholder's shares of Current Stock pursuant to the Repurchase Program, that redemption will be a taxable transaction for U.S. federal income tax purposes. In general, a stockholder will recognize gain or loss equal to the difference between the amount of cash the stockholder receives pursuant to the Repurchase Program and the adjusted tax basis (which generally will be the purchase price) in the Current Stock exchanged pursuant to the Repurchase Program. Any such gain or loss will be capital gain or loss, which will be long-term capital gain or loss if the stockholder has held the Current Stock for more than one year at the time of the exchange.

However, if, (i) in addition to shares of Current Stock that a stockholder, actually owns, the stockholder is treated as constructively owning other shares of Current Stock (pursuant to Section 318 of the Code, the rules of which are described below under **"THE EXCHANGE—Constructive Ownership of Current Stock"**) and (ii) taking such constructively owned stock into account, a stockholder did not satisfy any of the Section 302 tests described below (under **"THE EXCHANGE—Section 302 Tests"**), the U.S. federal income tax consequences of a

stockholder's participation in the Repurchase Program could be different than the consequences described in the preceding paragraph. Stockholders should consult their own tax advisors regarding the potential application of these rules.

THE EXCHANGE

Holders Not Participating in the Repurchase Program

If The Clearing Corporation does not redeem a stockholder's shares of Current Stock pursuant to the Repurchase Program, and all of such stockholder's shares of Current Stock are thereafter exchanged for Class A Stock, that exchange will be treated as a tax-free reorganization for U.S. federal income tax purposes. Accordingly, (i) a stockholder will not recognize gain or loss as a result of this exchange, (ii) a stockholder's adjusted tax basis in the Class A Stock will equal the adjusted tax basis in the stockholder's Current Stock exchanged therefor, and (iii) a stockholder's holding period for the Class A Stock received will include the holding period during which the stockholder held Current Stock. The exchange of Current Stock for Class A Stock will have no U.S. federal income tax consequences for The Clearing Corporation.

Holders Participating in the Repurchase Program

If The Clearing Corporation redeems less than all of a stockholder's shares of Current Stock pursuant to the Repurchase Program, with the stockholder's remaining shares of Current Stock being exchanged for Class A Stock, for U.S. federal income tax purposes, such stockholder should be treated as participating in a single transaction wherein the stockholder will transfer all of its Current Stock to The Clearing Corporation in exchange for Class A Stock and cash.

As a result of this treatment, a stockholder will recognize gain ("*Recognized Gain*"), if any, equal to the lesser of (i) the amount of cash that such stockholder received pursuant to the Repurchase Program or (ii) the amount of gain "realized" in the transaction. The amount of gain a stockholder will "realize" will equal the amount by which (a) the cash such stockholder received pursuant to the Repurchase Program plus the fair market value of the Class A Stock such stockholder received exceeds (b) the adjusted tax basis in the Current Stock. The amount of Recognized Gain that a stockholder will have will be the same regardless of which shares of Current Stock are sold pursuant to the Repurchase Program. Any of a stockholder's Recognized Gain could be taxed either as a capital gain or a dividend, as described below. A stockholder's basis in the Class A Stock it receives will be the same as its basis in the Current Stock, increased by its Recognized Gain and reduced by the amount of cash the stockholder receives pursuant to the Repurchase Program. A stockholder's holding period for the Class A Stock that it receives will include the holding period during which it held Current Stock. If a stockholder exchanges more than one "block" of Current Stock (that is, groups of Current Stock that the stockholder purchased at different times or at different prices), the stockholder must calculate its Recognized Gain separately on each block, and the results for each block may not be netted in determining the overall Recognized Gain. Instead, the stockholder will recognize gain on those shares on which gain is realized, but losses may not be recognized. Information regarding a stockholder's holding period and cost basis in each block of Current Stock it owns is available from The Clearing Corporation.

A stockholder will receive ordinary dividend, rather than capital gain, treatment on all or a portion of its Recognized Gain if the receipt of cash pursuant to the Repurchase Program has the effect of a dividend distribution for U.S. federal income tax purposes. For this purpose, a stockholder will be treated under Section 356(a)(2) of the Code as if (i) it had not participated in the Repurchase Program and instead had exchanged all of its Current Stock for Class A Stock and (ii) immediately thereafter The Clearing Corporation redeemed a portion of such stockholder's shares of Class A Stock in exchange for cash (in an amount equal to the cash that it received in the Repurchase Program). A stockholder's Recognized Gain will be taxed as capital gain if the cash it receives in the Repurchase Program is (a) "substantially disproportionate" with respect to such stockholder, (b) results in a "complete redemption" of the stockholder's interest in The Clearing Corporation or (c) is "not essentially equivalent to a dividend" with respect to such stockholder. These tests (the "*Section 302 tests*") are explained more fully below.

If this deemed redemption does not meet any of the Section 302 tests, a stockholder will be treated as receiving a dividend equal to the amount of its Recognized Gain, assuming that the stockholder's ratable share of the Company's earnings and profits exceeds such Recognized Gain. If a stockholder's Recognized Gain exceeds its ratable share of the Company's earnings and profits, such excess will be taxed as a capital gain.

If a stockholder is a corporate holder of Current Stock, and it is treated as receiving a dividend, as described above, it may be permitted to deduct from gross income, subject to certain limitations (relating to, among other things, its holding period for the Current Stock and whether it financed the purchase of Current Stock with debt) 70 percent of the amount of cash it receives (the "dividend received deduction"). However, Section 1059(e) of the Code will cause the entire amount of cash received by such stockholder to be treated as an "extraordinary dividend," with the result that, to the extent the stockholder takes a dividend received deduction with respect to the cash received, he or she would be required to reduce the tax basis of its Class A Stock (but not below zero) by the amount of the dividend received deduction. If the amount of a stockholder's dividend received deduction were to exceed the basis of its remaining Class A Stock, the excess generally would be taxed to such stockholder as gain on the sale of such Class A Stock.

Section 302 Tests

One of the following tests must be satisfied in order for the receipt of cash pursuant to the deemed redemption, as described above, to be taxed as capital gain, rather than as a dividend distribution, for U.S. federal income tax purposes.

The Receipt of Cash is Substantially Disproportionate as to a Stockholder

The receipt of cash by a stockholder will be substantially disproportionate with respect to such stockholder if (i) the percentage of The Clearing Corporation's total outstanding voting shares that the stockholder actually and constructively owns immediately following the exchange is less than 80% of the percentage of The Clearing Corporation's outstanding voting shares that the stockholder actually and constructively owns immediately before the Repurchase Program and (ii) the percentage of The Clearing Corporation's total outstanding common stock that the

stockholder actually and constructively owns immediately following the exchange is less than 80% of the percentage of The Clearing Corporation's total outstanding common stock that the stockholder actually and constructively owns immediately before the Repurchase Program. For purposes of this test, the stock of The Clearing Corporation owned by Eurex U.S. Holdings will be taken into account when determining a stockholder's percentage ownership following the exchange.

Furthermore, for purposes of this test, The Clearing Corporation believes that each share of Current Stock should be treated as an outstanding voting share. If the IRS or the courts were to disagree with this treatment (e.g., by asserting that the one-stockholder, one-vote system causes some portion of the shares of Current Stock effectively to be non-voting shares), the result of the application of the substantially disproportionate test to a stockholder could differ. Stockholder should consult their own tax advisor concerning the application of the substantially disproportionate test to his or her particular circumstances.

A Stockholder's Interest in The Clearing Corporation is Completely Redeemed

The receipt of cash by a stockholder will result in a complete redemption of its interest in The Clearing Corporation if either (i) all of the Current Stock actually and constructively owned by such stockholder is sold pursuant to the Repurchase Program or (ii) all of the Current Stock actually owned by such stockholder is sold pursuant to the Repurchase Program and the stockholder is eligible to waive, and effectively waives, the attribution of all Current Stock constructively owned by such stockholder in accordance with the procedures described in Section 302(c)(2) of the Code.

The Receipt of Cash by a Stockholder is Not Essentially Equivalent to a Dividend

The receipt of cash by a stockholder will not be essentially equivalent to a dividend if the exchange results in a meaningful reduction of the stockholder's proportionate interest in The Clearing Corporation. Whether the receipt of cash by a stockholder results in a meaningful reduction of its proportionate interest in The Clearing Corporation will depend on such stockholder's particular facts and circumstances. However, in certain circumstances, in the case of a stockholder holding a small minority (e.g., less than 1%) of the Current Stock, even a small reduction may satisfy this test.

Constructive Ownership of Current Stock

In determining whether any of the Section 302 tests are satisfied, a stockholder must take into account not only Current Stock or Class A Stock that it actually owns, but also Current Stock or Class A Stock that it constructively owns within the meaning of Section 318 of the Code. Under Section 318 of the Code, a stockholder may constructively own Current Stock or Class A Stock actually owned, and in some cases constructively owned, by certain related individuals and certain entities in which it has an interest, or that have an interest in such stockholder. In addition, a stockholder may fail to satisfy any of the Section 302 tests because of contemporaneous acquisitions of Current Stock or Class A Stock by such stockholder or by a related party whose shares are constructively owned by such stockholder.

FOREIGN HOLDERS

If a stockholder is a foreign holder, and it is treated as recognizing capital gain as a result of these transactions, such capital gain generally will not be subject to federal income tax in the United States, unless (A) such stockholder is a nonresident alien individual present in the United States for 183 days or more during the taxable year that includes the date of the exchange or (B) the capital gain is effectively connected with such stockholder's conduct of a trade or business within the United States, in which case such gain would be subject to tax in the United States. If a stockholder is a foreign holder, and it is treated as receiving a dividend distribution as a result of these transactions, The Clearing Corporation will withhold 30% from the gross amount of such dividend unless The Clearing Corporation determines that (i) based on a properly completed IRS Form W-8BEN that such stockholder provides, a reduced rate of withholding is applicable pursuant to a tax treaty, in which event The Clearing Corporation will withhold at the applicable reduced rate, or (ii) based on a properly completed IRS Form W-8ECI that such stockholder provides, an exemption from withholding is applicable because such gross proceeds are effectively connected with such stockholder's conduct of a trade or business within the United States. The receipt of Class A Stock in exchange for Current Stock will not be subject to U.S. withholding tax.

BACKUP WITHHOLDING

A stockholder may be subject to U.S. backup withholding tax (at a rate of 28%) on the gross proceeds the stockholder receives pursuant to the Repurchase Program. To prevent backup withholding, a stockholder must provide The Clearing Corporation with the stockholder's correct taxpayer identification number and certify that it is not subject to backup withholding of U.S. federal income tax, both of which may be done by providing The Clearing Corporation with a properly completed IRS Form W-9. If a stockholder is a corporation, it is exempt from backup withholding, although it must provide The Clearing Corporation with a properly completed IRS Form W-9 in order to qualify as an exempt recipient. If a stockholder is a foreign holder, the stockholder is also exempt from backup withholding, although it must provide The Clearing Corporation with a properly completed IRS Form W-8BEN in order to qualify as an exempt recipient. Any amount paid to a foreign holder that is subject to backup withholding will not be subject to the regular withholding tax discussed above under "**FOREIGN HOLDERS.**" The amount of any backup withholding from a payment to a stockholder will be allowed as a credit against such stockholder's U.S. federal income tax liability and may entitle the stockholder to a refund, provided that the required information is furnished to the IRS.

APPENDIX A

RESTATED CERTIFICATE OF INCORPORATION

OF

THE CLEARING CORPORATION

1. The name of the Corporation is The Clearing Corporation.
2. The office of the registered agent in the State of Delaware is located in Wilmington, in the County of New Castle. The registered agent in charge thereof is The Corporation Trust Company, at 1209 Orange Street in the City of Wilmington.
3. The nature of the business of the Corporation and the objects or purposes proposed to be transacted, promoted or carried on by it are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.
4. The total number of shares of capital stock which the Corporation has authority to issue is 3,600,000 shares, consisting of:
 - (a) 3,000,000 shares of Class A Common Stock, par value \$0.01 per share (the "Class A Stock");
 - (b) 100,000 shares of Class E Common Stock, par value \$0.01 per share (the "Class E Stock"); and
 - (c) 500,000 shares of Preferred Stock, par value \$0.01 per share (the "Preferred Stock").

The Class A Stock and the Class E Stock are hereinafter collectively referred to as the "Common Stock." At the time when this Restated Charter becomes effective pursuant to the General Corporation Law of the State of Delaware (the "Effective Time") and without any further action on the part of the Corporation or its stockholders, (i) each share of the Corporation's common stock, without par value, issued and outstanding immediately prior to the Effective Time (the "Old Common Stock") shall be automatically reclassified, converted and split into one hundred (100) shares of Class A Stock and (ii) each share of the Corporation's common stock, without par value, issued but not outstanding immediately prior to the Effective Time shall be cancelled and shall not be reclassified, converted or split into any other shares of stock of the Corporation. From and after the Effective Time, the certificates representing shares of Old Common Stock shall be deemed cancelled and such shares shall not be recognized as outstanding on the books of the Corporation for any purpose.

Subdivision A. Common Stock

Except as otherwise provided in this Subdivision A or as otherwise required by applicable law, all shares of Class A Stock and Class E Stock shall be identical in all respects and shall entitle the holders thereof to the same rights and privileges, subject to the same qualifications, limitations and restrictions.

(1) Voting Rights.

(a) General. Except as may otherwise be provided in this Restated Certificate of Incorporation, as the same may be amended, or by applicable law, the holders of Class A Stock and the holders of Class E Stock shall be entitled to one vote per share on all matters to be voted on by the stockholders of the Corporation.

(b) Election of Directors. Subject to the rights of the holders, if any, of any Preferred Stock, the holders of Class A Stock shall be entitled to elect all but one of the directors of the Corporation (collectively, the "Class A Directors") and the holders of the Class E Stock, voting separately as a class, shall be entitled to nominate and elect one director of the Corporation (the "Class E Director"). Unless and except to the extent that the Bylaws of the Corporation shall so require, elections of directors need not be by written ballot.

(c) One Class Outstanding. Notwithstanding anything in this Section (1) to the contrary, the holders of Class A Stock shall be entitled to elect all of the directors and shall have exclusive voting power on all matters at any time when no Class E Stock is issued and outstanding, and the holders of Class E Stock shall be entitled to elect all of the directors and shall have exclusive voting power on all matters at any time when no Class A Stock is issued and outstanding, subject in each case to the rights of the holders, if any, of any Preferred Stock.

(d) Issuance of Additional Shares of Class E Stock. Notwithstanding anything in this Restated Certificate of Incorporation to the contrary, the Corporation may not issue any additional shares of Class E Stock, other than those issued on the date hereof to Eurex U.S. Holdings, Inc. ("Eurex U.S."), unless the holders of a majority of the outstanding shares of Class E Stock approve such issuance at a meeting of such stockholders.

(2) Dividends and Distributions. All shares of Class E Stock shall be treated identically with shares of Class A Stock with respect to dividends and other distributions (whether of cash, securities or other property); provided that if dividends are declared that are payable in shares of Class A Stock or Class E Stock, then holders of Class A Stock shall receive dividends payable in shares of Class A Stock and holders of Class E Stock shall receive dividends payable in shares of Class E Stock; provided further that such stock dividends shall be payable at the same rate on both classes of stock.

provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

SECTION 6.06. Entire Agreement. This Agreement, the Stock Purchase Agreement and the Clearing Agreement constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

SECTION 6.07. Assignment. This Agreement may not be assigned by operation of law or otherwise without the express written consent of Issuer and Grantee (which consent may be granted or withheld in the sole discretion of Issuer or Grantee, as the case may be); provided, however, that Grantee may assign this Agreement in whole or in part to one or more wholly owned subsidiaries of Parent without such consent; provided, however, that no such assignment shall relieve Grantee of its obligations if the assignee does not perform such obligations.

SECTION 6.08. No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

SECTION 6.09. Amendment. This Agreement may not be amended or modified except by an instrument in writing signed by, or on behalf of, Issuer and Grantee.

SECTION 6.10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, applicable to contracts executed in and to be performed entirely within that state. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in any Delaware state or federal court. The parties hereto unconditionally and irrevocably agree and consent to the exclusive jurisdiction of, and service of process and venue in, the courts of the State of Delaware and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby and further agree not to commence any such action, suit or proceeding except in any such court.

SECTION 6.11. Waiver of Jury Trial. The parties each hereby waive trial by jury in any judicial proceeding involving, directly or indirectly, any matters (whether sounding in tort, contract or otherwise) in any way arising out of, related to, or connected with this Agreement, the transactions contemplated hereby or the relationships established hereunder.

SECTION 6.12. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when

executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 6.13. Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

U.S. EXCHANGE HOLDINGS, INC.

By: /s/ Michael Widmer
Name: Michael Widmer
Title: Secretary

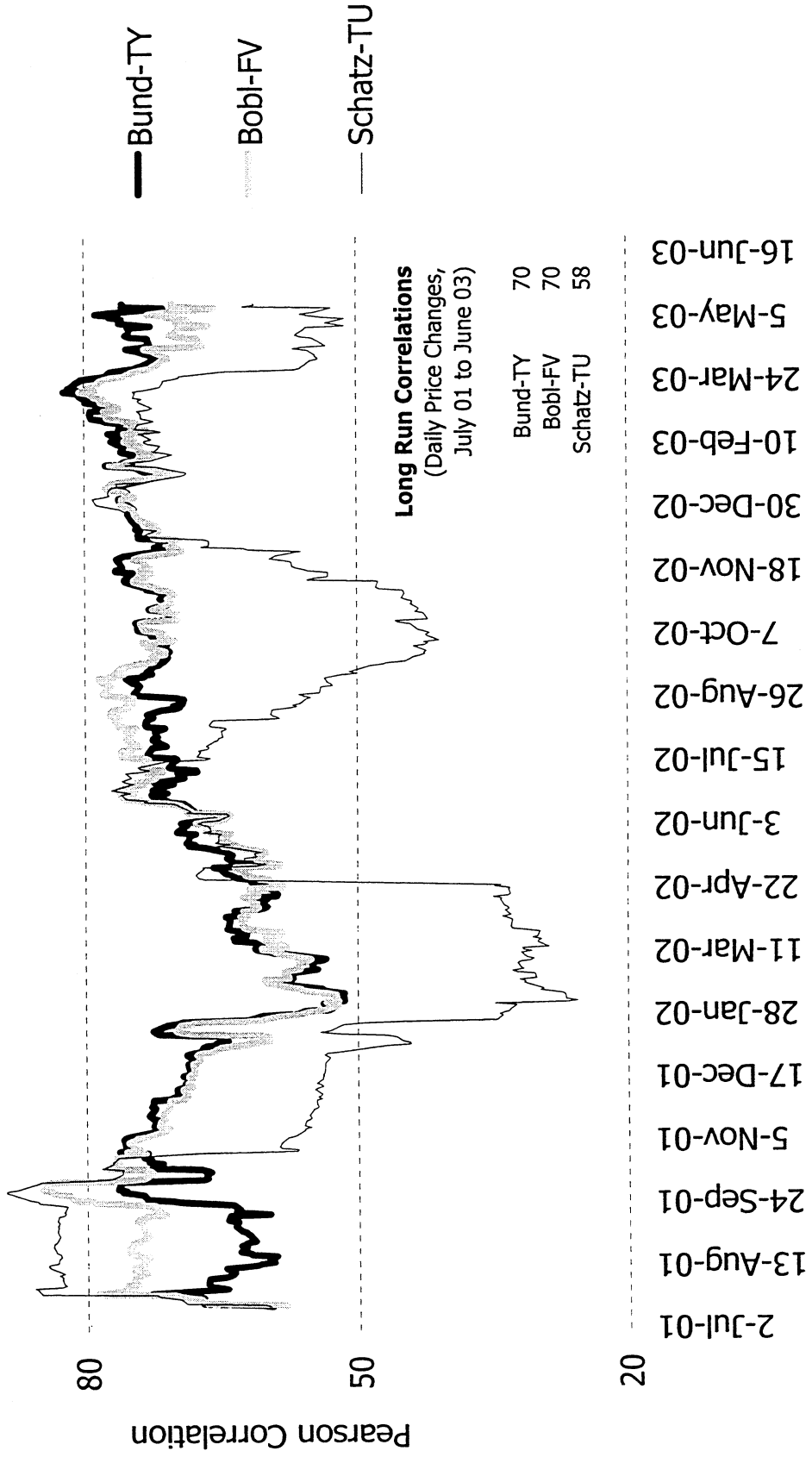
BOARD OF TRADE CLEARING
CORPORATION

By: /s/ Dennis A Dutterer
Name: Dennis A. Dutterer
Title: President and Chief Executive Officer

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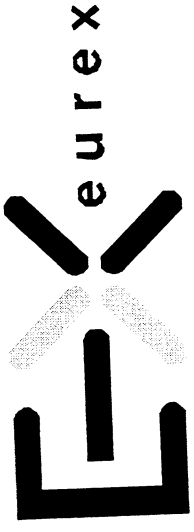
APPENDIX D

Eurex Sovereign Debt Futures vs CBOT Treasury Futures:
Rolling Quarterly Correlations



Data Sources:
Chicago Board of Trade
Eurex

APPENDIX E



Press Conference

**Eurex US – New Opportunities For Derivatives
Trading and Clearing**

16 September 2003

Chicago, IL

Eurex US - Highlights

- Creating a global market place for derivatives trading and clearing
- New trading and clearing opportunities for customers worldwide
- Accelerating growth in the U.S. futures industry
- Partnership with U.S. market participants
- Open and equal access: establishing a level playing field in the U.S. futures industry
- High quality services provided at lowest cost

Eurex US - Highlights

- U.S. regulated exchange - filed with CFTC for an U.S. exchange license today
- Based in and operated out of Chicago
- Start on 1 February 2004
- 20 hour electronic trading in a full range of products including derivatives on U.S. and European interest rates and indices
- Clearing through The Clearing Corporation in Chicago
- Global Clearing Partnership with The Clearing Corporation will
 - Give customers of The Clearing Corporation direct access to Eurex's European products
 - Enable Eurex customers worldwide to clear Eurex's U.S. products via both Eurex Clearing as well as The Clearing Corporation

Agenda

- Eurex US – Highlights
- Eurex – A Successful Growth Model
- Eurex US - New Opportunities For Derivatives Trading and Clearing
- The Global Clearing Partnership

Eurex – Creating Growth

- World market leader in derivatives
 - The world's highest volume derivatives exchange with 801 million contracts traded in 2002, 524 million contracts in first half 2003
 - The highest volume derivatives clearing organization in the world
- Provider of the most liquid international benchmark products
 - Fixed income products: Eurex is the world's most liquid market with 450 million contracts traded in euro interest rate derivatives in 2002 and 295 million contracts in the first half of 2003
 - European index products: Eurex is the leading exchange with a market share of over 70 percent
 - Equity options: Eurex is the leading international equity options market with an underlying value of 583 billion euros in 2002

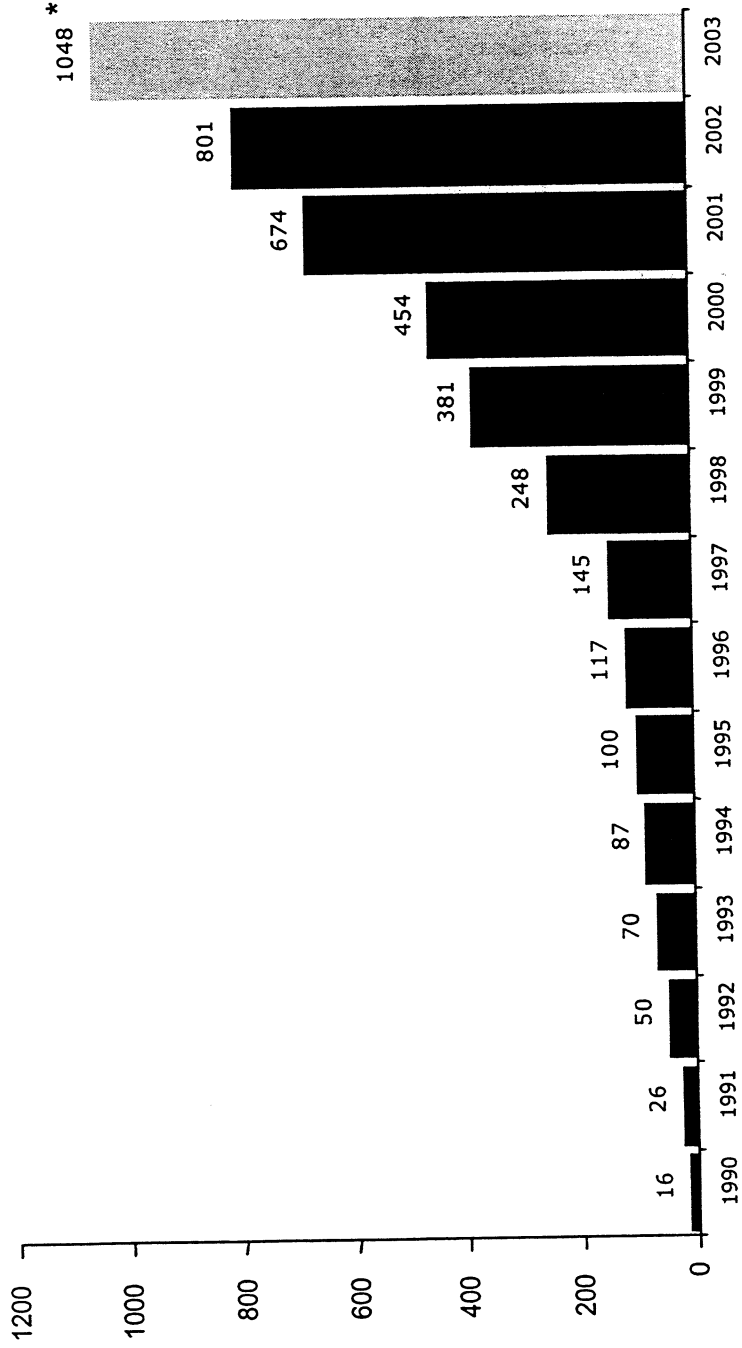
Eurex – Ownership Structure

- 50 percent of equity and 85 percent of revenue share:
Deutsche Börse AG
 - Listed in Frankfurt, majority owned by U.S. and UK institutional investors
 - 100 percent free float, held by more than 36,000 shareholders
 - Shareholders above 5 percent:
 - Fidelity Management Research Company (5.1%)
 - Fidelity International Limited (5.04%)

- 50 percent of equity and 15 percent of revenue share:
SWX Swiss Exchange
 - Owned by 55 financial institutions



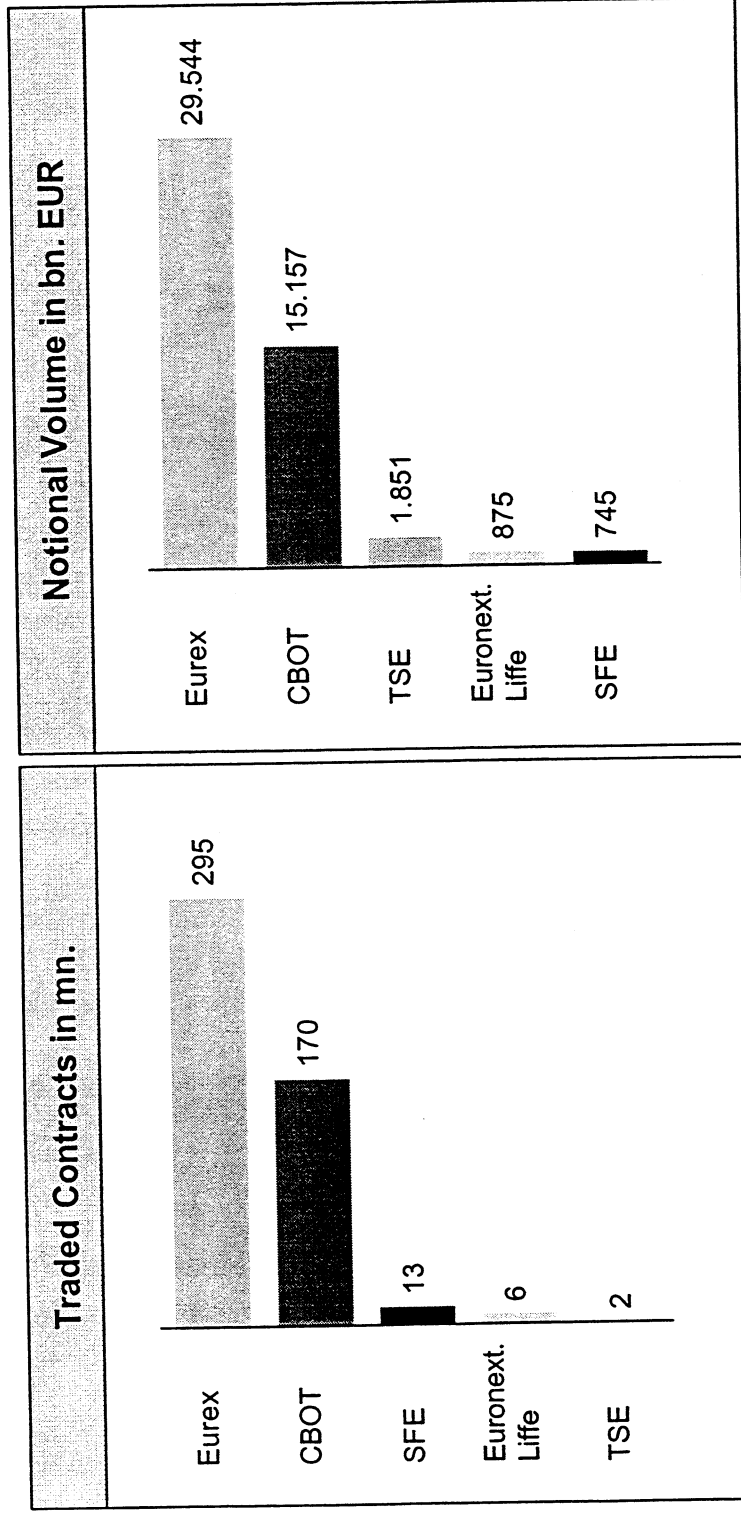
Eurex – A Successful Growth Model (Eurex bond futures and options total trading volume, in million contracts)



* Figures for 2003 extrapolated,
based on YTD August 2003

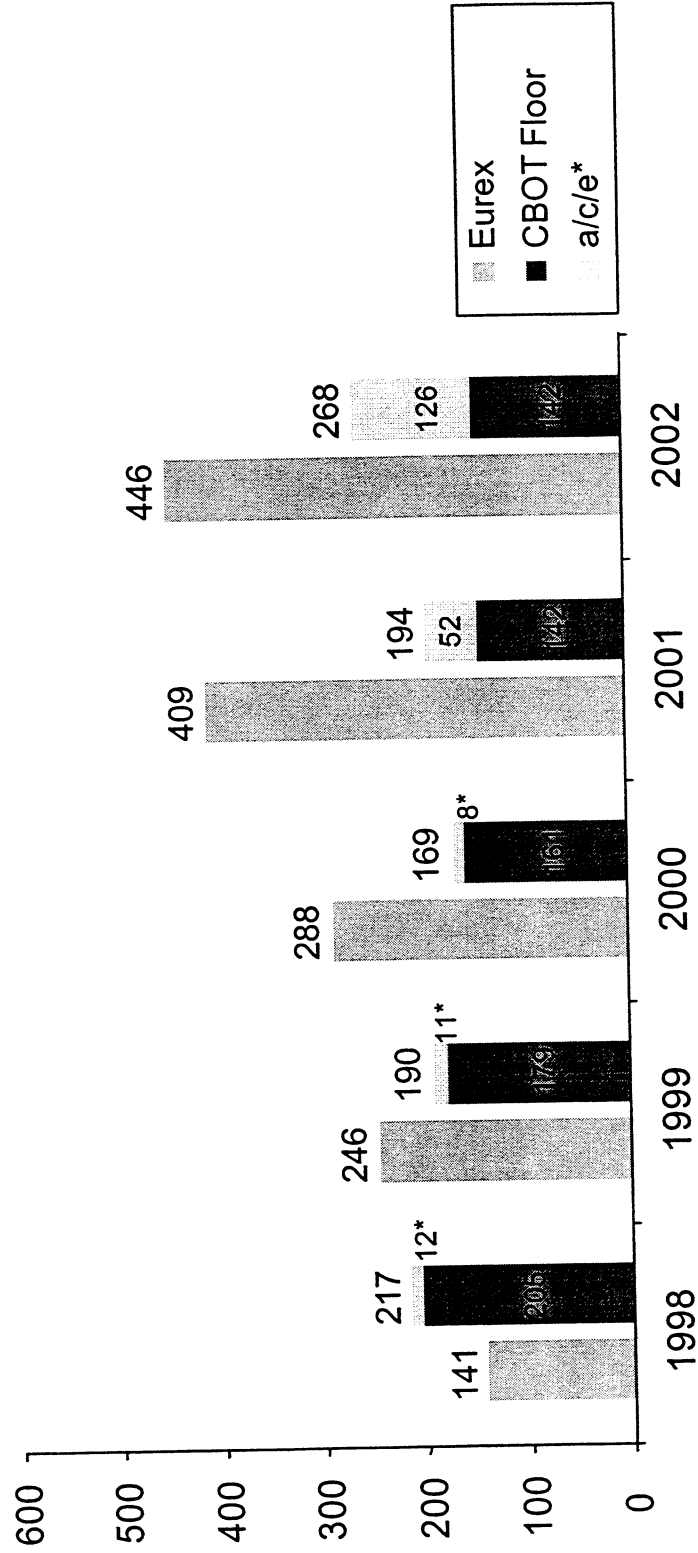


Exchange Traded Bond Futures and Options (traded contracts and notional volume, 1st half 2003)



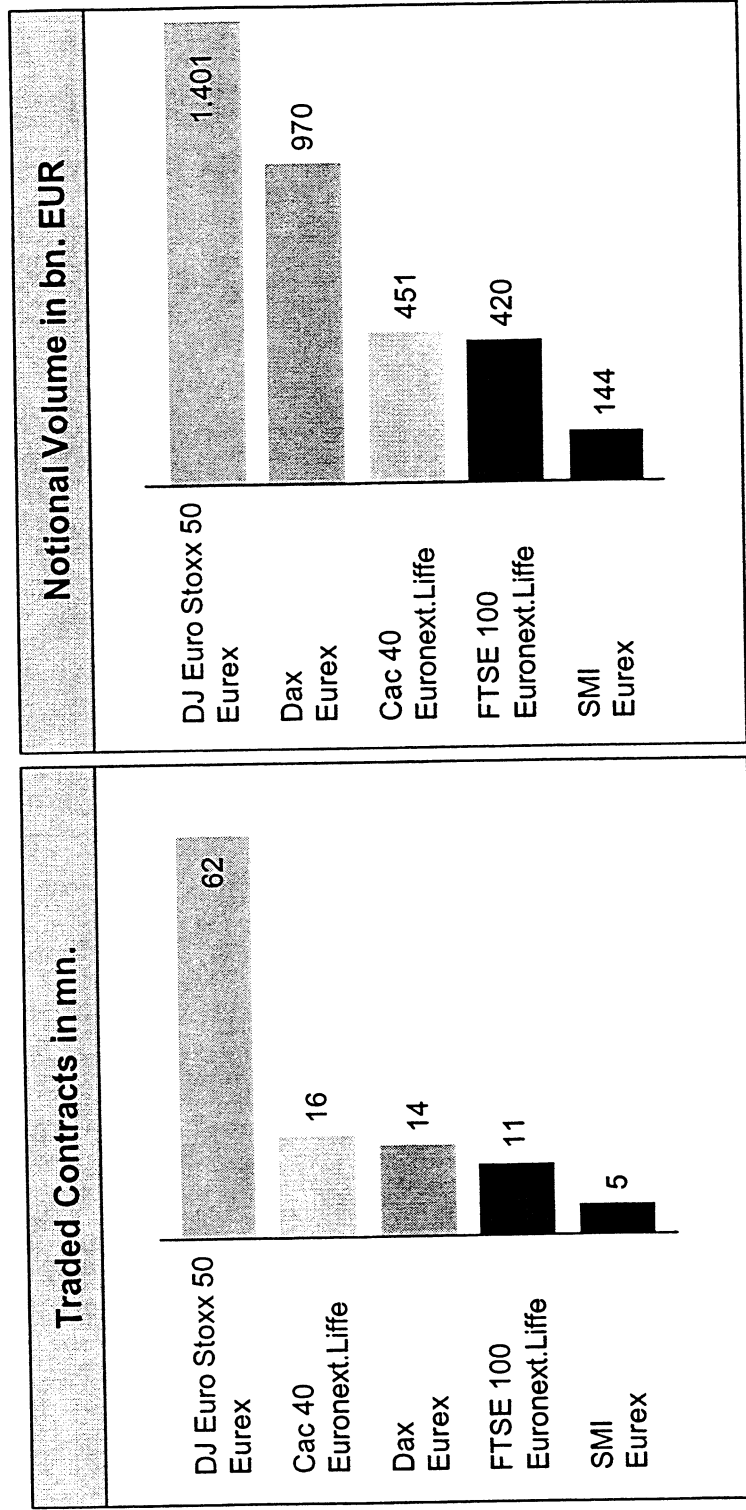


Eurex Market Model Accelerates Growth
 (trading volume in bond futures and options, in million contracts)



* 1998 - August 2000 Volume: Project A

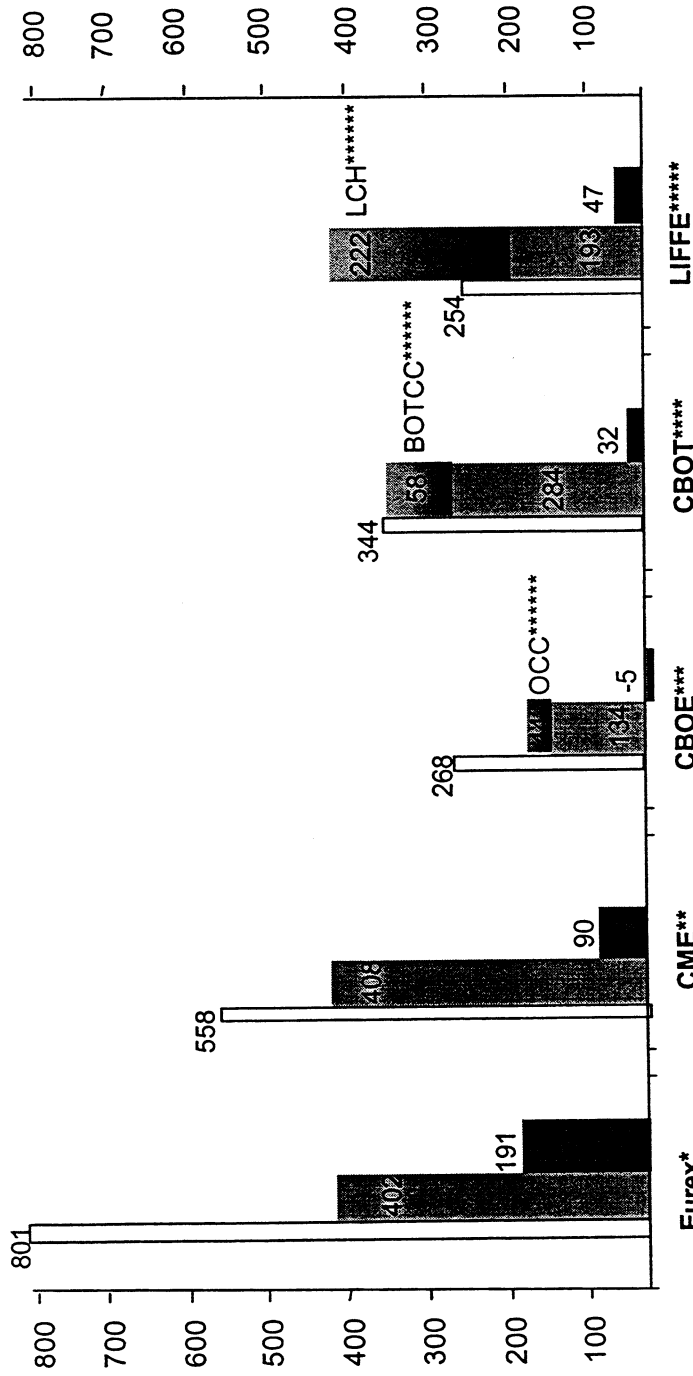
Major European Index Futures (traded contracts and notional volume, 1st half 2003)





Eurex: More Value for Customers And Shareholders (contract turnover, revenues and profit of international derivatives exchanges, 2002)

- Traded Contracts in mn.
- ▒ Revenues in EUR mn.
- Net Profit in EUR mn.



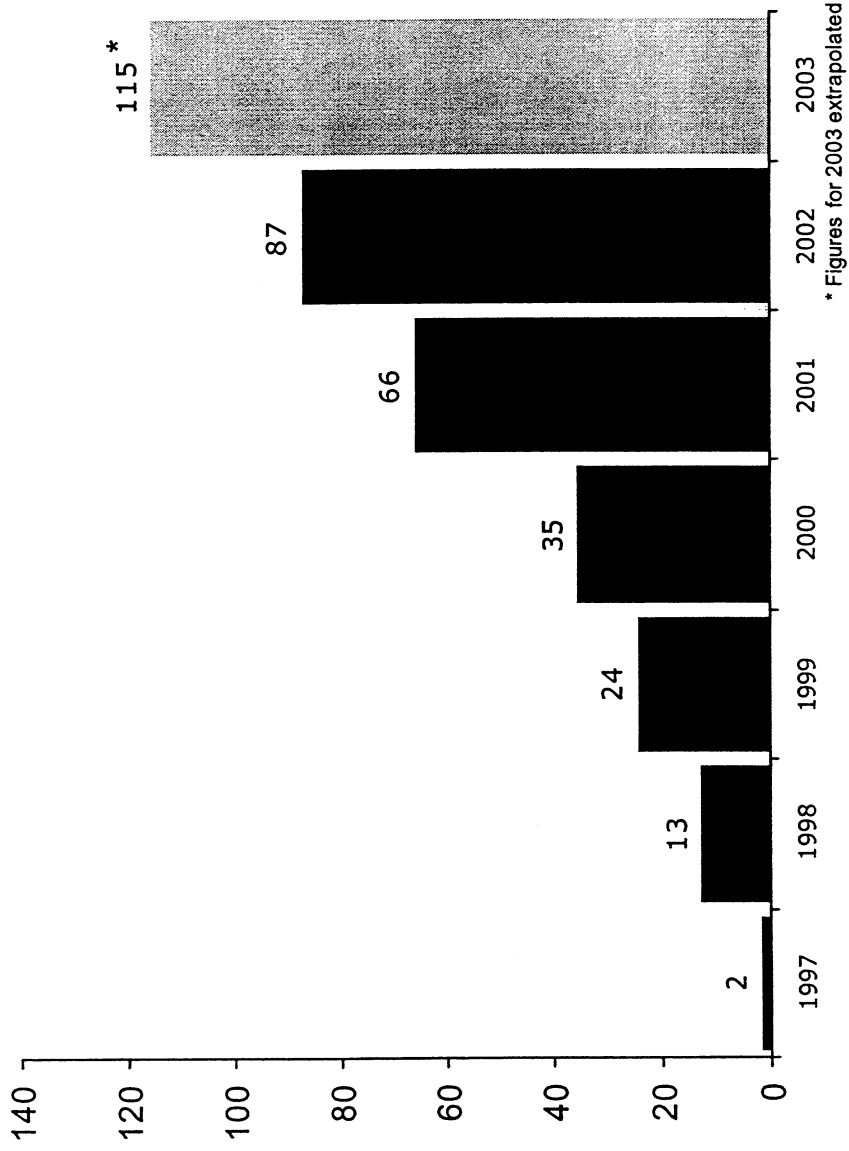
* Eurex: Sales & estimated EBIT ; **CME: Sales; ***CBOE: Estimated sales and estimated Net Profit; **** CBOT: estimated revenues;
 *****Liffe: revenues & EBIT for Liffe are estimates (Revenues for Derivatives Trading at Euronext.liffe 290 Mio. €); Traded contracts are
 only for Liffe; ****OCC, LCH, BOTCC: estimated revenues

Eurex Already Successfully Serving the U.S. Market

- Strong ties with the U.S. market through European products
 - Eurex already has over 70 members in about 100 locations in the U.S.
 - About 25 percent of turnover in European benchmark products currently traded from the U.S.
- U.S. clients have helped to make the futures and options on Dow Jones Euro STOXX 50 the most successful European index products
- Eurex operates the most successful electronic trading platform for U.S. futures
 - More than 80 percent of all U.S. Treasury futures are already traded on Eurex technology (a/c/e)
 - Same trading platform and network used in Europe and the U.S.
 - Proven, reliable and scalable technology
 - This infrastructure will be used by Eurex US



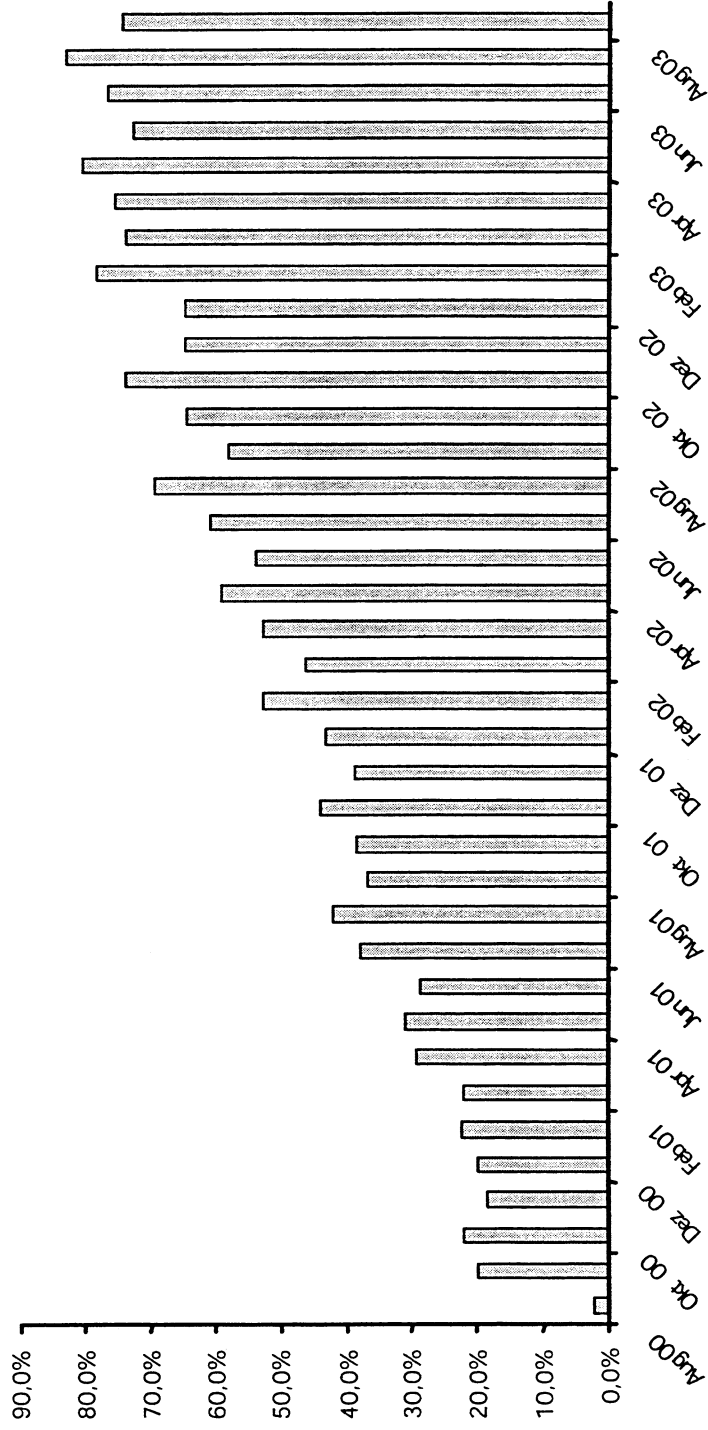
U.S. Traders Increasingly Accessing European Markets via Eurex (trading volume of U.S. members, in million contracts)





Eurex Operates the Leading Electronic Platform for US Treasury Futures

(share of U.S. Treasury futures traded on Eurex technology)





Eurex Forming Partnerships With Market Participants

- Equity partnership in Eurex US offered to U.S. market participants
 - Eurex is extending an invitation to U.S. market participants to become equity partners in Eurex US
 - A significant stake in the exchange's equity is reserved for this purpose
 - Substantial industry participation in exchange governance

- Equity partnership in The Clearing Corporation
 - Eurex is taking a 15 percent equity stake
 - Wide range of US market participants holding the remaining 85 percent
 - Of the top 20 Eurex customers, 18 are shareholders as well as clearing members of The Clearing Corporation
 - Current shareholders of BOTCC include:
 - ABN AMRO, Bear Stearns, Carr Futures, Citigroup, Credit Suisse, Deutsche Bank, Fimat, Fortis Clearing, Goldenberg Hehmeyer, Goldman Sachs, J.P. Morgan, Lehman Brothers, Marquette Partners, Merrill Lynch, Morgan Stanley, Prudential Securities, Refco, UBS Warburg

Agenda

- Eurex US – Highlights
- Eurex – A Successful Growth Model
- Eurex US - New Opportunities For Derivatives Trading and Clearing
- The Global Clearing Partnership

Eurex US – New Opportunities For Derivatives Trading and Clearing

Full range of products including:

- Futures and options on USD Treasury notes/bonds:
 - 2-year Treasury notes
 - 5-year Treasury notes
 - 10-year Treasury notes
 - 30-year Treasury bonds

- Futures and options on Euro interest rates:
 - 2-year Euro interest rates
 - 5-year Euro interest rates
 - 10-year Euro interest rates

- Futures on indices:
 - DAX®
 - Dow Jones Euro STOXX 50SM

20 hour electronic trading from 8.00 p.m. to 4.00 p.m.

Eurex US – New and Enhanced Trading Features

- Unique opportunity to extend services for fixed income options
- Risk-free execution for large bilateral trades
- Straight forward automatic process for give-up/take-up business
- Enhanced error protection and risk minimization mechanisms to filter erroneous trades

Treasury
Futures

- Fully integrated order book for calendar spreads
- EFPs (Exchange for Physicals) and EFSs (Exchange for Swaps)
- Block trading facility (for 2,500 contracts or above)

Treasury
Options

- Delta-neutral trading facility
- Strategy builder
- Block trading facility (for 2,500 contracts or above)

Eurex US - Fair and Transparent Trading

- Fully electronic market means no split in liquidity (floor versus screen)
- Level playing field (no bias towards special member classes)
- Liquidity anticipated to be equal or better than in competing markets
- Electronic market makers to respond to quote requests for treasury options and treasury options strategies

Matching Algorithm

- Price/Time priority matching
- Fully anonymous from order entry through to settlement
- Equal access to the same order book and the 10 best bid/ask prices

Price Discovery

- From day one, electronic market makers will be using state-of-the-art technology in US Treasury futures
- Market makers will quote on request in both the outright and the strategy order books

Benefits for Customers

Trading

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- Democratic, open market model
- Level playing field for all market participants
- Participation in Eurex's global liquidity network
- Low trading costs
- Additional trading opportunities through additional products
- Overall market growth due to market model, global distribution and further stimulation through seamless integration of OTC markets

Benefits for Customers

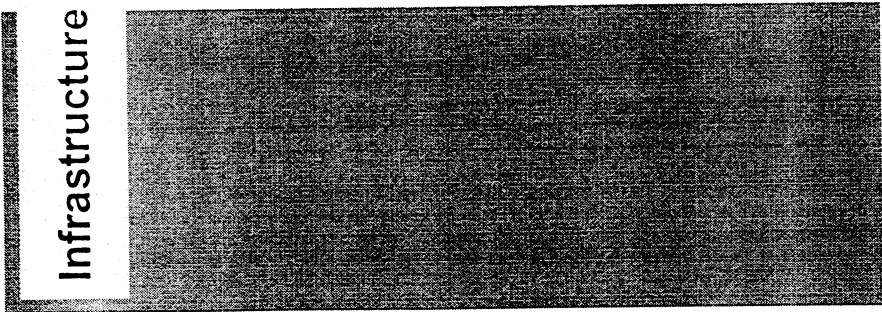
A large rectangular area of the slide is completely blacked out, obscuring the text underneath.

Trading

- Global access and distribution
- Reliable and scalable technology
- Tight and deep markets
- Fungibility of trading and clearing of U.S. and European products adds value for customers worldwide

Benefits for Customers

Infrastructure

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- Customers can leverage their existing trading and clearing infrastructure
- Eurex operates the most reliable and scalable electronic trading platform worldwide which already trades more than 80 percent of all U.S. bond futures
- The Clearing Corporation operates the preferred futures clearing infrastructure in the U.S.

Agenda

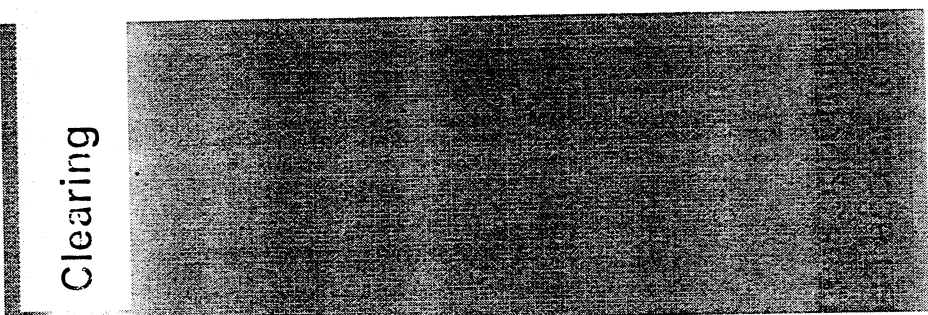
- Eurex US – Highlights
- Eurex – A Successful Growth Model
- Eurex US - New Opportunities For Derivatives Trading and Clearing
- The Global Clearing Partnership

Global Clearing Partnership – A Perfect Fit

- The Clearing Corporation to clear for Eurex in the U.S.
- The global clearing partnership will give customers of The Clearing Corporation direct access to Eurex's European products
- Eurex customers worldwide will be able to clear Eurex's U.S. products via both Eurex Clearing as well as The Clearing Corporation
 - Access to both organizations and their respective product portfolios and services
 - Choice of clearing access through Eurex Clearing and The Clearing Corporation

Benefits for Customers

Clearing

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- Increased capital efficiencies leading to lower costs through
 - Single collateral pool for two markets
 - Cross margin effects up to 95 percent
- Lower entry barriers for all customers of Eurex and Eurex US because of clearing choice
- Single open interest pool for all customers due to fungibility of contracts executed on all Eurex exchanges
- Lower back office costs due to streamlined processes
- Additional business opportunities for clearing members through access to additional products

APPENDIX F

Press Releases

Eurex US to launch on February 1, 2004

**Eurex US to offer U.S. and European Fixed Income and Index Derivatives/
Ferscha: Eurex US to accelerate growth in the US financial industry/
Eurex offers U.S market participants equity partnership in Eurex US/
Global clearing partnership to deliver clearing choice and direct access**

Frankfurt/Main, 16 Sep 2003

Eurex, the world's largest derivatives exchange, announced today that it will launch its new fully-electronic US based exchange, Eurex US, on February 1, 2004. Eurex US will be a U.S. regulated exchange and will offer a full range of products including derivatives on U.S. and European interest rates and indices. With this step Eurex US will offer customers worldwide 20-hour electronic trading and clearing in U.S. Dollar- and Euro-denominated futures and options on futures. It will give U.S. customers direct access to and choice of clearing of the most liquid European futures for the first time. Eurex US will be based in and fully operated out of Chicago. It will use The Clearing Corporation as its U.S. clearing partner.

Eurex CEO Rudolf Ferscha said "Eurex US will create new trading and clearing opportunities for our customers worldwide and accelerate growth in the U.S. financial industry as a whole. Eurex US will establish a level playing field in the U.S. futures industry for the first time. All its customers will have open and equal access to the world's most reliable and scalable electronic trading system at the lowest cost."

Eurex US will begin trading on February 1. It will offer 20 hour trading from 8 p.m. until 4 p.m. the following day. Its products will include futures and options on 2-, 5- and 10-year Treasury notes and on 30-year Treasury bonds as well as the world's most liquid derivatives, the 2-, 5- and 10-year contracts on Euro interest rates. It will also include the most liquid European index derivatives, the futures on the European indices DAX® and Dow Jones Euro STOXX 50SM. All European products will continue to be also traded on Eurex's European platform and will be fully fungible with Eurex US' products.

There will be no membership fees and customers will not need to buy seats in order to participate in Eurex US. This will give customers the opportunity to trade on Eurex US without holding a stake in the exchange, further removing barriers to entry. At the same time Eurex US will offer trading at cost levels far below those currently paid in the U.S. market: the vast majority of trades will be priced at 20 cents per contract or less depending on participation in incentive schemes. No individual trade, regardless of volume, will cost more than 30 cents per contract. Eurex US will commit to maintain key prices for a period of five years. Eurex expects that customers can save more than 100 million USD in trading fees annually.

Eurex US filed formally for an exchange license with the Commodity Futures Trading Commission (CFTC) this morning. "We have had a very constructive dialogue with the CFTC and we look forward to working with the commission both now and in the future," Ferscha stated.

Eurex seeks to intensify its partnership with U.S. customers. As announced in early September, Eurex will enter into an equity partnership in The Clearing Corporation, with Eurex taking a 15 percent equity stake with a wide range of US market participants holding the remaining 85 percent. Eurex CEO Rudolf Ferscha stated on Tuesday that Eurex is extending an invitation to U.S. market participants to become equity partners in Eurex US and that a significant stake in the exchange's equity is reserved for this purpose. There will be substantial industry participation in the exchange's governance.

The Eurex US trading system will be based on the same state-of-the-art infrastructure and network as the successful a/c/e platform, on which over 80 percent of all trading in U.S. fixed income futures currently takes place. Current a/c/e users will be able to leverage their existing infrastructure with minimal implementation effort and expense. The new Eurex US trading platform will feature additional functionalities, which will give customers easy access to new trading strategies and facilitate a seamless integration of the OTC markets, creating new opportunities and further growth.

"Eurex US represents a tremendous opportunity for customers worldwide. The high level of interest in our offering shows that customers are eager to participate in Eurex's global liquidity network and get access to the most liquid derivatives products worldwide. Access to a wider product range will increase their opportunities

and our customers can lower their costs significantly. This will stimulate growth and strengthen Chicago's role as a financial center," said Michael McErlean, a Director of Eurex US.

Under the global clearing partnership agreement signed on September 3, The Clearing Corporation will clear all trades for Eurex US. Customers of The Clearing Corporation will also have direct access to Eurex's European products. At the same time, Eurex customers worldwide will be able to clear Eurex US products via both Eurex Clearing as well as The Clearing Corporation. This global clearing partnership will increase the efficiency and flexibility of U.S. market participants through full fungibility, enhanced cross-margining and reduced collateral through the use of collateral pools for a wider range of products. As a result customers will save up to 95 percent of their current margin requirements, substantially increasing the efficiency of capital employed.

About Eurex (www.eurexchange.com): Eurex is the world's leading futures and options market for derivative instruments and the highest volume derivatives clearing organization in the world. Total clearing volume on Eurex exceeded 801 million contracts in 2002. It provides access to a broad range of international benchmark products: Eurex operates the world's most liquid fixed income markets, with 450 million contracts traded in the 2-, 5- and 10-year Euro interest rates in 2002. At the same time, Eurex is the leading exchange in European index products with a market share of over 70 percent. Furthermore, in the equity options business Eurex traded contracts with an underlying value of 583 billion Euro in 2002, making it the largest equity options market worldwide.

Walter Allwicher and Uwe Velten will be happy to take questions from editorial staff:
phone +49-69-2 11-1 15 00



Press Releases

Partnership Deal signed between The Clearing Corporation and Eurex

**The Clearing Corporation to clear for Eurex in the U.S.A/
Global Clearing Partnership includes 15 percent Eurex equity participation in The Clearing Corporation/
Customer savings of up to 95 percent of current margin requirements**

Frankfurt/Main, 04 Sep 2003

Eurex, the world's largest derivatives exchange and highest volume derivatives clearing organization, and The Clearing Corporation, the largest independent futures clearing organization in the U.S., today announced they have signed an agreement to enter into a long term global clearing partnership. Under the agreement, The Clearing Corporation becomes Eurex's partner of choice to clear trades on its new all-electronic U.S.-based exchange to be established in early 2004.

The Clearing Corporation will change its structure to include two significant changes: Current shareholders of The Clearing Corporation will hold 85 percent of The Clearing Corporation and Eurex 15 percent. The capital base of The Clearing Corporation will be 100 million USD, 85 million USD contributed by current shareholders and 15 million USD contributed by Eurex. Eurex will also have one seat on the Board of Directors. The existing shareholders will elect the remaining eight board members.

Secondly, the guarantee function currently performed through the company capital will be performed through a separate clearing fund. Therefore, customers of The Clearing Corporation will no longer need to hold a stake in the company in order to clear at The Clearing Corporation, greatly increasing their flexibility. The Clearing Corporation will offer a share buy back program in order to allow shareholders to monetarize a certain amount of their equity interest while continuing to use The Clearing Corporation's clearing services. The Clearing Corporation will formally change its name from Board of Trade Clearing Corporation to The Clearing Corporation. The arrangement between The Clearing Corporation and Eurex is non-exclusive and The Clearing Corporation will continue to develop business arrangements with other exchanges and derivatives marketplaces. Eurex and The Clearing Corporation will make joint decisions concerning core areas of the partnership such as cross margining additional products with Eurex U.S. products. The initial term of the arrangement is seven years with subsequent automatic three year renewals.

The global clearing partnership will give customers of The Clearing Corporation direct access to Eurex's European products. At the same time Eurex customers worldwide will be able to clear Eurex's U.S. products, as introduced, via both Eurex Clearing as well as The Clearing Corporation. For the first time customers will be able to leverage their existing infrastructures to access both U.S. Dollar- and Euro- denominated products through the global clearing partnership. As a result customers will save up to 95 percent of their current margin requirements, substantially increasing the efficiency of capital employed. This will be achieved by enhanced cross margining and reduced collateral through the use of collateral pools for a wider range of products. Customers will benefit from full fungibility, allowing them to open positions in the European market and close them in the U.S market and vice versa.

"The new structure of the Clearing Corporation will position our company for growth and additional opportunity. Our partnership with Eurex opens a new era in global derivatives trading ? and a totally new era for The Clearing Corporation as an independent user owned company," said Michael Dawley, Chairman of the Board of Governors of The Clearing Corporation. "Members of The Clearing Corporation and their customers will participate in a new, all-electronic, global marketplace that will offer the lowest cost and highest value in the business."

Eurex CEO Rudolf Ferscha said: "The Clearing Corporation and Eurex will create great value for customers and accelerate growth throughout the industry. This agreement forms an unprecedented industry partnership and marks a significant milestone in our plans to launch a U.S. exchange in early 2004. Through this partnership Eurex teams up with the leading industry participants in the U.S market to provide the best services for the industry worldwide." "Our partnership with Eurex allows The Clearing Corporation to maintain its independence and history of innovation in the derivatives business while ensuring that Chicago remains a center of futures trading activity," said Dennis A. Dutterer, President

and CEO of The Clearing Corporation.

About The Clearing Corporation (www.clearingcorp.com):

The Board of Trade Clearing Corporation is a Delaware corporation now in its 78th year of business. The company is owned by 87 clearing member stockholders, who represent the world-wide derivatives marketplace participants and market makers, and is the only active independent futures clearinghouse in the world. The Clearing Corporation is the largest clearing organization for futures in the U.S and clears over 98 percent of all U.S capital market derivatives. The Clearing Corporation offers clearing services for multiple exchanges and market places.

About Eurex (www.eurexchange.com):

Eurex is the world's leading futures and options market for derivative instruments and the largest derivatives clearing organization in the world. Total clearing volume on Eurex exceeded 801 million contracts in 2002. It provides access to a broad range of international benchmark products: Eurex operates the world's most liquid fixed income markets, with 450 million contracts traded in the 2, 5 and 10 year euro interest rates. At the same time, Eurex is the leading exchange in European index products with a market share of over 70 percent. Furthermore, in the equity options business Eurex has traded contracts with an underlying value of 583 billion Euro in 2002, making it the largest equity options market worldwide. Eurex has developed and currently operates the successful a/c/e trading platform which trades more than 80 percent of all U.S. bond futures. a/c/e and Eurex utilize the same trading platform and the global Eurex network and Eurex will continue to use this infrastructure for the new exchange.

Walter Allwicher and Uwe Velten will be happy to take questions from editorial staff:
phone +49-69-2 11-1 15 00



APPENDIX G

X-pand into the Future

**Eurex's New US Exchange and Global
Clearing Solution – Transatlantic Access to
the World's Most Liquid Derivatives**

Member Information, July 2003

AGENDA

- 1. Mission**
- 2. Exchange Trading and Products**
- 3. Clearing**
- 4. Trading & Clearing Pricing and Billing**
- 5. Member Readiness**
- 6. US Exchange Rollout Plan**

MISSION

- To deliver to our clients the first transatlantic marketplace for derivatives
- To be a market leader in providing cost-effective market access, clearing solutions and competitive pricing
- To set the industry standard for access to benchmark USD and EUR denominated futures and options

AGENDA

1. Mission
2. **Exchange Trading and Products**
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Products – Product Range

PRELIMINARY

FUTURES

•U.S. T-Bond Futures
2 yr, 5 yr, 10 yr, 30 yr

•US Blue Chip Index Futures

•German Bond Futures
BUND, BOBL, SCHATZ

•Euro STOXX 50 Future
•DAX Future

OPTIONS ON FUTURES

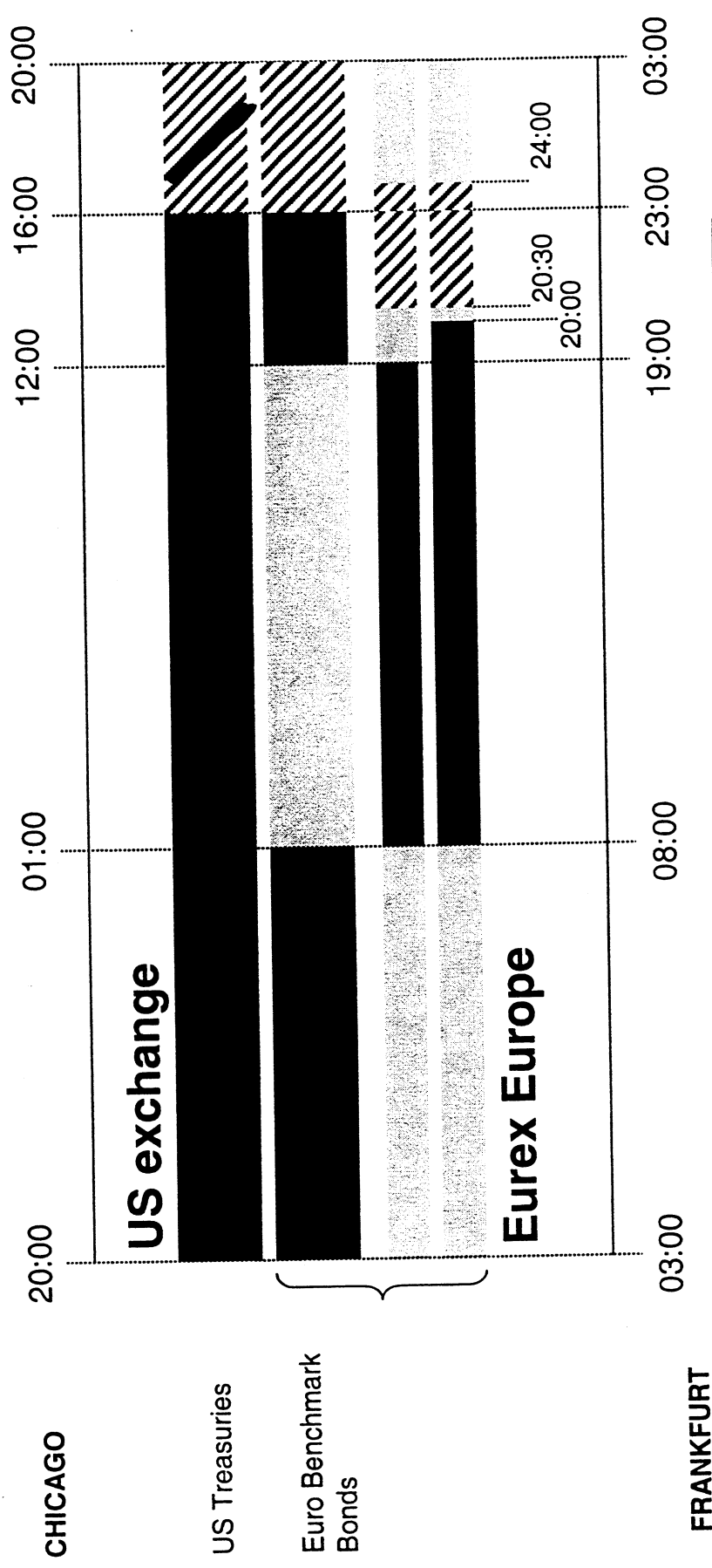
•Options on U.S. T-Bond
Futures 2 yr, 5 yr, 10 yr, 30 yr

•Options on US Blue Chip
Index Futures

•Options on German Bond
Futures BUND, BOBL,
SCHATZ

Trading Schedule*

PRELIMINARY



20 hour trading session to access

- Benchmark European EUR denominated treasury derivative products
- Full suite of US treasury products

Non-trading time

Batch Time

*Shortening European Trading hours in discussion

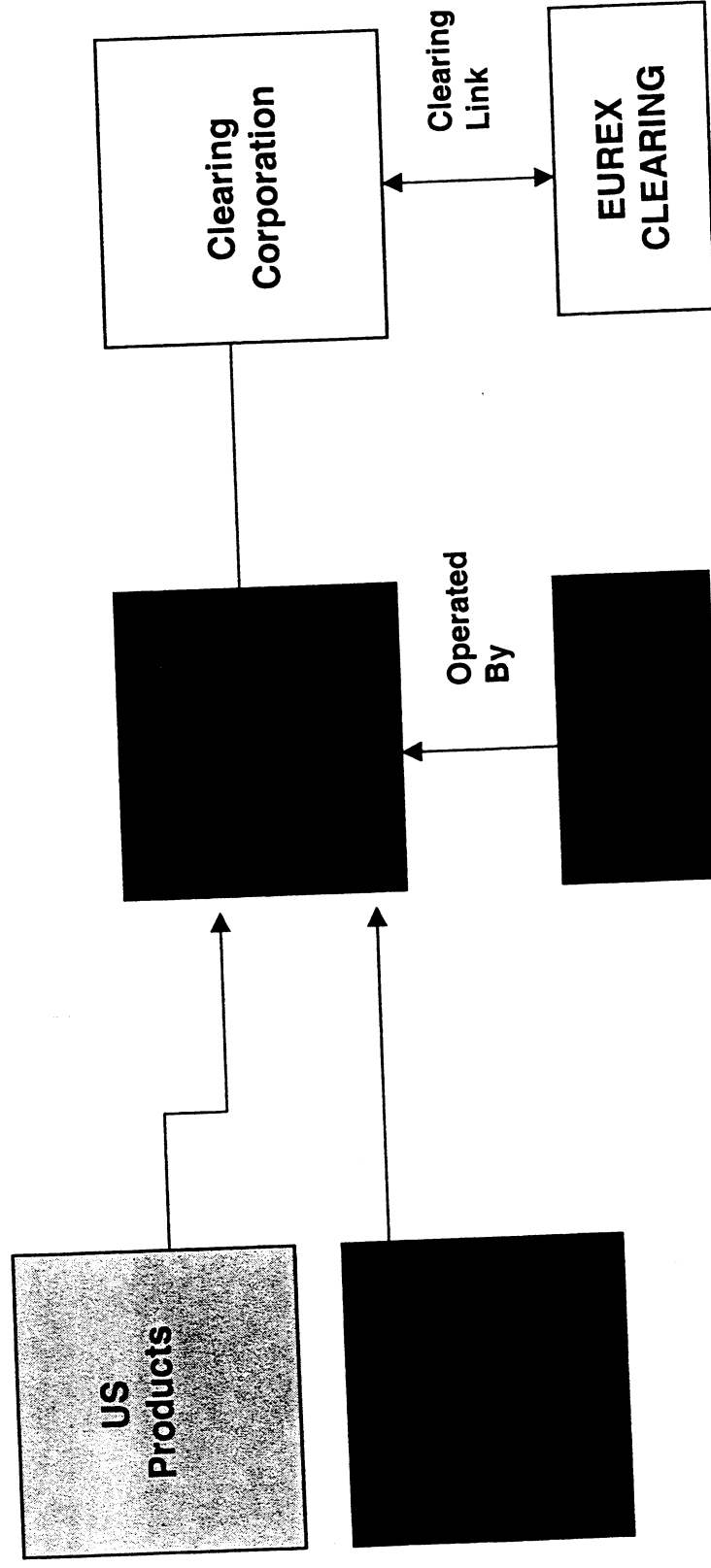
AGENDA

1. Mission
 2. Exchange Trading and Products
 3. **Clearing**
 4. Trading & Clearing Pricing and Billing
 5. Member Readiness
 6. US Exchange Rollout Plan
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AGENDA

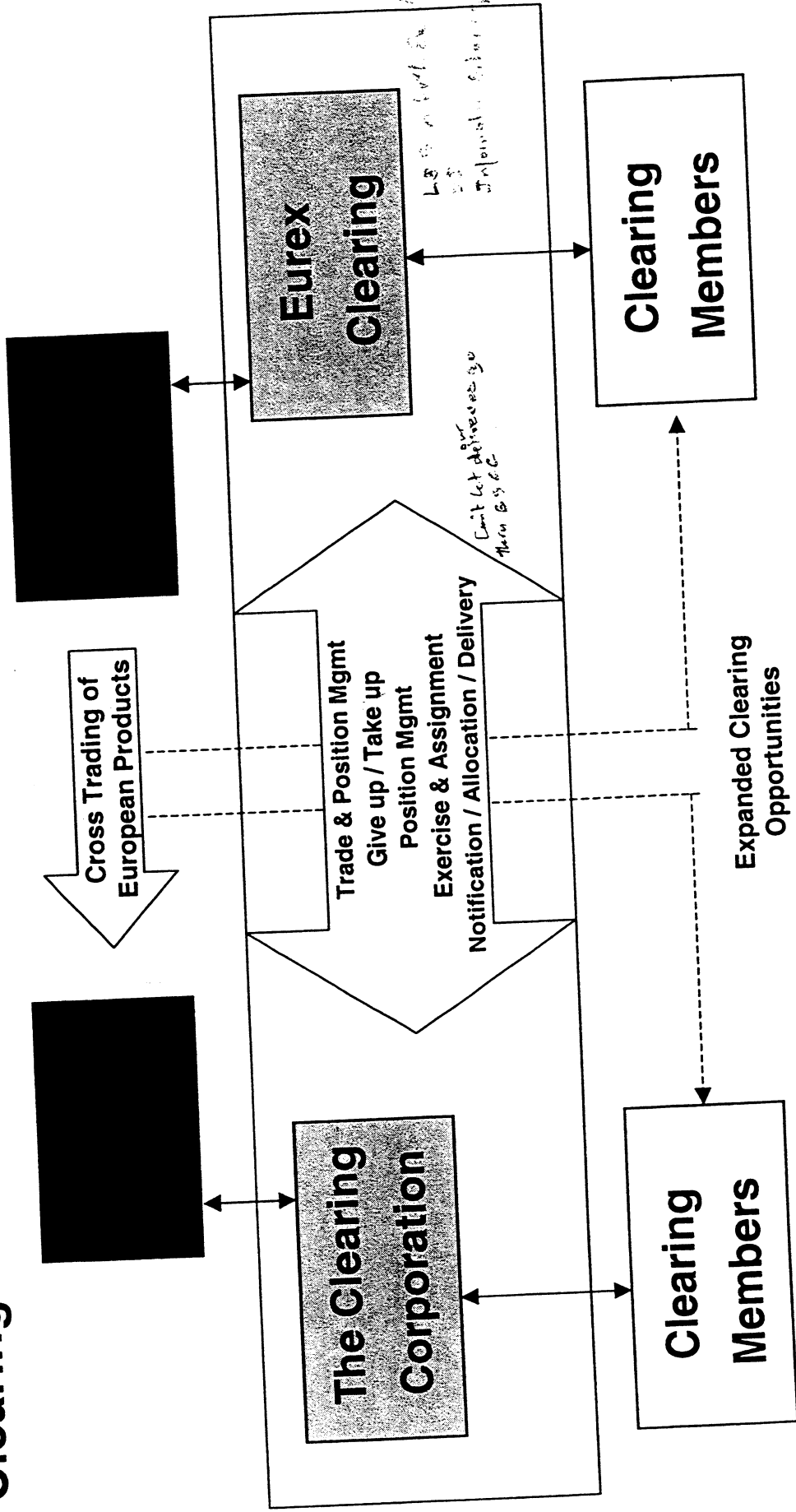
1. Mission
2. Exchange Trading and Products
3. **Clearing**
 - **Global Clearing Solution**
 - Clearing Functionalities
 - Benefits for the Financial Community
4. Trading & Clearing Pricing and Billing
5. Member Readiness
6. US Exchange Rollout Plan

Clearing – First Global Clearing Solution (1/2)



- Fully serviced global clearing solution between Clearing Corporation and Eurex Clearing (ECAG)
- Local clearing for US and European clearing members in all products
- Collateral pooling and margin offsets

Clearing – First Global Clearing Solution (2/2)



Clearing House Link Principles

- Home Country Principle
- Prime Clearing House (Principle of Trade Flow)

Trade and Position Management (3/3)

- **Position Keeping** principals at Clearing Corporation and ECAG are similar
 - Trading members use clearing members as intermediaries to the clearing organization
 - The US clearing environment supports carrying of positions on both a gross and net basis although net is the norm at Clearing Corporation with certain exceptions by product class
- **Position Management** is affected by both trading members as well as clearing members depending upon the specific function performed and based upon local practice and availability of this functionality within trading and clearing platforms
 - In the US these functions are exclusively performed by clearing members on behalf of trading members
 - It is assumed that clearing members would enter instructions into the clearing system either of their own accounts or on behalf of their customers

Physical Delivery and Product Related Cash Flows

- Physical delivery and product related cash flows such as variation margins, premiums and cash settlement follow the home country principal of the product
- Eurex Clearing performs delivery and cash management for the Clearing Corporation and its members for EUR denominated products
 - Members of the Clearing Corporation will use a settlement bank or Bundesbank relationship for EUR payments and a custodian bank or Clearstream Frankfurt relationship for physical deliveries
- Clearing Corporation performs delivery and cash management for Eurex Clearing and its members for USD denominated products
 - Members of Eurex Clearing will use a settlement bank for USD payments and a custodian bank relationship in the US for physical deliveries

Regulatory Reporting

- All US Exchange trades will have US reporting standards
 - CFTC reporting
 - Large traders reporting
- All Eurex executed trades will have German reporting standards
 - BA Fin§ 9 reporting
- All euro payments will have AWW reporting

AGENDA

1. Mission
2. Exchange Trading and Products
3. **Clearing**
 - Global Clearing Solution
 - Clearing Functionalities
 - **Benefits for the Financial Community**
4. Trading & Clearing Pricing and Billing
5. Member Readiness
6. US Exchange Rollout Program

Benefits for the Financial Community (1/2)

- Choice of clearing provider
 - Single point of clearing – global trading via a local clearing interface
 - Choice of jurisdiction
 - Choice of rules and standards
- Capitalize on existing infrastructures
 - Expanded market opportunities through a common interface
 - Refrain existing settlement processes
 - One single infrastructure for multiple US and European markets

Benefits for the Financial Community (2/2)

- Reduction in collateral
 - Single collateral pool
 - Cross margining of USD and EUR products in one clearing organization
- Reduction in transaction costs
 - Economies of scale
 - Lower back office and reporting costs
 - Low cost industry leading trading and clearing platforms

AGENDA

1. Mission
2. Exchange Trading and Products
3. Clearing
4. **Trading & Clearing Pricing and Billing**
5. Member Readiness
6. US Exchange Rollout Plan

The US Exchange Pricing and Incentive Scheme

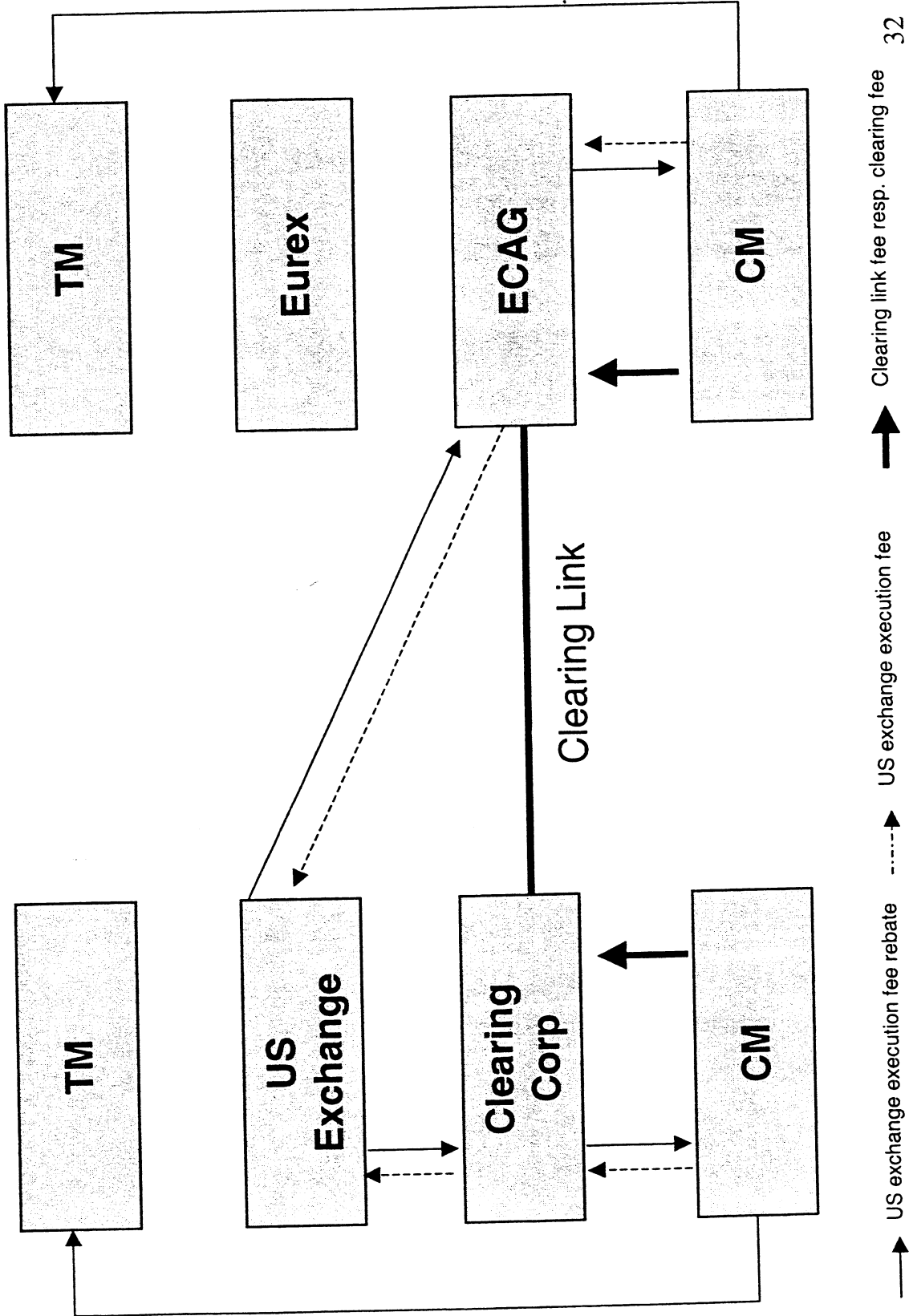
- Exchange fees are in product currency
- Fee & Incentive scheme for the US exchange is based on a flat fee per contract combined with a monthly rebate on the execution fee (volume discounts)
- The beneficial owner of the rebate, the trading member, is credited through the clearing organization of the appropriate clearing member
- Eurex Clearing and Clearing Corporation will bill and report payable fees to their clearing members, however the existing infrastructure will be used e.g. for the debiting and crediting of accounts (in EUR by ECAG and in USD by Clearing Corporation) according to the home country principle
- Give-up / Take-up:
 - original execution flat fee and original clearing fee moves to the take up clearing member
 - The original trading member remains as the beneficial owner of the rebate
- The fee & pricing for Eurex remains valid as hitherto

Clearing Fees

- Clearing fees are in product currency
- For contracts traded at the US Exchange and cleared at the Clearing Corporation a flat fee per contract applies
- For contracts traded at Eurex or the US Exchange but cleared via the Global Clearing Solution a flat fee applies
- For contracts traded at Eurex and cleared at Eurex Clearing the fee & pricing for remains as current operational
- For clearances such as Give-up / Take-up position transfers etc. of members of the Clearing Corporation the standard clearing fee applies

Overview of Trading & Clearing Fee Model and Fee Cash Flow Overview (a), (b)

DRAFT - Sample



(a) Preliminary, (b) Illustration focused on US exchange

AGENDA

1. Mission
2. Exchange Trading and Products
3. Clearing
4. Trading & Clearing Pricing and Billing
5. **Member Readiness**
6. US Exchange Rollout Plan

Member Requirements – Technical Connection (a)

Current Connection Status	Requirements / Impact on FEX Connection
Eurex only line	New connection
a/c/e only line	Usage of a/c/e network
Multimarket	Usage of a/c/e network
Exchange pipe (b)	Add additional channel/ Usage of a/c/e network
Internet	Internet line
MMMISS (c)	MMMISS connection
New member	New connection

(a)

Preliminary information

Multi Member MISS System Service Provider

Members who are connected via 128 k multimarket connection for a/c/e and Eurex – each market connected via 64 k channel

Membership Requirements - Legal

- The “Rules and Regulations” of Eurex’s new US exchange represents the legal basis for participation in the exchange
- Reduced barriers for legal admission process – straightforward and fast application process
 - US Trading Member adhere to their existing Clearing Agreement
 - European Trading Member are required to place an agreement with a Clearing Member of the Clearing Corporation
 - In the context of a clearing house membership, there will be no fundamental changes in legal requirements for an already established membership

Member Impact (1/3)

PRELIMINARY

	Clearing Corporation	Eurex Clearing
Account Structure	Unchanged (as in Clearing Corporation)	Unchanged (as in ECAG)
USD Payments	Unchanged	A settlement bank connection in the US needed
EUR Payments	A settlement bank or Bundesbank connection in Europe needed	Unchanged
Delivery in USD	Unchanged (as in Clearing Corporation)	A custodian bank connection in the US needed
Delivery in EUR	A custodian bank of Clearstream Banking Frankfurt connection in Europe needed	Unchanged (as in ECAG)
Account Segregation	Unchanged (segregated)	Unchanged (non-segregated)

Member Impact (2/3)

PRELIMINARY

Clearing Corporation Eurex Clearing

Margining	Cross margining USD and EURO denominated products (Clearing Corporation rules)	Cross margining USD and EURO denominated products (Eurex clearing rules)
Collateral Deposit	Unchanged (as in Clearing Corporation)	Unchanged (as in Eurex clearing)
Novation	Takes place simultaneously on both clearing organizations at one time	
Position Transfer	Unchanged	Unchanged
Give Up/Take Up	Unchanged	Unchanged
Exercise/Assignment	Unchanged	Unchanged

Member Impact (3/3)

PRELIMINARY

Billing

- Back office implementation
 - Fungibility of products executed on different exchanges (US exchange or Eurex) will be subject to different fees since the use of global clearing solution will be charged
 - Fee currency = product currency, so US products will be billed in USD
 - To credit the rebate the existing relationship between clearing organization and the respective clearing members is used. The clearing member passes on the rebate to the final beneficiary (trading member)

- Legal terms

- The crediting and debiting of the US exchange execution fees between clearing member and executor is not covered by the GCM/NCM agreement. The clearing member rather acts as a settlement bank

Trade Confirmation

- Due to the set up of two different member IDs for trading members, traders Are required to log in twice to access all products

AGENDA

1. Mission
2. Exchange Trading Products
3. Clearing
4. Trading & Clearing Pricing and Billing
5. Member Readiness
6. **US Exchange Rollout Plan**

US Exchange Rollout Plan Clearing Link Solution

PRELIMINARY

Q2/2003	Q3/2003	Q4/2003	Q1/2004
	Information & Roadshow		
	Build & Test	Continuous member updates & visits	
		Simulation	
			US exchange launch

Rollout Advantages – Proven System Without Migration Effort

- Proven and stable system based on a/c/e technology (no training needed)
- Use of reliable a/c/e technical infrastructure and network
- Access to a fast growing worldwide distribution network
- Proven and reliable system and infrastructure of the Clearing Corporation and Eurex Clearing

a/c/e performance parameters

System availability: 99.96%

Response time: 0.095 sec

For more information...

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Eurex Clearing

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F +49 69 211-18910

Customer.support@eurexchange.us

Backup

Products – Access to European Benchmarks

Euro BUND Future	<ul style="list-style-type: none">•Av. Daily volume: 766,000•Av. Bid offer spread: 1 tick•Av. Order book depth: 5,000 contracts•Av. Bid offer size: 300 contracts
Euro BOBL Future	<ul style="list-style-type: none">•Av. Daily volume: 381,000•Av. Bid offer spread: 1 tick•Av. Order book depth: 5,000 contracts•Av. Bid offer size: 400 contracts
Euro SCHATZ Future	<ul style="list-style-type: none">•Av. Daily volume: 435,000•Av. Bid offer spread: 1 tick•Av. Order book depth: 8,500 contracts•Av. Bid offer size: 1,200 contracts
Euro STOXX 50 Future	<ul style="list-style-type: none">•Av. Daily volume: 486,000•Av. Bid offer spread: 1 tick•Av. Order book depth: 2,000 contracts•Av. Bid offer size: 200 contracts
DAX Future	<ul style="list-style-type: none">•Av. Daily volume: 106,000•Av. Bid offer spread: 0.5 tick•Av. Order book depth: 150 contracts•Av. Bid offer size: 5 contracts

APPENDIX H



X-pand into the Future

**Eurex US
Global Access to the
World's Benchmark Derivatives**

September 2003

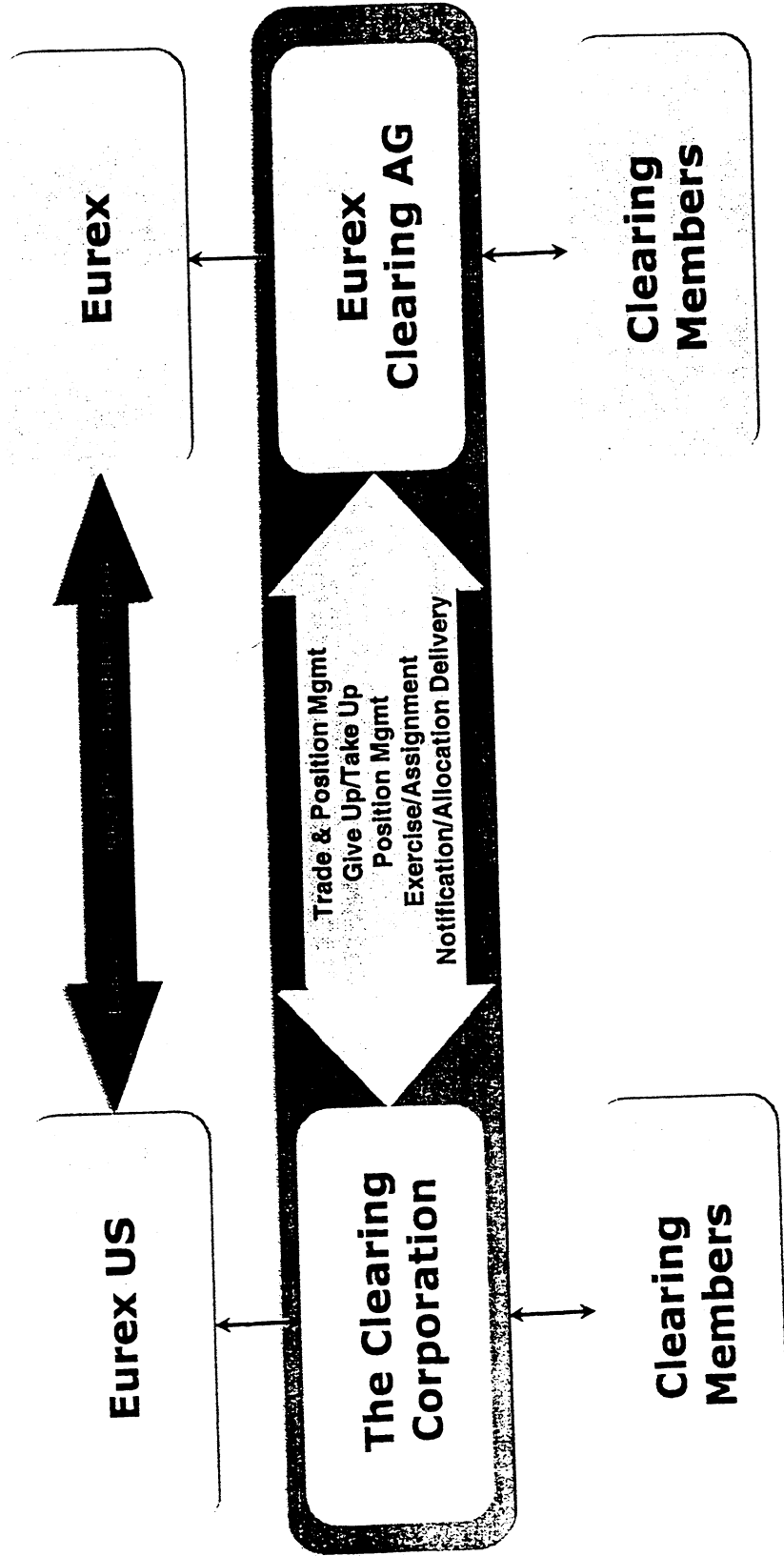
Our Goal

In response to market demand, we will provide a highly competitive, worldwide marketplace for benchmark USD- and EUR-denominated futures and options for all market participants.

Key benefits for all market participants include:

- ✓ Low costs
- ✓ Fair and equal access
- ✓ Equal pricing
- ✓ Level playing field
- ✓ Reliable and scalable technology

Implementing our Vision



Newly Enhanced Trading Features

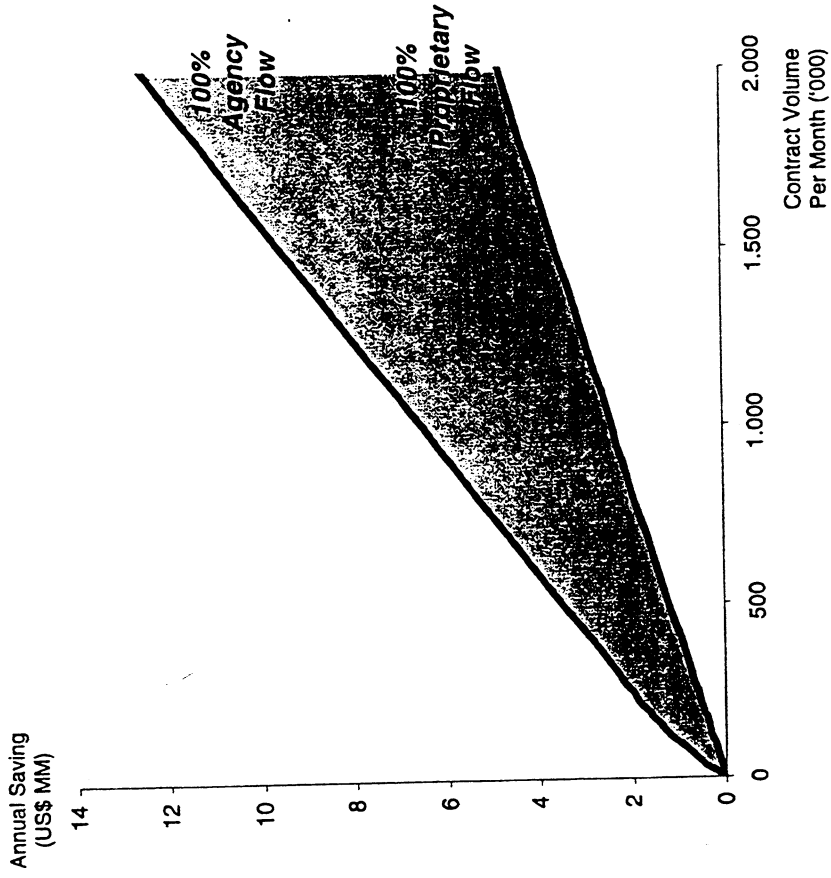
- ✓ Risk-free execution for large bilateral trades
- ✓ A straightforward automatic process for give-up/take-up business
- ✓ Enhanced error protection and risk minimization mechanisms to filter erroneous trades and handle unpredictable market situations

- Fully integrated order book for calendar spreads
- EFPs (Exchange for Physicals) and EFSs (Exchange for Swaps)
- Block trading facility (2,500 contracts and above)

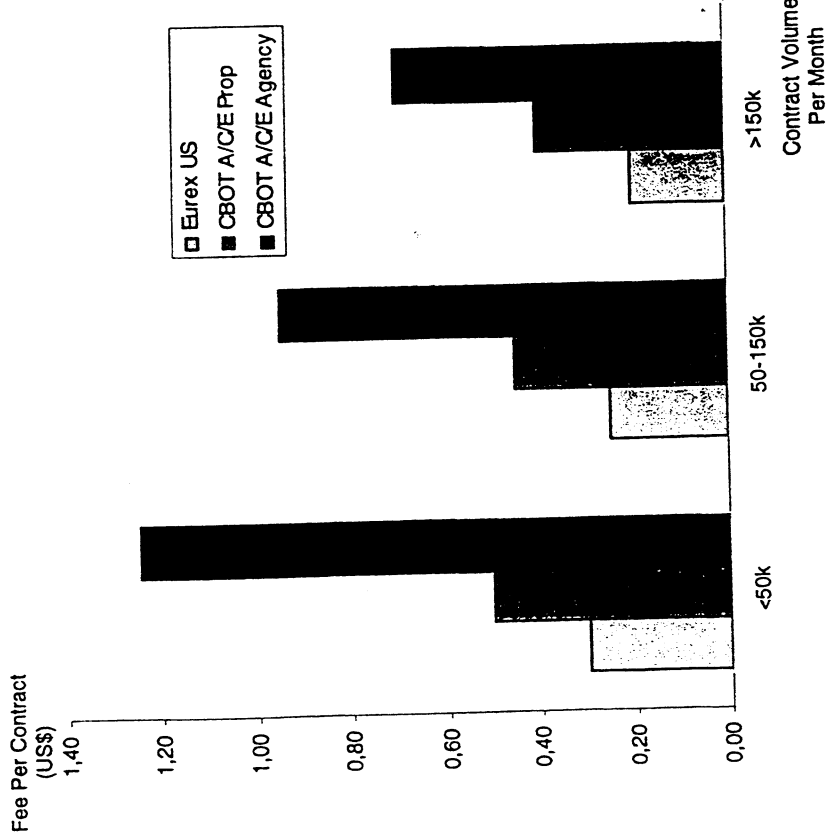
- Delta-Neutral trading facility
- Strategy Builder
- Block trading facility (2,500 contracts and above)

Large Potential Savings Over CBOT

Core Exchange Fee Savings Using Eurex US Vs. CBOT*



Eurex US Vs. CBOT Electronic Exchange Fee Price Comparison*



*Institutional fee schedule

Promoting Liquidity Through Public Market Making Scheme

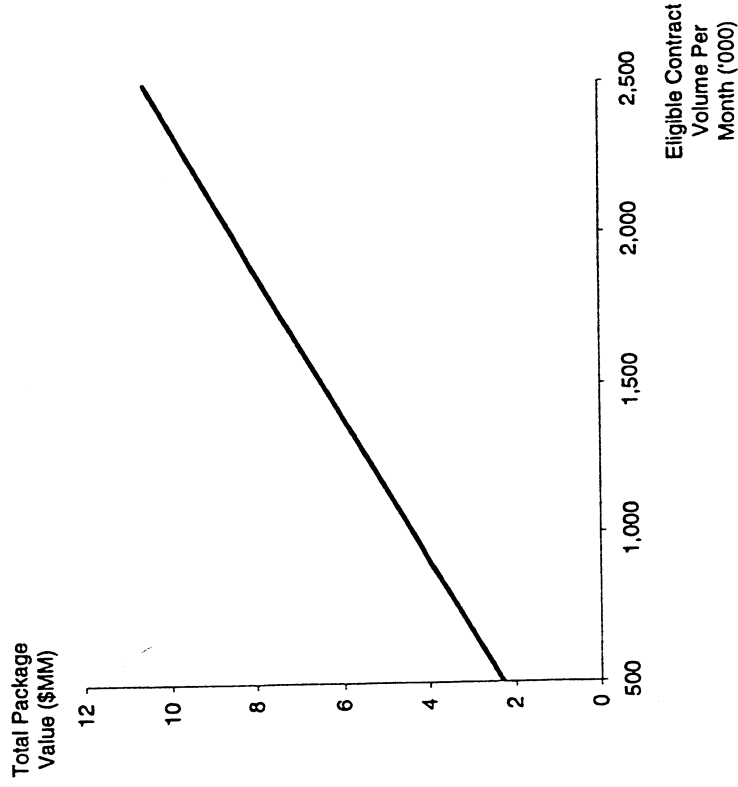
Required Commitment

- To make a 2 tick market for 70% of core trading hours* for 12 months
- Minimum 25 contract size
- Commitment required prior to launch

Incentivization Package

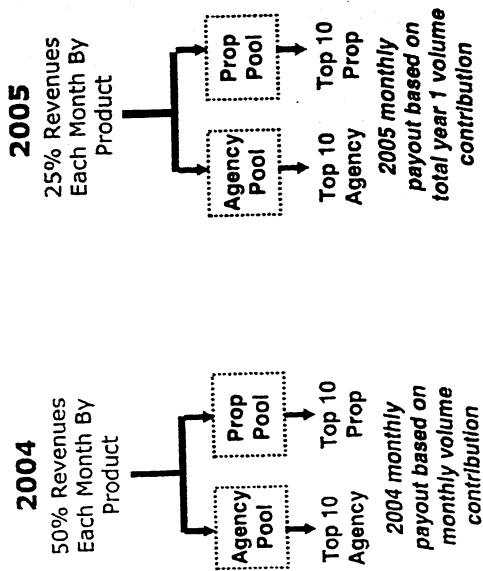
- 100% exchange fee discount during 12 month liquidity commitment period in respective tenors on market making & proprietary volume
- 80% exchange fee discount for 12 months thereafter in respective tenors on market making & proprietary volume

Potential Value of Public Market Maker Incentivization Package



Aligning Your Interest With Our Success

- ✓ A revenue rebate plan for the US Treasury derivative products will run for the first two years of Eurex US operations
 - 50% of trading fee revenues on the first year of operation
 - 25% of trading fee revenues on second year of operation
- ✓ Revenue will be refunded on a monthly basis to Top 10 firms in agency and Top 10 in prop/market making activity, in proportion to their volume
- ✓ Total contribution in year 1 will determine share in year 2



Potential Pay-out

Eurex Mkt Share (end '05)	Total Projected Rebate* (\$ MM)	Projected equivalent of up to \$0.05-0.10 rebate**
25%	8-11MM	
50%	15-20MM	
75%	25-30MM	
100%	30-40MM	

Seamless Technical Transition

Current Connection	Pre-Simulation in 2003	Simulation and Production 2004
	Optional	Recommended
Eurex only	New Connection	New Connection
a/c/e only	Internet Line	Usage of a/c/e Network
Multimarket (128 kbps line)	Network Sharing Eurex – a/c/e (GTS on Eurex bandwidth)	Usage of a/c/e Network
Internet	Internet Line	Internet Line
MMMISS	MMMISS Connection (a)	MMMISS Connection (a)
New Member	New Connection	New Connection

(a) via MMISS Service Provider for Eurex US

Excerpt

Straightforward Legal Admission

- ✓ Almost all requirements fulfilled from existing a/c/e members
- ✓ Reduced barriers for legal admission process - straightforward and fast application process *
 - Admission of financial institutions, banking organizations and individuals possible
 - Nomination of authorized representative and at least one qualified trader
 - The applicant shall have good commercial standing and business experience
 - All Trading Members must have a clearing agreement in place
 - The applicant shall be of good character

* According to Commodity Exchange Act

Training Opportunities

- ✓ No exams are required for Traders to participate at Eurex US
- ✓ A special "Delta package" will be available describing the
 - differences between the existing a/c/e and the Eurex US front-end
 - additional features of the new trading system release, e.g. Strategy Trading, OTC Facilities, Trade Reversals
- ✓ We also offer a wide range of training sessions focused on specific areas
- ✓ Our website, www.EurexUS.com, offers easy access to our training dates and course descriptions

Next Steps

From Eurex US's Perspective

- ✓ Conduct one-to-one member visits with all US and European market participants to build momentum
- ✓ Ensure adequate Market Makers' participation on day one
- ✓ Full integration with third party ISVs

From Members' Perspective

- ✓ Consider Eurex US's value proposition
- ✓ Start Admission and Connection Procedure by providing the Declaration of Intent
- ✓ Become a member and achieve technical readiness to trade

Your Contacts for More Information

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Appendices

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Trading Features – Strategy Builder

- ✓ Strategy Builder enables market participants to create an individual strategy based on predefined strategy types (e.g. Straddle, Butterfly, Condor) and to announce this to the entire market
- ✓ All market participants are informed about strategies requested by any market participant and strategy inside market information by using the broadcast mechanism
- ✓ The published strategies can be traded via public strategy order books
 - Strategy orders are matched independent from regular Option, Future and Option Combination Quotes Inside Market
- ✓ Strategy orders are matched against orders for the same strategy
 - Any trade execution will be guaranteed for entire units of respective strategy
 - Partial executions will always yield entire strategy positions although not in the desired quantity
- ✓ Strategy trades create positions in the individual leg contracts of such a strategy

Trading Features – Block Trading

- ✓ Eurex US will provide Block Trading for all interest rate products with a minimum trade size of 2,500 contracts
- ✓ Time between Block Trade entry and ratification set in the system is 15 minutes. A Block Trade should be entered into the system immediately after it is agreed
- ✓ Block Trading volume will be continuously monitored and adjusted according to market needs

Trading Features – EFPs and Vola Trading

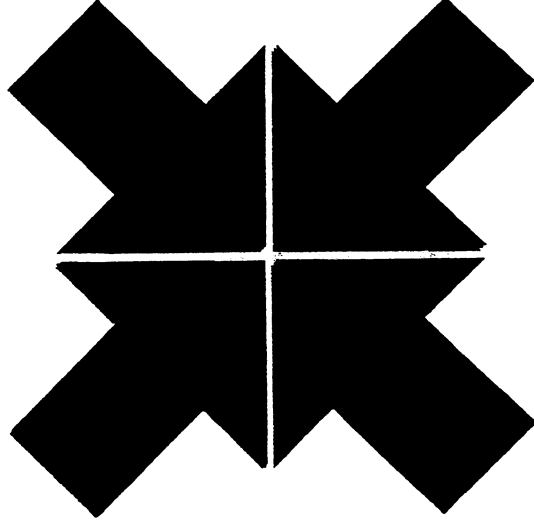
- ✓ **Exchange for Physicals (EFP)** – Eurex US will accept a wider range of cash instruments in exchange for the futures than currently at Eurex. Any US dollar denominated debt instruments featuring a high degree of price correlation to the futures contracts being exchanged, will be acceptable so that such a futures contract would serve as an appropriate hedge for such a security
- ✓ **Exchange for Swaps (EFS)**: Exchange for Swaps (EFS) are comparable to EFP respectively basis trades. However, rather than a bond a swap is defined to be the cash leg of the trade
- ✓ **Vola Trading (Delta Neutral Trading)**: Vola Trades / Delta Neutral Trades are linked to an option transaction and the maximum futures volume is a function of the options delta and the options traded volume

Proven System With Limited Migration Effort

- ✓ Turn-key solution for current a/c/e members (IT infrastructure is reusable)
- ✓ A highly scalable system with proven stability
- ✓ Fast and reliable order execution and confirmation enables better customer service
- ✓ Access to a fast growing worldwide distribution network

- ✓ Layered architecture
- ✓ Security check at all architecture layers
- ✓ No direct access to back-end host

- ✓ Capacity to list tens of thousands of active product series
- ✓ Capacity to handle tens of thousands of active trading sessions



- ✓ 99.96% overall system availability



Decreasing transactions processing time

Broad Simulation Possibilities

Pre-Simulation

Optional

Technical Connection Test

(Infrastructure set-up, connection to the new system, system set-up, logon, verification of system access)

Simulation

Recommended

Participants	<ul style="list-style-type: none"> ✓ Vendor focus ✓ Voluntary members 	<ul style="list-style-type: none"> ✓ All members
Goal	<ul style="list-style-type: none"> ✓ Simulation of new front end and back office (a) applications ✓ Simulation of new trading functionality 	<ul style="list-style-type: none"> ✓ Production-like simulation ✓ Simulation of new trading functions ✓ Open simulation supported by scripts and focus days
Benefits	<ul style="list-style-type: none"> ✓ Extended facility for testing and development for vendors ✓ Familiarization with new trading functions 	<ul style="list-style-type: none"> ✓ Ensure successful integration of Eurex US system into existing members' system architecture ✓ Checking of business processes (funct., org. and tech.) ✓ Familiarization with new trading functions

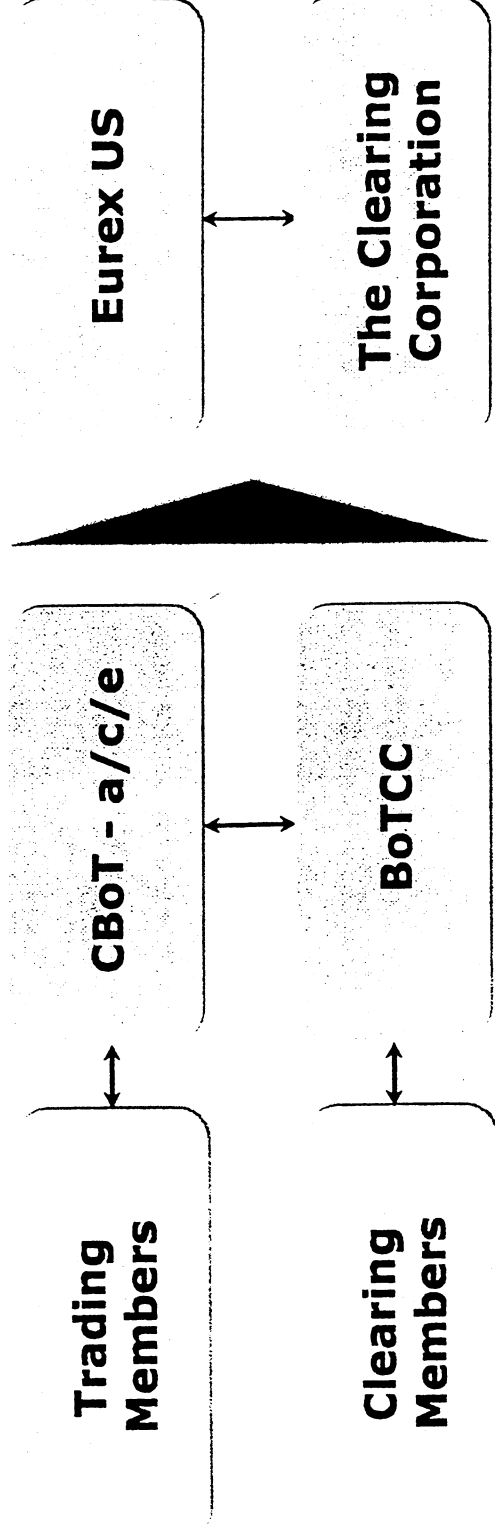
(a) Depending of availability

Member Activity Guideline

Activity	2003					2004	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Member Readiness							
Technical Readiness							
<ul style="list-style-type: none"> ■ Analyze and evaluate the already existing infrastructure ■ Define technical requirements ■ Submit required application forms ■ Initiate upgrading of technical Infrastructure (if applicable) ■ Execute installation of technical Infrastructure 			◆	◆			
Legal Readiness							
<ul style="list-style-type: none"> ■ Submit Declaration of Intent ■ Submit Application for Membership ■ Sign Membership Agreement 							
Simulation							
<ul style="list-style-type: none"> ■ Designate SPOC for simulation (Single Point Of Contact) ■ Register for simulation ■ Execute technical connection test ■ Participate in simulation ■ Execute production connection test 							
Training							
<ul style="list-style-type: none"> ■ Evaluate training requirements ■ Register for Training Sessions ■ Participate in Training Sessions 							
Eurex US Launch							
							◆

(a) When participating at Pre-Simulation, execution and configuration of technical Infrastructure should be ready by end of November 2003
 (b) Milestone for Pre-Simulation in 2003 (c) Milestone for Simulation in 2004

Transition from a/c/e to Eurex US



- ✓ Eurex US will use The Clearing Corporation (BoTCC) to provide its clearing services
- ✓ The Eurex US members with existing interfaces to The Clearing Corporation will be able to reutilize them with limited additional effort

APPENDIX I

SEP-18-2003 11:08
MAR-20-2001 09:55

CBOT LEGAL DEPT.
BUT CLEARING CORPORATION

312 435 3623 P.02/04

COMMODITY FUTURES TRADING COMMISSION
2033 K Street, NW, Washington, DC 20581
(202) 234-8955
(202) 254-8010 Facsimile



DIVISION OF
TRADING AND MARKETS

July 17, 1995

Mr. Dennis A. Dutterer
Executive Vice-President
and General Counsel/Secretary
Board of Trade Clearing Corporation
141 West Jackson Boulevard
Suite 1460
Chicago, IL 60604

Re: No action position concerning the treatment of
clearing corporation stock for purposes of computing
adjusted net capital under regulation 1.17.

Dear Mr. Dutterer:

This is in response to your February 28, 1995, letter
wherein you requested that the Division take a "no-action"
position with respect to the net capital treatment of the
value of Board of Trade Clearing Corporation ("BOTCC") stock
by futures commission merchants ("FCM"). You have requested
the following:

. You asked that FCMs (including broker-dealers
registered with the Securities and Exchange
Commission ("SEC")) be permitted to continue
treating stock in BOTCC as a current asset in the
event that BOTCC ceases to accord its stock margin
value at the BOTCC. In this connection Regulation
1.17(c)(2)(viii) currently permits an FCM to include
in current assets, for purposes of calculating its
adjusted net capital, the margin value of stock in
clearing organizations. Therefore, pursuant to this
rule, BOTCC stock obtains for an FCM both margin
value and net capital value at 100 percent of its
carrying value on the books of an FCM. If BOTCC
were to cease according margin value to the stock,
absent a staff no-action position or a rule change
by the Commission, FCMs would no longer be able to
include the value of BOTCC stock as a current asset.

. If the requested relief is granted, you asked,
with respect to self-regulatory organizations
("SROs") which have capital rules based upon or
patterned after the Commission's rules, that the
Division not recommend enforcement action, pursuant
to Section 4f(b) of the Commodity Exchange Act and
Regulation 1.52, against an SRO that adopts the same
interpretation for net capital purposes or against a

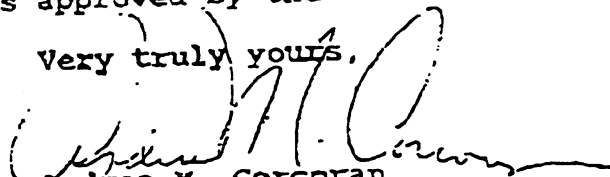
- 3 -

detail the composition of its assets, including specification of the maturities contained in the portfolio.^{1/}

As stated above, you also requested that the Division not recommend Commission enforcement action, pursuant to Section 4f(b) of the Commodity Exchange Act and Regulation 1.52, against an SRO that adopts the same interpretation for net capital purposes or against a designated SRO that applies such interpretation in the conduct of its field audit program. In that SRO rules relating to the computation of adjusted net capital are required to be identical to those of the Commission, and in that SROs must conform their enforcement of such rules to any Commission interpretation or application of those rules, this letter will satisfy that purpose.

The position adopted herein is based upon the facts and representations that you have provided, as set forth in this letter. Any different, changed, or omitted facts or circumstances might require the Division to reach a different conclusion, particularly as those facts pertain to the maintenance of the above-referenced required 85 percent level of liquid assets. This position is that of the Division of Trading and Markets and does not necessarily represent the views of the Commission or any other office or division of the Commission. If you have any questions, please call me or Paul H. Bjarnason, Jr., Chief Accountant, at the phone number above. This no-action position will not take effect unless a clearing rule altering the treatment of clearing stock by the clearing organization is approved by the Commission.

Very truly yours,



Andrea M. Corcoran
Director

cc: Michael Macchiaroli, SEC
William Boyk, JAC

^{1/} As of December 31, 1994, the BOTCC had approximately \$143.9 million in capital, of which approximately \$134.6 million (or 93.5%) was invested in U.S. Treasury notes and bills having a maturity of two years or less and approximately 1% was in cash.

APPENDIX J

tation Search Result Rank(R) 53 of 72 Database
9/01 WSJ-EURO 14 FINNEWS
4/9/01 Wall St. J. Eur. 14

001 WL-WSJE 2847115

The Wall Street Journal Europe
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Monday, April 9, 2001

European Markets

Bobl **Squeeze** May Help **Eurex** Rivals

Competitors See Opportunity in Troubles of German Bond Future

Big Banks Move in to Corner Market

By Henry E. Teitelbaum
Dow Jones Newswires

LONDON -- In futures, as in other businesses, nothing can be so fleeting as success.

That's why the recent **squeeze** on **Eurex** AG's five-year future on German government bonds is garnering such attention. Buyers say the contract, known as the Euro Bobl, is flawed because the market has outgrown its narrow specifications.

The result has been a global scramble in this big-money but low-profile corner of the futures world, where some get scarce-cash bonds while others will buy more futures before the contract expires.

Meanwhile, behind the scenes, big banks are seizing the opportunity to corner the market. Last month, in a brash move before the March deadline, Deutsche Bank AG withdrew as many cash bonds as it could from circulation just when they were most needed for delivery. The bank, which reportedly pocketed more than 50 billion euros from its activities, led others to lose more than 290 million euros in the futures market by one estimate, not including penalty fees for failed trades.

All of this raises the question of what **Eurex**, the German-Swiss futures exchange is doing. The exchange's apparent complacency about the increasingly distorted market is creating renewed interest from **Eurex** competitors in that sector of the European derivatives market.

"Users want a tool to manage their risk and what they have is a gambling casino," said one observer.

The Euro Bobl, like other **Eurex** futures contracts, is from a basket of

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1/9/01 WSJ-EURO 14

deliverable German government securities. In the March contract, five securities with a combined value of 43.1 billion euros were available to satisfy contract delivery requirements after it expires. That figure is set to decline in June, though the German Finance Ministry plans to tap deliverable issues before the deadline.

Eurex has also limited the bonds that are deliverable into the futures contract to keep it all-German, like its 10-year Euro Bund future and its two-year Schatz future, despite Europe's credit market having created huge and growing demand for all the contracts from a range of new users.

One result was last month's Bobl **squeeze**, which differs only in intensity from previous **squeezes** on the German government bond and Schatz futures. Instead of squeezing the cheapest-to-deliver cash bond in the underlying basket, all of the bonds were squeezed.

Eurex's new chief executive, Rudolf Ferscha, said there is always a risk of **squeezes** if there is an underlying deliverable basket of cash bonds.

In the meantime, things are likely to get riskier for investors using the contract because the underlying pool of bonds deliverable into the contracts is likely to shrink from March.

Meyrick Chapman, director of derivatives strategy at UBS Warburg in London, said the June and especially the September contracts have "all of the hallmarks of a **squeeze**. They have to get more bonds available for delivery" into both of them.

Traders say it won't be easy to wrest trading volume away from such a well-established contract as the Euro Bobl, which traded a record volume of 9.5 million contracts in March. But in such a dynamic business, **Eurex** ignores trader concerns at its own peril.

At the London International Financial Futures and Options Exchange, an unsqueezable product was recently relaunched and is starting to garner interest. The Liffe Swapnote, which is offered in two-, five- and 10-year maturities, has been quietly building volume and interest since its launch on March 20.

Because it is derived from the same underlying instrument that traders use to price corporate bonds, the swaps curve, it has the advantage of being an appropriate tool for offsetting risks in this growing segment. But the Swapnote is cash and unsqueezable, which means the market can't be cornered by anyone.

With the notional value of interest rate swaps at \$48 trillion in the first half of 2000, according to the Bank for International Settlements, it is never in danger of running out of liquidity.

Amanda Sudworth, head of interest rate products for Liffe, said that while trading volume has seen the most gains in the two-year Swapnote, there have been "pockets of trading" in the five-year Swapnote.

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On Thursday, open interest on the five-year contract was at 560 lots and it has also been steadily rising.

Euronext has spotted its chance too.

"The **squeeze** on the Bobl creates a good opportunity to relaunch the Euro five-year," said a spokeswoman for Euronext Paris. She noted that the Matif futures exchange's "bi-issuer" five-year contract, which includes both French and German government bonds "is of a dimension that is suitable for a European market".

She gave no indication what measures the exchange is planning to rebuild the Euro five-year, which was relaunched in September 1997 and remains listed on the exchange, but is currently inactive.

----- INDEX REFERENCES -----

NEWS SUBJECT: Bond News; Debt and Bond Markets; Sovereign debt; News Agency Material; English language content; Market News; Routine Market and Financial News; Content Types (BON M12 SDT NNAM ENGL MCAT NRMF NCAT)

PRODUCT: European News/Features (DEE)

GOVERNMENT: Governments of Non-U.S. Countries (IGV)

REGION: Europe; Germany; Germany; United Kingdom; Western Europe; European Countries; Western European Countries (EU GE GFR UK WEU EURZ WEURZ)

LAYOUT CODES: European Markets; Large Majors (EPS LMJ)

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1/01 FUTURES 14 FINNEWS
5/1/01 Futures: Mag. Commodities & Options 14
01 WL 14984344

Futures (Cedar Falls, Iowa)

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Tuesday, May 1, 2001

ISSN: 0746-2468; Volume 30; Issue 6

Eurex bobl gets squeezed.
Steve Zwick

FULL TEXT

March was an eventful month for **Eurex**, which posted record volumes and survived the first known successful **squeeze** of its bobl contract.

The aggressor was Deutsche Bank, which managed to **squeeze** short traders by taking delivery on a massive bobl futures position after using the repo market to borrow an equally massive share of the cheapest deliverable bonds, 10-year bonds maturing in October 2005. The total available basket of these instruments was less than \$10 billion.

The result was a spike in prices for other underlying bonds, an equally quick profit for the bank of roughly \$45 million and a lesson to shorts who hold their positions too long: always check available supplies.

An exchange spokesman denied reports that the exchange was reviewing its delivery procedure following the incident.

Meanwhile, the benchmark bund futures remained the world's most heavily traded futures contract in March with a volume of 16.2 million contracts for the month and 48 million for the year to date. That helped **Eurex** post a record volume of 61 million contracts overall for the month, with 4.56 million coming on the March 15. That brings the year-to-date total up to 163.5 million contracts, 35% ahead of last year.

---- INDEX REFERENCES ----

KEY WORDS: SECURITIES & COMMODITIES EXCHANGES; COMMERCIAL BANKS;
SECURITIES AND COMMODITY EXCHANGES; COMMERCIAL BANKING

NEWS SUBJECT: Funding and Capital; Corporate and Industrial News; English
language content (C17 CCAT ENGL)

INDUSTRY: All Banks (BNK)

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/16/01 ECONOMIST FINNEWS
/16/01 Economist (Pg. Unavail. Online)
01 WL 7319349

The Economist

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Saturday, June 16, 2001

Finance and Economics

Battle for a benchmark: Swap futures: A new financial instrument in London aims to get even with Frankfurt

LONDON'S financial-futures exchange, Liffe, and the German/Swiss futures exchange, **Eurex**, are squaring up for yet another fight over competing futures contracts. Three years ago **Eurex** won the battle for the "Bund", the ten-year German government futures contract, because it offered cheaper, more efficient electronic trading (Liffe was then still open-outcry exchange). For seven years the two exchanges had traded rival contracts, but when it was clear that **Eurex** had won, trading in London suddenly dried up, and all the volume went to Frankfurt.

Now Liffe wants to hit back with a new, not-so-secret weapon called the "Swapnote". It is a future not on bonds, but on euro interest-rate swaps. Liffe argues that swaps, which are bilateral agreements to swap rates and maturities of interest payments, are a huge and growing market. Government-bond markets are shrinking, both in America and Europe. This week the volume of corporate and other non-government bonds denominated in sterling exceeded that of gilts (British government bonds) for the first time.

Another problem with bonds is their fragmentation. A dozen government-bond markets are denominated in euros. They have the same interest-rate fundamentals, yet many differences in credit, liquidity, trading patterns and so on. Swaps provide a better benchmark for interest rates of all maturities. The seizing-up of world bond markets after Russia's default in August 1998 showed how bond issues can suffer sudden illiquidity. Those caught with short bond positions can get squeezed.

Some bond traders are still smarting from losses in March, when there was a **squeeze** on **Eurex's** five-year bond contract, the "Bobl". Dealers could not find the right bonds with which to close their short futures positions. **Eurex** has since eased the rules on bond delivery and softened its fines for failing to deliver on time.

More by luck than judgment, Liffe also launched the Swapnote in March. Swapnotes are swap futures denominated in two-, five- and ten-year

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5,16/01 ECONOMIST

curities. Volumes have been rising, partly because swaps cannot be squeezed in the same way as bonds. Average daily trading has reached around 25,000 contracts, and open interest (the measure of open positions being run by traders) is about 95,000 contracts, worth a total of euro9.5 billion (\$8 billion). To put this into perspective, **Eurex's** ten-year Bund contract averages 500,000 contracts a day (euro50 billion), with euro90 billion in open interest.

There are believers, though, or perhaps gamblers, who think that one day swaps will be the leading benchmark, with the Swapnote becoming the benchmark future. Liffe launched a similar product, too early, in October 1998. This time it has sought the backing of the most active swap broker, Garban-Intercapital, which has the copyright on the Swapnote name. Garban's boss, Michael Spencer, believes that exchanges and brokers are in the same business: providing pools of liquidity. He may even be seeking to make their roles indistinguishable, by merging Garban with Liffe, in which it has built up a 4.5% stake.

Mr Spencer has his fingers in several pies, including Blackbird, in which Garban has a 19% stake. Blackbird is an electronic swap-trading system that has been working since 1999, though it will not divulge its trading volumes. It recently formed an alliance to allow users to trade Eurodollar futures on the Chicago Mercantile Exchange, as well as swaps, through the Blackbird platform. Around 80 swap houses subscribe to Blackbird, though few admit to using it much. Even so, some think it may revolutionise swap trading, by further narrowing bid-offer spreads.

The big swap houses - the top commercial and investment banks - are developing their own secret weapon, SwapsWire, which will render electronic all the clunky parts of swap trading, such as documentation and settlement, without being a trading platform. (Because swaps involve two-way credit exposure, they will always be more complex than a bond or other commodity.)

As for Swapnote, it is a cash-settled bet on swap prices that are fixed daily by the International Swaps and Derivatives Association. This means that it has the price characteristics of a swap, without the two-way credit complexity.

So why might it not fly? The big swap houses say that swaps themselves are more flexible and can be designed to match exactly the cashflows of bonds. The trouble with Swapnotes is that they work to quarterly start dates. Still, the houses see a need for a futures instrument that tracks corporate-bond and German-mortgage bond (Pfandbrief) rates more closely than do the government-bond futures traded on **Eurex** (swaps are closer to non-government than to government bond rates - see chart). **Eurex** tried with a Pfandbrief future in 1998, but failed. The newly crafted Swapnote could possibly be the answer.

The rivalry is intense, even personal. **Eurex** wrested away Liffe's biggest contract, the Bund, now the world's most liquid futures

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5/16/01 ECONOMIST

contract. There is talk that **Eurex** is looking for a response to a swapnote. A mischievous Mr Spencer is busy guessing what **Eurex** will call it (SwapBob1? SwapBund?) and copyrighting the names.

----- INDEX REFERENCES -----

KEY WORDS: INTERNATIONAL AFFAIRS; GOVERNMENT NEWS; BONDS; MARKETS; MARKET NEWS; MARKET REPORTS; FINANCIAL FUTURES; COMMENT & ANALYSIS; GENERAL NEWS; UNITED KINGDOM; EUROPEGB; UNITED STATES OF AMERICA; AMERICASUS; SWITZERLAND; EUROPECH; GERMANY; EUROPEDE; EUROPE; EUROPEAN UNION; WESTERN EUROPE; AMERICAS; NORTH AMERICA; PACIFIC RIM; WEST EUROPE EX EU

NEWS SUBJECT: Bond News; Market News; Exchanges; Debt Futures; Analysts' Comments & Ratings of Stocks; Economic Indicators, Forecasts and Analysis, U.S.; International Relations; Domestic Politics; Debt/Bond Markets; Market Research; Market News; Equity Markets; Derivative Securities; Analysis; Political/General News; English language content; Analyst Comment/Recommendation; Derivative Securities; Corporate/Industrial News; Routine Market/Financial News; Markets/Marketing; Content Types; Earnings Projections; Performance (BON MKT XCH DFF ANL EMJ GDIP GPOL M12 CMARKR MCAT M11 M15 NANL G

INDUSTRY: Securities (SCR)

PRODUCT: European News/Features (DEE)

IC: 9721; 6231

REGION: United Kingdom; United States; Switzerland; Germany; Europe; European Union; North America; Pacific Rim; Europe Other; Germany; European Countries; Western European Countries; Western Europe (UK US SZ GE EU EC NME PRM EUO GFR EURZ WEURZ WEU)

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/16/01 FINANEWS (No Page) FINNEWS
/16/01 Fin. News (Pg. Unavail. Online)
01 WL 12506854

The Financial News
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Monday, July 16, 2001

Dealers claim the **Eurex** rules will not stop **squeeze**
Lenny Jordan

New rules introduced last week by **Eurex**, the Swiss-German ex-change, aimed at combating so-called market 'squeezes' are unrealistic and unworkable, say dealers.

They believe the new rules, which limit the positions a firm can carry into the last trading week of some of **Eurex's** benchmark contracts, will not prevent similar **squeezes** occurring again.

Instead of limiting positions, traders say, **Eurex** should offer a facility known as 'emergency repo', which would allow traders to get hold of scarce bonds more easily.

Alternatively, the exchange could enable some of its contracts to be cash settled.

At the moment, the bonds have to be physically delivered, a problem which has contributed to market **squeezes**, according to traders.

One head of a government bond trading desk at an investment bank in London says of the proposed position limits: 'No, it won't work.

Firms now are divided into so many different legal entities, each of them with separate capital bases.'

Traders say that if a given bond or futures contract is in short supply, firms will be able to bypass the new rules and still acquire a controlling interest in a contract.

All they have to do is allocate their limits to a number of separate accounts.

The new **Eurex** rules comprise position limits on the Bund (80,000), Bobl (30,000), and Schatz (40,000).

The limits can be separately allocated to proprietary and client accounts.

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Traders add that the effectiveness of the new rules will only be known
ring the course of trading over several contract expirations.

With many players now poorer and wiser, a similar **squeeze** is unlikely
to take place in the foreseeable future, because traders holding short
positions will cover themselves early for fear of getting stung again.

----- INDEX REFERENCES -----

KEY WORDS: GERMANY; EUROPEDE; SWITZERLAND; EUROPECH; EUROPE; EUROPEAN
UNION; WESTERN EUROPE; WEST EUROPE EX EU

NEWS SUBJECT: English language content (ENGL)

REGION: Germany; Switzerland; Europe; European Union; Europe Other
(BE SZ EU EC EUO)

Word Count: 628
16/01 FINANEWS (No Page)
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/10/01 FINANEWS (No Page) FINNEWS
/10/01 Fin. News (Pg. Unavail. Online)
001 WL 12507672

The Financial News
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Monday, September 10, 2001

Bundesbank to counter bonds exploiters
Francis Maguire in Bergenstock

German debt management agency, the Finanzagentur, will in future issue more government bonds if it suspects that players in the cash and derivatives market are trying to engineer a contract **squeeze**.

The move by the agency, which will affect futures contracts traded on Swiss-German exchange **Eurex**, comes after close consultation between the Finanzagentur and **Eurex**, as well as the German Finance Ministry and the Bundesbank.

It also marks a change of heart by the agency, which previously resisted calls to intervene, despite attempts by large international banks to exploit the shortage of government bonds deliverable into futures contracts.

The agency will now simply issue more debt to alleviate any shortage in the market.

Rudolf Ferscha, chairman of **Eurex**, said the debt agency's decision represented a breakthrough for his exchange.

'This capability is very important to **Eurex**.

This solution addresses the issue at its root, without any explicit change to the product design.

'It will help to ensure smooth rollover processes in the future.

Now if anyone tried to transgress, they would suffer the economic consequences in the market.'

Ferscha said the government's new approach has been accepted by the market, because the paper it issued in August was correctly priced.

He also said that market confidence had been reflected in record trading volumes.

In August, **Bob1** futures volumes were up 74% compared to the same point

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last year, he said.

'We have already seen the positive impact of this in the September roll, which has gone extremely smoothly,' said Ferscha.

Financial News reported on August 20 that a handful of banks tried to **squeeze** the cash market by buying up the government bond that was cheapest to deliver into the September contract.

In previous **squeezes**, the losers were banks.

However, the government could have lost money on a government bond it planned to issue, because the **squeeze** affected the price of the bonds it was using as a reference point for pricing the new issue.

Traders said at the time that the Bundesbank would not carry out its threat to issue more cash bonds.

---- INDEX REFERENCES ----

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Futures Industry Magazine

Futures Industry Magazine

January/February 2002 Issue

by Jim Kharouf

Perils of Success

It wasn't long after Rudolf Ferscha was named CEO of Eurex in January 2001 that he faced his first crisis.

In March, several market participants took advantage of the limited supply of five-year German government bonds and engineered a squeeze on the expiring futures contract, causing big losses for a number of leading banking houses and inspiring a rival European exchange to re-launch its own five-year bond futures contract.

Within a few months, however, Ferscha and Eurex had come up with a solution, and the exchange's bond contract was soon back on track toward record volumes. Then in November, a huge mistrade in the exchange's DAX index futures contract sent the price tumbling 16 percent in the space of a few minutes. Several hours later the exchange busted the trade—as well as orders executed just afterwards—causing an uproar among market participants and sparking at least one lawsuit from an angry institutional investor.

In an interview with FI, Ferscha, a former chief operating officer for Goldman Sachs in Frankfurt, spells out the measures Eurex has taken to resolve the squeeze problem and discusses the controversial mistrade and other issues on his plate.

Kharouf: You are in a unique position because you have experience in the industry as a member and now you're on the exchange side. What do members want from Eurex and electronic exchanges and what are exchanges trying to provide?

Ferscha: Members want a liquid market that is well controlled, with established clearing processes that are reliable and cost-effective. And I think increasingly as we look at futures, generally they expect more value added. I would mention the index business as a prime example. If you look at the growth of the index business, it is clearly a strong demonstration of people enjoying the cost effectiveness of exchange-traded futures which replicates an otherwise very cumbersome portfolio process. That clearly gives clients a very well-defined reason to be with a futures exchange. For example, they picked up the Dow Jones Euro Stoxx 50 extremely fast and now we're at a stage where we already have to extend the expiries to the five-year period. So there is very strong customer demand. And we're very keen to proactively deliver the product our customers want. Coming back to liquidity, if you look at our fixed income product, it has grown more than 40 percent, year-to-date from last year. In very significant products like the five-year product, we've grown more than 50 percent and in the two-year product more than 100 percent. That is a demonstration of how people are keen to be with the most liquid markets.

Kharouf: How did you address the problem experienced in March with the limited supply of five-year German bunds?

Ferscha: After the shortage of paper in the March rollover, we started to talk with the Bundesbank and the Finanzagentur [the debt agency within the German government] to find ways to get enough paper into a roll, to avoid any future tight market situations. We arrived at a satisfactory conclusion that the Finanzagentur will make paper available if there is a shortage in a roll, so orderly market conditions are preserved. So what does this mean? There was this old argument that futures exchanges can't grow beyond the growth of the underlying issuance market. If the government issues new paper into the roll,

this perceived limitation is completely eradicated. So what this means for Eurex strategically is that this old perception that we are limited by the amount of outstanding paper in our fixed income futures contracts just falls away completely. This creates a lot of headroom for these contracts to grow. We believe the volume of our contracts is not driven by the outstanding underlying, but by the risk management needs of people all over Europe and even as far reaching as South Africa, who feel there is a very strong correlation between their investment portfolios in bonds and futures contracts.

The only thing we have to make sure is that the pricing mechanism has the required integrity to withstand impacts from people who try to play the market on the roll. If we expand the reach of our futures contracts and increase the volumes significantly, then the one thing we need to ensure is integrity in the roll so people can rely on the expiry date showing a reasonable price as a benchmark.

Kharouf: Has this mechanism been used yet?

Ferscha: No. The beauty of it is that it doesn't have to be used. As long as everybody knows that as soon as you start to rig the contract, the Finanzagentur will come in and issue more paper, nobody would try. So it really works just by being a potential threat.

Kharouf: This paper introduced to the market in the roll would then be brought back in, so you're really not increasing the German government's borrowing. Is that correct?

Ferscha: Exactly. In the past there were some constraints and it was the reason some people didn't want to change over to such a concept. There have been constraints on the net borrowing for the German government and also thresholds on interest costs. The way this is being envisaged now, securities would be lent out but the coupons still accrue to the government. After the announcement, our volumes went up significantly—we had 75 percent growth in the Bobl contract in August and 105 percent year-on-year growth in the Schatz.

Kharouf: Of course, the volatility in the bond markets this year helped volumes as well.

Ferscha: Yes, there's no doubt about that. But if you look at what happened after the March roll, volumes went down quite a bit because people were concerned about the potential for squeezes. The link we've established with the issuer now just ensures the integrity of the contract in a way we could not do by ourselves.

Kharouf: Let's talk about the situation with the errant trade on the Dax. There's been some confusion as to what exactly happened. Could you summarize for us what happened and what the response has been from the exchange?

Ferscha: Clearly this was a very unusual market situation with an unusually high number of mistrades triggered. The mistrade rule says that trades that have been entered in error have to be lifted by the exchange if the appropriate application has been made, and that application has to explicitly give the reason for the error. Our rules and regs are discussed very widely with our participants and the balance of interests at the time these rules were written were such that Eurex would treat or look at mistrades within a certain time window. That time window was defined as the time between the mistrade and the end of the pre-trading phase of the following day at the latest. Many of our clients and clients' clients want to have more time to sort out any mistrades. Clearly what people thought about were "normal" mistrades, i.e. smaller mistrades with maybe the wrong limit or having a marginal impact on the market. This is the reason why people trading equity derivatives or equity index derivatives are, until this day, very happy to have a longer time period to deal with this. They have been objecting to suggestions by the exchange to tighten the time window. We need to understand why the mistrade rule was drafted. It is a reflection of the balance of interests between the people who make mistakes and the other people in the marketplace who may be potentially affected by them.

Kharouf: Was this error due to a software problem or simply human error?

Ferscha: There was no software or technical problem at all. It was purely human error. We know there

have been a number of different media reports, but it has been established with all certainty that this was human error.

Kharouf: How long did it take to unwind those trades?

Ferscha: The actual mistrade application was made in the afternoon of the same day. And during that afternoon, all the reversals of trades and so on were implemented.

Kharouf: Did this trade dramatically change the price on the Dax?

Ferscha: No. All we're talking about is three minutes in the FDAX in the morning, between 9:22 a.m. and 9:25 a.m. So it was a very small window.

Kharouf: After discussing this issue again with your members, do they want to keep the mistrade rule the same?

Ferscha: We're having dialogues with our members and we will have a working group meeting to come to conclusions about this. We had several discussions in the past with our market members about introducing a volatility interruption [the equivalent of a circuit breaker in the U.S.]. But so far the market has preferred the advantages of continuous trading so they can hedge their risks at all times and expose themselves to risk at all times.

Another way to deal with high-impact mistrades would be the limitation of maximum order size. If you look at our risk management systems, we are providing the market with lots of functionality to limit their order entries by product and by trader. Our hands are tied when it comes to the individual members' risk management. And if people are using the functionalities of our trading system that's one thing. And if they don't use it, they are not necessarily completely avoiding the topic of risk management. It may well be that they are using their own tailor made systems.

But allow me the following question: are we the right party to spoon-feed our participants with risk management? Is it our job to tell people how to run their risk management? Risk means something different to different people, so what may be a huge trade to a small fund manager is a medium trade to a bank or arbitrageur. If you look at our market users, you'd see that most of these people are very professional wholesale users and what we offer them is exactly what they want. But we cannot rule out the possibility that there has been a change in sentiment. People now may rather go for solutions that limit their trading.

Kharouf: Leaving it as it is, is that still a possibility?

Ferscha: My best guess is that we will introduce additional measures. Which ones? That's open to member input. Ultimately, we are a marketplace and sometimes have the role of a referee. But we certainly do not want to unilaterally impose the rules.

Kharouf: Technologically or from a product standpoint, is there anything you would like to add to the Eurex platform?

Ferscha: It's pretty obvious we have a wide variety of things to tackle, particularly if you look at the equity options. We launched the U.S. segment on September 24, which provides trading and investment opportunities for our clients in Europe and worldwide. And we've had great success with our European options, which is now almost 25 percent of our overall turnover. Equity options remain a very meaningful growth area for us.

Kharouf: What about single stock futures?

Ferscha: We are not great believers and our clients are not great believers in the contract. We have shied away from listing them because the client response was just not very convincing at all. Actually they were pretty clear in saying "not now but potentially in the future." We are close enough to our client base to act

quickly if that happens.

Kharouf: Most European markets offer cash and futures products. Do you see that convergence continuing worldwide?

Ferscha: The focus is on clearing here. Primarily, the integration of those markets will happen through shared or connected clearing solutions. If we look at our own market, we are getting ready to launch cash equity clearing. That's going to link the cash market with the futures market through clearing and then settlement after that. In that sense, I think we're going to see more convergence and more integration. We've done that in the fixed income segment already with the clearing of repos and bonds.

Kharouf: That would seem to be pretty complicated, trading and clearing cash and futures from one platform with one clearing solution.

Ferscha: Not at all. This is what we have been doing in the fixed income and equity derivatives for awhile now. For cash equities it will be an important step in terms of netting and risk management. It's a necessary step in terms of minimizing industry risks and it's very convenient at the end of the day to have a delivery out of an equity future netted against a cash trade. So it's extremely helpful to optimize the process chain and have a unified process for delivery of futures and the cash markets.

Kharouf: Do you have a date for this?

Ferscha: It all depends on the readiness of the trading community. We want to give them enough lead time to make sure this is a full success.

Kharouf: That points to an issue that members and users talk about all the time and that is they want a simple, accessible marketplace. They don't want a different back office connection to Eurex, Euronext, OM, in Chicago and then the equity markets on top of that.

Ferscha: That's part of the priority list because the more we can standardize and unify the processes, the easier and more efficient the system will be. But at the same time, we need competition, and meaningful competition. Every service industry, and the financial industry sees itself as a service industry, benefits from a healthy amount of competition. The progress that's been made in Europe's derivatives industry is substantially the result of healthy competition.

Kharouf: So you don't see a day when we have one centralized exchange for products?

Ferscha: Well, you can't rule it out, but it's hard to see it in the near future. If you look at service industries generally, the level of service offerings has been correlated with the quality level of healthy competition in that industry. The industries where you haven't seen competition in the past have fallen back. If you look at it regionally, the areas where you see more competition are further advanced, they are closer to the client and they have risk enhanced products and they are building organizations and infrastructures that are more client focused. That's ultimately what we're about.

Kharouf: With the advances of electronic markets, do you see the benefits or need for alliances any more? You can basically access European markets now from anywhere whereas five years or more ago, alliances were a good way of providing access.

Ferscha: I'm completely with you on that. A few years ago technology and access issues led people to believe that alliances were the best thing going forward. So if you look at the pure distribution of a Eurex product, probably you're right. Now it's moving over to the customer relationships. Would we really be successful in trying to do a contract in a language we don't understand and in typefaces that don't mean anything to us?

There is more to it than just listing a product. The local clientele need to be able to clear the contract and so on. In that context, alliances are not to be ruled out.

Kharouf: Do you see any progress being made in the area of consolidation or further cooperation of clearing organizations?

Ferscha: If we're talking about clearing, we have to keep in mind that there is a wide range of legal jurisdictions. We have a broad range of existing and well-organized clearing systems. Compatibility between those well functioning systems is not easy either. I think it's going to be a difficult process. There are some aspects that will have a significant impact on industry development. So there is a very high number of interested parties trying to figure out some solutions that are acceptable to everyone. That's very difficult and a multi-lateral process.

Kharouf: That goes back to what we were discussing about what members want, easier access and easier back office and clearing functions.

Ferscha: That's what I was referring to earlier. It's pretty well known that the clearing benefits of netting and risk management can be achieved in regional solutions because people pretty much trade their regional markets. So you can achieve the lion's share of benefits by offering optimized solutions within regional systems. That's what I was referring to in the equity clearing function because that will deliver significant benefits to users of our cash and derivatives markets.

Kharouf: Now that you've had about one year under your belt at Eurex, what are your thoughts on the successes and challenges you've faced?

Ferscha: Overall, Eurex has had such a tremendous year and success in expanding its business. That's the thing in the foreground for me. I think we've had great success moving the equity index products. We believe as a futures exchange, those contracts add enormous value. We cut out a huge chunk of the value chain to make it more efficient and more effective to manage risk and help expose you to a larger basket of equities. So we have an important role to play and we deliver value. Overall, we more than exceeded our expectations this year.

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Wednesday, May 29, 2002

Deutsche escapes bond market **squeeze** with reprimand
Nicholas Lockley in Frankfurt

Deutsche Bank has escaped with a reprimand from **Eurex**, the European derivatives exchange, for its **squeeze** on the Bundesobligationen (Bobl) market in March 2001 - but future offenders may not be so lucky. As Financial News reported at the time, the **squeeze** on the Bobl, as the German government five-year bond contract is known, netted the German bank at least € 50m (\$45.9m).

The reprimand is the mildest reproach available to the committee and does not include a fine. **Eurex** hopes that the damage to Deutsche's reputation that has resulted from the reprimand will suffice as censure for now.

Soon after the **squeeze**, **Eurex** introduced measures aimed at limiting the opportunities for banks to indulge in such proprietary profiteering, although there have been repeated rumours of attempted bond market **squeezes** in recent months.

However, instigators will not be so lightly treated in future, since **squeezes** will be covered by the incoming Finanzmarktforderungsgesetz, Germany's fourth financial markets promd be taken to court.

Deutsche worked the **squeeze** by buying the 'cheapest-to-deliver' Bobl and the Bobl futures contract. As both instruments became scarce, the price of the October 2005 Bobl, as well as the futures contract based on it, rose considerably. Other traders with contracts close to expiry were then forced to pay a higher price to Deutsche for what had become a scarce bond as they had to deliver the underlying.

Ian Burnell, the highly experienced trading chief who ran the bond team at Deutsche at the time, has since been poached by Barclays Capital, where he will run the swaps and government bond trading unit.

A spokesman for the Swiss-German exchange declined to comment, but said the reprimand was an internal judgement. Its sanction committee has now closed the episode.

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Thursday, October 24, 2002

Eurex foils attempted market squeeze
Sophie Brodie

The cancellation of more than 200 trades on **Eurex** and the collapse in the price of its benchmark equity index contract has raised concerns that one or more market participants tried to manipulate or **squeeze** the market. Late on Wednesday, the Swiss-German derivatives exchange was forced to cancel 200 trades in Euro Stoxx 50 and Stoxx 50 futures after a series of trades sent the Euro Stoxx 50 futures contract plunging from 494 to 493 in just 45 seconds. **Eurex** moved quickly to deny reports in the UK press that the collapse was another example of a "fat finger" input error, in which a trader enters the wrong price or size of a trade raising the prospect of another attempted market **squeeze**.

Eurex denied the incident was attributable to flaws in its software system, which is designed to prevent rogue orders. It said the collapse in the contract price was caused by multiple entries by a number of market participants which resulted in the exchange being unable to ensure an orderly market. The exchange specifically denied that the price movement was caused by a single trade. **Eurex** declined to comment further on the nature of the trades, which have been placed under investigation.

The apparent attempt follows a series of **squeezes** on **Eurex** last year, which saw Deutsche Bank net around Euros 50m (\$48m) in one incident, and three other banks attempt to force up the price of Bund futures at the expense of the Bundesbank in another.

Eurex insisted that its systems prevent "fat finger" errors, and that trading was not disrupted. The system was launched in May 2002, following market pressure to impose volatility limits on trades and ensure that erroneous trades could not be processed. **Eurex** said: "Trading neither in these products nor in the market was interrupted at any time." The exchange is also keen to avoid the bad PR that has accompanied technical glitches at other electronic exchanges, such as derivatives trading in Amsterdam.

Last year Bank Vontobel, the Swiss banking group, mistakenly placed a trade which caused the **Eurex** index to fall 800 points. This error resulted in the cancellation of futures trades worth a total of Euros

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100m and legal action brought against Eurex by German Asset Managers (Amag), who suffered heavy losses during the three-minute suspension period.

Eurex says that it has not received any complaints about its system nor expects any litigation to follow from Wednesday's events. It has no immediate plans to overhaul its operating systems.

---- INDEX REFERENCES ----

KEY WORDS: DERIVATIVES; HOME; INFORMATION TECHNOLOGY

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