

EQUIDUCT

BÖRSE X BERLIN

Organisation

Admission

Market Model

Monitoring

Clearing



Dear Trading Participant 3

Börse Berlin is one of eight German stock exchanges, which made the German trading landscape a competitive market for trading venues long before the introduction of MiFID. However, Börse Berlin made itself unique by being the only German stock exchange to enhance its trading services successfully to a pan-European level. Equity trading has been changing rapidly in recent years. Investing in Equiduct was Börse Berlin's answer to these changes – in technical as well as in regulatory matters. Computers allow the determination of the volume weighted Best Price for European Blue Chips from all the relevant European trading places and thus make Equiduct's unique trading system feasible. At the same time the modification of the regulatory framework for equity trading within the European Union has established a level playing field for pan-European trading services. As a result, Börse Berlin now operates two market places – XONTRO, concentrating on the German market, and the fully electronic,

pan-European market place Equiduct. For an investment firm coming from outside Germany, it is not always easy to understand Börse Berlin's role as the operator of Equiduct. This brochure offers some guidance for the German organisation of the financial market and its stock exchanges under German law, which are of course relevant to all trading participants irrespective of their physical location. The objective is to help those who want to become or already are trading participants of Börse Berlin to find their way within German and European law. This brochure gives them the most important facts in a nutshell, providing its readers with an overview as well as references for where to find in-depth information regarding each topic. Moreover, it also informs trading participants about the services offered by Börse Berlin and how to influence the rules by becoming a member of the Exchange Council.

As Equiduct is a marketplace of Börse Berlin, Börse Berlin has full responsibility for all regulatory matters. All operational and commercial aspects have been outsourced to Easdaq NV/Equiduct Systems Ltd. Keeping these facts in mind, Börse Berlin's role is easily understandable.

I trust you will find this
brochure informative



Artur Fischer, Joint CEO Börse Berlin

Our Services at a Glance

- Admission of Trading Participants
- Admission to listing of instruments (primary and secondary listing)
- Obtaining regulatory approval of market models
- Market Surveillance
- Clearing links
- Transaction reporting
- Monitoring of legislative procedures
- Implementation of new German or EU legal acts
- Membership in FESE
- European Passport to offer these services



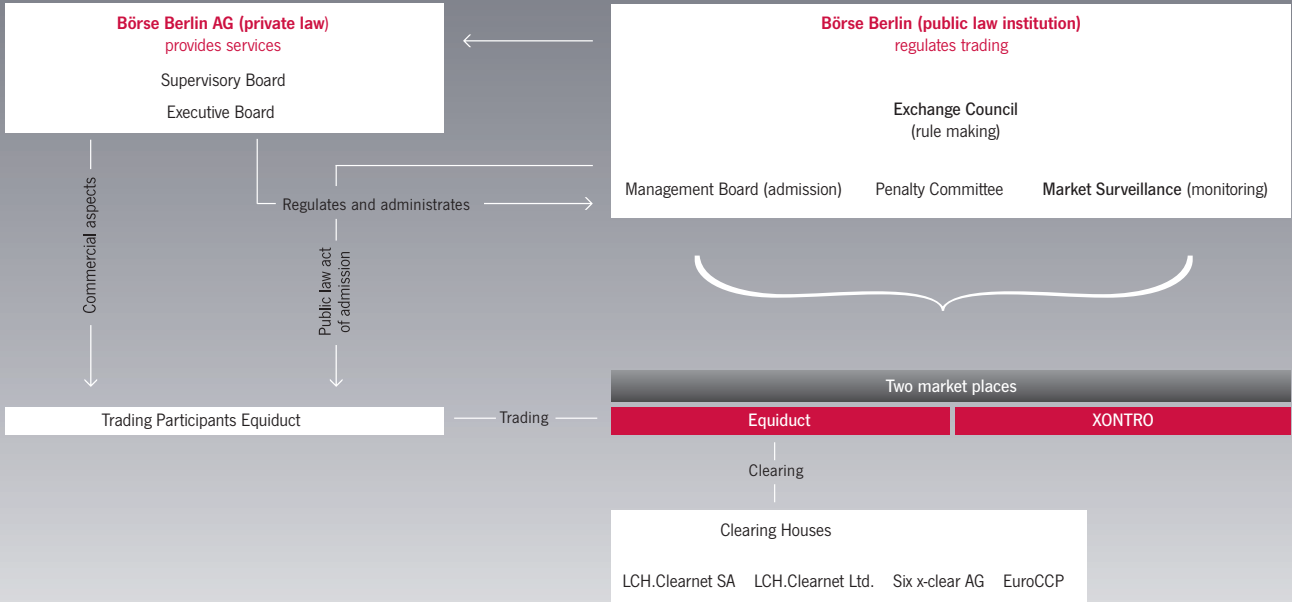
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Organisation of Börse Berlin

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Börse Berlin AG is the private law operator of Börse Berlin (a public law institution). Board members are Dr. Jörg Walter (marketplace XONTRO) and Artur Fischer (marketplace Equiduct). All shares of Börse Berlin AG are held by the Verein Berliner Wertpapierbörse e.V., a non-commercial organisation, whose members are member banks of the exchange.

Bodies of Börse Berlin (a public law institution) are the Exchange Council, the Management Board, the Market Surveillance (HÜST) and the Penalty Committee. All bodies of Börse Berlin are responsible for both marketplaces: XONTRO and Equiduct.

In layman's terms the public law entity Börse Berlin defines and monitors the rules for trading and admission of trading participants. Börse Berlin AG has to provide the financial and technical means as

well as the necessary staff to offer the marketplaces. When approving the operation of Börse Berlin (the public law institution) the state of Berlin conferred certain administrative rights on it. The State of Berlin is liable for all actions of the public law entity. Börse Berlin AG is a commercial company like any other. Its commercial relationship to its contracting parties is governed by civil law and therefore on a level playing field.

For readability this brochure differentiates Börse Berlin AG and Börse Berlin, the public law institution, by addressing the latter as "BSX" and the former as "Börse Berlin AG".

The state of Berlin conferred certain administrative rights to BSX. Some consequences for your better understanding:

1. The obligations of the trading participant are imposed by the regulations of BSX, not by a contract that is signed by two parties.
2. The future trading participant submits an application to become a trading participant. By applying he recognises the obligations imposed by regulations of BSX.
3. Under civil law nobody can be forced to enter into a contract. BSX, as a public law entity, must accept the applicant as its trading participant if he fulfils all necessary requirements. The right to be admitted to trading is enforceable before court.
4. In contrast to a private law company BSX cannot be prosecuted. Claims are to be brought against the Federal State of Berlin.
5. In Germany the decision of the Management Board of a stock exchange to interrupt trading has the same legal quality as the trading suspensions that are imposed by the competent national authorities. The trading suspension might lead to the cancellation of all orders in the order book.
6. In case market surveillance notices that a price is not in accordance with the market, all relevant transactions may get cancelled by the Management Board of BSX.

Exchange Council

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The Exchange Council of BSX consists of trading participants and users of the exchange. It has up to 18 members whose tenure of office is 3 years. It is responsible for the law-making within BSX. Among other things its responsibilities are:

- the promulgation of the exchange rules
- participation fees
- trading rules
- the admission regulations for exchange traders
- agrees links to clearing houses

The Exchange Council appoints the members of the Management Board and the Head of Market Surveillance. Both, the Management Board and the Head of Market Surveillance, have to be accepted by the Exchange Supervisory Authority (see page 25). Decisions concerning the rules or other aspects of fundamental importance require the consent of the Exchange Council. Every trading participant has the right to stand for election to the Exchange Council as a member.



Management Board of BSX

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The Management Board ensures that all market participants conform to the rules. It decides on the admission and the removal of

- instruments to listing in the Regulated Market
- instruments to trading in the Open Market
- trading participants

It is the management's responsibility to decide upon

- trading suspensions
- cessation of price determination
- price corrections
- trade cancellations
- price cancellations
- trading hours

Moreover, the Management Board of BSX is in charge of administering annual fees for the admission of trading participants. Furthermore it validates and approves the transaction fees for electronic trading determined by Easdaq NV/Equiduct Systems Ltd.

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Penalty Committee

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The Penalty Committee is convened if a sanction has to be imposed upon a trading participant or, for example, in the case of a request in writing by the Exchange Supervisory Authority (see page 25). Standard members of the Penalty Committee may also consist of trading participants, except for the two chairmen of the committee. The chairmen have to have passed the First and the Second German Judicial State Examinations and must not be connected to Börse Berlin AG, BSX or any of its trading participants.

If a trading participant or a person working for the trading participant violates stock exchange rules, the Penalty Committee is allowed to

- censure the trading participant in question
- impose a fine of up to € 250,000
- ban the trading participant from trading for up to 30 trading days

If the Penalty Committee reveals facts that justify the cancellation of admission for the trading participant in question, BSX's Management Board takes over. Minutes of the trial – which is not open to the public – and the decision of the penalty committee are transmitted to the Exchange Supervisory Authority.

Penalty Committee

Detailed information on the Penalty Committee can be found in the German Stock Exchange Act (BörsG), Sec. 22.



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Governing Laws for Trading Participants

Europe	Markets in Financial Instruments Directive (MiFID)
Germany	Securities Trading Act, Exchange Act
Berlin	Exchange Rules Trading Rules for Electronic Trading on Equiduct Terms and Conditions for Trading on the Berlin Open Market
Admission of trading participants	Public Law
Participant Contract	Private Law

Trading Participant

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To become a trading participant, you need to apply for participation.

Preconditions to become a trading participant are

- relevant regulatory approval from a competent authority
- a clearing link
- mail authority in Germany
- traders and nominated persons

Admission consists of two compulsory levels:

1. The public law act of admission as a trading participant which is carried out by BSX.
2. A private law contract with Börse Berlin AG for the commercial aspects of the use of the Equiduct trading system, such as duration, termination, confidentiality and fees.

For more information please contact the admission office:

admission@boerse-berlin.de

Fees

BSX raises an annual participation fee. Equiduct Systems raises data fees and trading fees, which have to be approved by BSX and are collected by Börse Berlin AG.

Participation

Trading participants are encouraged to actively participate in the following bodies of the stock exchange:

- Exchange Council
- Penalty Committee

How to get your application forms

The application forms are called „Participation Documentation“ and can be downloaded at www.equiduct.com



Admission of Financial Instruments for Trading

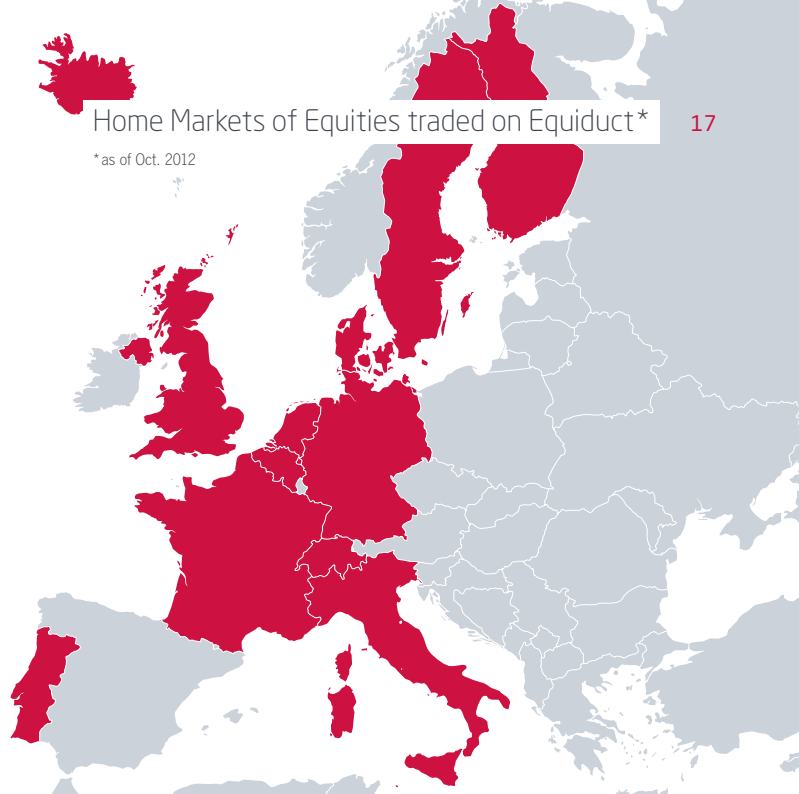
There are two forms of admission for instruments on BSX: primary admission (Initial Public Offering – IPO) and secondary listing. As a Regulated Market, BSX is in a position to list equities for the first time (Initial Public Offering – IPO) in all market segments.

Equiduct currently does not offer an IPO service. An up-to-date list of all instruments traded on Equiduct can be found at www.equiduct.com.

Home Markets of Equities traded on Equiduct*

*as of Oct. 2012

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18 MIC-Codes according to Market Segments

Market Segments (Primary or Secondary Listing)			OTC
Regulated Market Regulated and administrated under public law Regulated Market according to MiFID MIC-Code: EQTA	BSRM (subject to the rules of the Open Market) Regulated Market according to MiFID MIC-Code: EQTB	Open Market (Freiverkehr) Regulated under private law MTF according to MiFID MIC-Code: EQTC	MIC-Code: EQTD
Trading monitored in real time by Market Surveillance			

BSX has three market segments, the Regulated Market, the Open Market and the Berlin Second Regulated Market (BSRM). The market segments do not differ in regard to trading but in regard to admission – the rules for trading and price determination are the same in all three of them. Also, trading on all three market segments is monitored in real time by Market Surveillance (see page 25). The MIC-Codes are only related to the market segments. Whether the order is admitted to the HybridBook or PartnerEx is irrelevant.

Instruments allocated to the Berlin Second Regulated Market (BSRM) have to be admitted for trading on a Regulated Market in terms of MiFID. Therefore the Berlin Second Regulated Market qualifies as a Regulated Market although it is part of the Open Market.





For detailed information regarding trading and price determination, please refer to:

- Trading Rules for Electronic Trading
Regulate all aspects of trading activities, e. g. order types, trading phases, functions of Market Makers, Liquidity Providers etc.

The document can be downloaded at
www.boerse-berlin.com/Boerse_Berlin/Regulations

Trading and Price Determination on Equiduct

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All orders and quotes are entered into the order book. Trading starts with an opening which is followed by continuous trading. Market Makers post continuous quotes. Other participants, known as Order Flow Providers, post orders. The system automatically matches the orders, aggressive orders which are immediately executable are matched on receipt by the system. Orders or partial orders which are not immediately executed rest in the order book. These resting orders (or the visible part with regard to iceberg orders) are visible alongside the Market Maker quotes.

PartnerEx is a service designed to deliver best execution to the retail market. Therefore order flow providers can only utilise this service to execute retail flow. PartnerEx orders operate within the order book with specific features. They therefore behave in the same way as every other order and are visible in the same way.

They have a number of additional characteristics, e. g.:

- The system continuously calculates the VBBO (Volume Weighted Best Bid and Offer) for each instrument
- An order received which is immediately executable against the VBBO will be executed at that price without the intervention of the Liquidity Provider
- The counterparty will be one or more of the Liquidity Providers in the system
- With regard to PartnerEx orders, the Liquidity Provider is not fulfilling a Market Maker role according to MiFID since the Liquidity Provider has to trade on the VBBO set by the exchange
- The Liquidity Provider is obliged by the rules of BSX to execute PartnerEx orders at prices calculated by the system
- If an order is not immediately executable (e. g. the VBBO is currently not within the limit) it will rest in the order book as any other order.

Symbol [EUR]

No. of Shares

260

XEQT BATE CHIX TRQX XETR

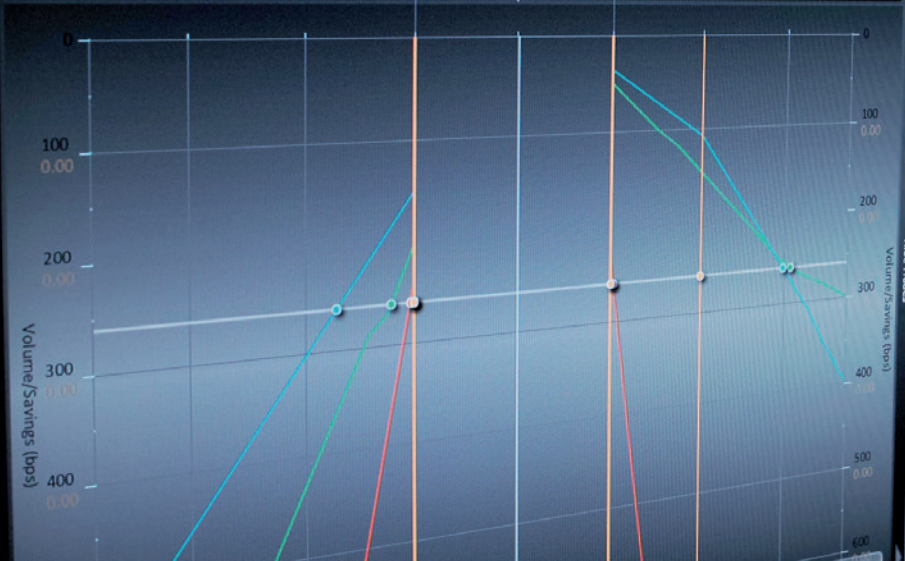
mediawall Logout Change password

Book Replay Live

EBBO 22 935 58.48

58.50 2370 EBBO Split %

Bid VWAP Offer VWAP



Trades

Price	Volume	Time	Type
58.50	234	10:33:05	
58.49	233	10:33:05	
58.50	150	10:33:05	
58.50	180	10:33:05	
58.50	191	10:33:05	
58.50	36	10:33:05	
58.50	237	10:33:05	
58.50	146	10:33:05	
58.50	51	10:33:05	
58.49	677	10:32:59	
58.49	158	10:32:59	
58.49	179	10:32:59	
58.485	100	10:32:59	
58.48	90	10:32:59	
58.48	41	10:32:59	
58.4712	341	10:32:58	
58.47	277	10:32:58	
58.47	184	10:32:57	
58.46	180	10:32:57	
58.4519	193	10:32:57	
58.46	134	10:32:57	
58.46	212	10:32:57	
58.46	77	10:32:57	
58.45	222	10:32:57	
58.45	169	10:32:57	
58.45	300	10:32:57	
58.45	247	10:32:51	
58.4401	222	10:32:51	

Pre- and Post Trade Transparency

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With regard to the order book (including PartnerEx orders):

- All quotes posted by the market makers are published
- The unexecuted orders on the order book are published (including resting orders and the visible portion of iceberg orders)
- In the call phase of an intra-day auction and preceding the opening and closing all such orders and quotes are published

In respect of PartnerEx orders

- The VBBO is published in two volumes – retail market size and standard market size (prices at more volume levels could be published)
- Facility for customers to access VBBO at different market sizes
- The VBBO gives transparency in relation to price formation

The data is available

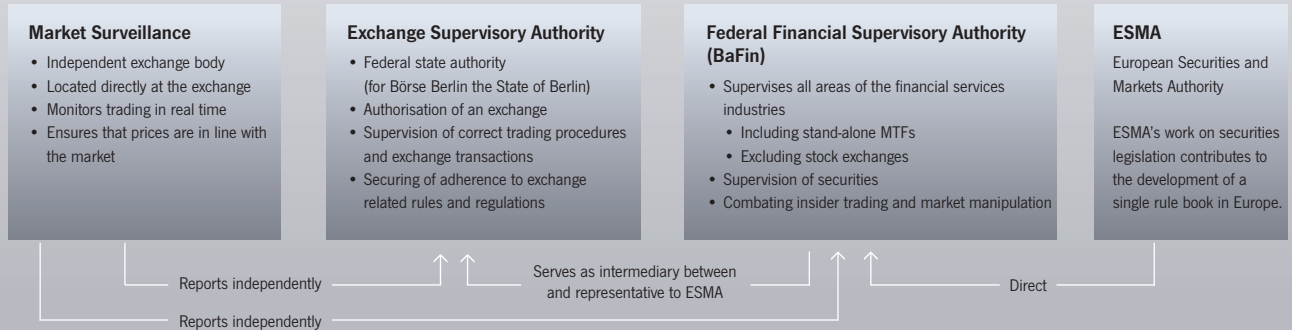
- Directly through technical interfaces (FIX,ITCH)
- Indirectly through market data vendors (Bloomberg, INR, Six, Thomson Reuters)

The information is available in real time and is monitored constantly for errors. It is available directly to anyone who enters into the relevant agreement and through data vendors who subscribe to the feed.

24 Trade Monitoring/Regulatory Supervision

Trading in all three market segments is continuously monitored.

The following German official institutions ensure fair and orderly trading.



Market Surveillance (HÜST)

German exchange law stipulates that each exchange must have Market Surveillance (in German: Handelsüberwachungsstelle (HÜST)) as an independent exchange function. Market Surveillance gathers and analyses all data produced during exchange trading and monitors the price determination in real time. It ensures that all prices are in line with the market. Furthermore, it supervises the market participants' compliance with the exchange rules and regulations and carries out investigations if a market participant has violated the rules.

Market Surveillance immediately reports any irregular practices to the Management Board of BSX, who then takes appropriate measures. It also reports to the Federal State's Exchange Supervisory Authority (in German: Börsenaufsichtsbehörde) independently. In the case of irregularities regarding insider trading or suspicion of market price

manipulation, Market Surveillance informs the Federal Financial Supervisory Authority (BaFin).

Trading participants may contact HÜST whenever they have questions by simply writing an email to surveillance@boerse-berlin.de.

The Exchange Supervisory Authority

BSX is supervised by the competent federal state authority of the Federal State of Berlin – the Exchange Supervisory Authority. In Germany, Exchange Supervisory Authorities in general are part of the Economy or Finance ministries of the federal states.

The competences of the Exchange Supervisory Authority range from the authorisation of an exchange (or the closing of it) to the supervision of correct trade procedures and exchange transactions

Bundesministerium der Finanzen



Bundesministerium der Finanzen

Finanzen

Bundesministerium der Finanzen



and the securing of the adherence to exchange related rules and regulations. In Berlin the Exchange Supervisory Authority is part of the Senate for Economy, Technology and Research.

The Federal Financial Supervisory Authority (BaFin)

Supervision of the financial services sector is carried out by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)). BaFin supervises all areas of the financial industry including Multilateral Trading Facilities (MTFs). It is in turn subject to supervision by the Federal Ministry of Finance. It is not BaFin's responsibility to supervise German Regulated Markets.

BaFin's central tasks in the area of supervision of securities are to pursue insider trading and market manipulation. BaFin staff members analyse all transaction reports they receive. BaFin examines

the contents of ad-hoc and director dealing disclosures and their impact on the price development. If a suspicion arises that insider trading might have taken place, BaFin forwards the case to the German Prosecutor's Office.

BaFin also serves as a representative and intermediary between the eight Exchange Supervisory Authorities of the German federal states and the European Securities and Markets Authority (ESMA).

Allocation of Tasks

BSX is responsible for the admission of trading participants and securities as well as Market Surveillance. It regulates all aspects of trading.

Equiduct System Ltd. administers the trading system.

Market Control

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Market Control is a department of Equiduct Systems Ltd. It provides technical support to Börse Berlin and is located in London. It is responsible for the following:

- Technical support of Market Surveillance
 - Technical Point of contact for all trade related queries from member firms
 - Technical support that all trades are accepted and processed at the relevant CCPs with intraday and end of day reconciliations
 - Continuous monitoring of market data; both incoming from external reference markets and Equiduct published market data for pre and post trade transparency
- Definition and maintenance – subject to approval of BSX – of the Equiduct tradeable universe
- Production support for all trading members and market data vendors
- Onboarding of new trading members, market data vendors and clearing houses
- Continuous analysis and reporting of Equiduct's trading activity
- Configuration of all aspects of reference data including the maintenance of PartnerEx Relationships and Market Maker quoting abilities

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Transaction Reporting

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As a rule all transactions in financial instruments which are admitted to trading on a Regulated Market have to be reported by the trading participant to the competent authority in the home member state of the trading participant. This means that e. g. a UK trading participant admitted for trading on the Berlin Stock Exchange has to report all his trades to the British Financial Services Authority (FSA), a French trading participant to the Autorité des Marchés Financiers (AMF) and so on. Trading participants have to make sure that they use the correct MIC-Codes (see page 16) in their reports.

Not covered by this rule are all financial instruments which are not admitted to any Regulated Market within the European Union. E. g. Switzerland is not a member state of the EU, thus Swiss financial instruments are not regarded as admitted to any Regulated Market.

Therefore transactions in Swiss securities need to be reported to BaFin by the trading participant irrespective of his home member state. Börse Berlin AG is offering the service to report these transactions to BaFin on behalf of the trading participant. Trading participants may also use other service providers.

MiFID Compliance

The European Securities and Markets Authority (ESMA) officially confirmed that the Equiduct market model complies with the requirements for hybrid systems under Article 17(5) of the MiFID Implementing Regulation by “...*maintaining a standard of pre-trade transparency that ensures the adequate information is made public as to the price level of orders or quotes for each share... as well as the level of trading interest in that share.*” In other words, the system is considered pre-trade transparent and MiFID compliant.

¹ ESMA opinion dated 26 March 2012, ESMA/2012/222

European Legislation

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The Markets in Financial Instruments Directive (MiFID) implemented in November 2007 was the first step to harmonise European capital markets. It has been acknowledged that MiFID has had some positive effects including facilitating the growing competition between trading platforms. However, most experts agree that it has failed to provide investors with best execution. Being a directive, MiFID allowed its member states some freedom in implementing the directive into national law. Therefore national legislation continues to vary from member state to member state. Furthermore, MiFID concentrated on trading but ignored the next step: clearing. Acknowledging these problems, the EU commission presented a more profound regulation of European capital markets and financial services. In addition to the comprehensive revision of the current MiFID, called MiFID II, a new regulation called Markets in Financial Instruments Regulation (MiFIR) is being worked on.

In the second half of 2012 the European Market Infrastructure Regulation (EMIR) is due to take effect. It will aim to harmonise the authorisation and supervision of the European clearing houses. Both MiFIR and EMIR are regulations and therefore will take direct effect in all European member states. Thus the European Commission ensures that the new legislation is congruent in all member states.

The European Securities and Markets Authority (ESMA) is the successor of CESR. ESMA works mainly with regulations and thus will close the gaps that were the result of directives being implemented in national law by the member states. Basically ESMA is a federation of national supervisory authorities. Its board consists of high ranking capital markets controllers of the 27 EU member states. It is to be expected that due to ESMA the harmonisation of the European financial market will proceed faster than in the past.



To allow members the maximum flexibility in their post-trade arrangements, BSX provides a connection to four CCPs (Clearing Houses). CCP availability is described as follows :

- LCH Clearnet SA
Non interoperable, Euronext instruments only
- LCH Clearnet Ltd
Interoperable, UK, Italian, German, Swiss and Nordic instruments
- SIX X-Clear
Interoperable, Euronext, UK, Italian, German, Swiss and Nordic instruments
- EuroCCP NV
Interoperable, Euronext, UK, Italian, German, Swiss and Nordic instruments

Equiduct offers a fully interoperable CCP solution across all boards with the exception of the Euronext segment where a preferred CCP model is in place. To trade on the Euronext segment access to LCH SA is mandatory and members may choose an additional preferred interoperable CCP to be used whenever possible.



Boerse-Berlin.com

Börse Berlin AG's website offers a range of useful information for trading participants. All regulations can be downloaded by going to "Börse Berlin" and clicking on "Rules and Regulation".

The section "Notices" contains all the information regarding securities traded on Equiduct as well as decisions by the Management Board. The information provided in this section is legally binding.

The site also publishes flash notices to keep trading participants updated on BSX's Market Surveillance and the Management Board's decisions and actions that have a direct effect on the Equiduct trading segment. Clicking on "Flash Notice" in the menu brings you right to the latest news. Please note that this menu item is only available if there are such notices. To be sure not to miss any important messages, stay on the section "Notices". A frame will open up automatically with the latest flash notice as soon as it is published.

Flash Notices inform you about the following actions:

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- Investigation of an ascertained price of a security
This means that there is the possibility that trades at this price may be cancelled
- Investigation of ascertained prices of a whole market
This means that there is the possibility that all trades at these prices in this market may be cancelled
- Events that may have an influence on the market
- Mistrades (cancellations)
- Problems with the IT system of market members or whole markets
- All Management Board decisions that influence the market (e. g. change of trading hours)
- Immediately effective directives or regulations of controlling institutions
- Revocation of membership (admission to trading)
- Trading halts in the Regulated Market



Equiduct.com

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Equiduct's state of the art website not only offers all the necessary information about Equiduct it also displays real-time market data and statistics to aid both the professional and retail investor in analysing best execution. Please visit for:

- Information on the unique market model and market data offerings
- How to Get Onboard
- Real-time and historic stock activity and best execution statistics
- Up-to-date news and events
- Market alerts and real-time market status
- A Members Portal

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