Eurex Clearing releases

Clearing Member Focus call

6 September 2022

Agenda

Tuesday, 6 September 2022

1. C7 SCS Release 2.0
2. Collateral mobility
3. T2-T2S Consolidation

All information about Eurex Clearing releases can be found on the Eurex Clearing Support on our dedicated initiatives pages:

Eurex Clearing > Support > Initiatives & Releases

Eurex Clearing SCS
Release 2.0

Focus calls: Eurex Clearing releases

6 September 2022

C7 SCS 2.0 - Timeline

Timeline for migration of Repo Clearing Service

- Eurex Clearing proceeds with the migration of Equity and Repo Clearing to the C7 architecture.
- C7 Securities Clearing Service (C7 SCS) was introduced on 27 September 2021 at first for Equity and Bond Clearing, i.e., for all transactions in CCP-eligible instruments concluded at FWB and for transactions resulting from physical deliveries at Eurex Deutschland. With **C7 SCS Release 2.0** the **Repo Special** and **GC Pooling market** will be migrated.

- Migration Timeline
  - Eurex Clearing's C7 SCS Release 2.0 for Repo Clearing is planned for Monday, **24 October 2022**
  - Simulation start: 20 June 2022
  - Readiness statements: 12 September 2022 until 10 October 2022
  - More information can be found at Eurex Clearing Support → Initiatives & Releases → C7 SCS Releases → C7 SCS Release 2.0

Aspects	2021		2022			
	Q3	Q4	Q1	Q2	Q3	Q4
Regulatory context			CSD-R ▲			T2/T2S consolidation ▲
Current CCP system		**FWB** / **Eurex** ⬇		◆	◆	**Repo** ⬇
C7 SCS	**Release 1.0**			**Simulation Start**		**Readiness Statements** / **Release 2.0**

today

1 **Functional Overview**

C7 SCS 2.0 Functional overview

Overview of functional scope grouped by basic and optional services

Type	Item	Functionality / Service	Short description
Basic = default settings	1	Settlement Date netting - single instruction	Netting of single trades on S-1 (end-of-day). The cash out of offset block is included in the settlement instruction.
	2	Pre-select 'Net' processing (account set-up)	Settlement Date Netting (SDN) replaces the current Actual Settlement Day Netting (ASDN). The pending delivery instructions will not be cancelled by Eurex Clearing and will not be considered again for netting.
	3	'Release' default method (account setup)	Sending of delivery instructions as "released"
	4	Same Day settlement Process	Same day trades (e.g. front legs of over-night trades) are instructed on Gross basis in real-time.
	5	Shaping per Currency for GC/Special Repos	Shaping in order to increase settlement efficiency
	6	Common Reports – Pending Delivery, Settled Delivery and Settled Cash Transaction Reports (XML)	XML based reports – Common for Cash market and Repo market
	7	Repo Specific Reports (XML)	XML based reports – Repo Specific Reports
Optional = selectable by members	8	Settlement Date netting – dual instruction	Netting of single trades on S-1 (end-of-day). The cash out of offset block is instructed separately.
	9	'Hold' default method (account setup)	Sending of delivery instructions as "hold". Not applicable for GC Pooling.
	10	Pre-set 'Gross' processing at settlement account level.	Trades are not considered in netting run. Not applicable for GC Pooling.
	11	Support for Member Hold/Release at (I)CSD	Hold/Release can be performed by members at (I) CSD
	12	Printable Common Reports - Pending Delivery, Settled Delivery and Settled Cash Transaction Reports and Reports for Trading Members	Reports in printable version (TXT)

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C7 SCS 2.0 Reporting

C7 SCS reports for all markets

Name	Freq.	Level	Content	Format
Pending Delivery Report (CE860/1/2)	EoD	CM, SI, BCM/TM^{O)}	• On one business day before value date, delivers the netting result for single trades, indicating if a given trade is in offset or in surplus. • Value date onwards, the single trades that are still pending are delivered. • Same day trades are also reported	XML + TXT^{O)}
Settled Delivery Report (CE870/1/2)	EoD, S(+x)	CM, SI, BCM/TM^{O)}	• Single Trades that been settled on the given settlement date. • Both Offset trades as well as Surplus trades are delivered.	XML + TXT^{O)}
Settled Cash Transactions Report (CD850/1)	EOD	CM, SI^{O)}	• Settled Cash transactions – cash only offset payments (for DIN model), cash correction for variable repos.	XML + TXT^{O)}
Intraday Settled Trade Report (CI870/1/2)	Intraday	CM, SI, BCM/TM^{O)}	• Report contains partial or full settlement of Repo Trades (Special Repo and GC Pooling) • Partial settlements are shown individually and not as one aggregated entry. • It is created multiple times during the day as a delta report which contains the settlement (partial or full) of Repo Trades that are received since the last run.	XML
Repo Settled Cash Transactions Report (CD852)	EOD	BCM/TM^{O)}	• Settled Cash transactions – cash only offset payments (for DIN model), cash correction for variable repos.	XML + TXT^{O)}
Trades Action Report (CB830/1)	EoD	CM, SI	• Manually inserted, deleted, buy-in Blocked/Released transactions	XML + TXT^{O)}

o) Optional

Please note that Pending/Settled Delivery Report generated at EOD (tentative timing 00:30 – 03:30 CE(S)T) will consider deliveries only of the completed Value Date i.e. NTP settlements for the next value date are not in.

C7 SCS 2.0 Reporting

C7 SCS reports for repo and GC Pooling

Name	Freq	Level	Content	Format
Repo Trade confirmation (TC800/1/2)	Intraday	CM, SI, BCM/TMO)	Confirmation of trades (delta – intraday, full report EoD) This report is created on hourly basis. During peak trading hours (from 08:00 CET to 13:00 CET) it is created every 30 minutes until 15 CET	XML
Repo Contracts (TC850/1/2)	EOD	CM, SI, BCM/TMO)	Details of repo transactions.	XML
Repo Custody Payment Statement Report (CA870/1)	EOD	CM, SI	This report shows coupon compensations for Special repos	XML

*o) Optional

C7 SCS 2.0 Referencing towards (I)CSD

The structure of the referencing is based on the reports that are provided by C7 SCS and the MT5xx messages that are provided by the (I)CSDs and which are based on the ISO15022 standard message format

Topic	Description
Referencing between C7 SCS reports and sent Delivery Instructions to (I)CSDs	Reference information will be provided in the following C7 SCS reports: Pending Delivery and Settled Delivery Report The following MT5xx messages are provided during the communication with the (I)CSDs and can be used for the referencing: MT54x: Settlement Confirmation and MT548: Settlement Status and Processing Advice & Cancelation Confirmation.
Identification of Settlement Reporting related to special repos in C7 SCS	Securities CCP uses the prefixes "ALM" and "POA" for Delivery References in Delivery Instructions (field 20C:SEME) towards (I)CSD. C7 SCS uses the prefixes "SAM" and "SPA", respectively for delivery instructions out of cash market and Eurex. C7 SCS uses the prefixes "RAM" and "RPA", respectively for delivery instructions for special repos. C7 SCS uses "RAM" prefix for already matched instruction at CBF and "RPA" prefix is used for unmatched instructions.
CBF service offering for message type "MT530 Transaction Processing Command" in context of C7 SCS	The modification for "already matched" settlement instructions at CBF can be provided by either: using the CASCADE instruction number ("KP reference") to uniquely identify the dedicated leg, i.e., the Delivery or Receive instruction, that should be subject to modification using the T2S Actor Reference to refer to an "already matched" settlement instruction and to specify the leg(s) to be modified by an indicator. The T2S Actor Reference corresponds to C7 SCS's Delivery Reference, e.g., RAM0902M00044003.

2 **Simulation activities**

Activities in Simulation

Test scenarios for Special Repo Market

- New **settlement** mechanism (Settlement Date Netting), choice of **processing** (Netting – default, Gross) and **netting** methods (Single Instruction Netting - default, Dual Instruction Netting)

- Sent-out **delivery instructions** (Released – default, On-Hold) and their subsequent **modification at CSDs** (CBF, CBL,EC)

- E2E/Simulator

- **Shaping** – for trade entries exceeding the nominal value of 50 mil. EUR/GBP)

- **Partial Settlement**

Partial Settlement 60%:
DE000A2LQSN2 KRED.F.WIED.19/29MTN

Partial Settlement 20%:
DE000HV2ASW7 UC-HVBPF2066

- **Corporate Action Processing**

Coupon Compensation w. Holdings (06.09.2022/CBF):
DE0001102317 BUNDANL.V.13/23
DE0001102325 BUNDANL.V.13/23

Coupon Compensation w. Holdings (15.09.2022/CBF):
DE0001102374 BUNDANL.V.15/25
DE0001135044 BUNDANL.V.97/27

Activities in Simulation

Test scenarios for GC Pooling Market

- New **settlement** mechanism (Settlement Date Exposure Netting), **new GC Pooling settlement principles** (settlement in T2S or Creation based on Currency and GC Pooling Basket combination), **netting** methods (Single Instruction Netting - default, Dual Instruction Netting)

- **Same day trades** (exposure adjustments are sent by ECAG instead of settlement instruction) as opposed to **Standard trades**

- **CmaX connection** – full E2E testing (from trading to settlement):

  - Monitor the updated Exposure To Cover in CmaX system based on exposure adjustments sent by C7 SCS in Xact GUI Interface

  - Verification of the CmaX Collateral allocation reports

  - Partial/full Settlement of exposure

Simulation Approach

Test scenarios for both Special Repo and GC Pooling markets

- **Cash only bookings**

(coupon payments, offset block and delta payments) done by ECAG
via C7 CPS on a CM's cash account per settlement account and
currency

- **Reporting**
  - Automatic C7 SCS Reports provision for all CMs and SIs in
    CRE only,
  - Reports selection for Trading Members
  - Optional text version of reports

3 **Production Migration Weekend Activities**

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Transactional Data Migration in Production

Pre-requisites and items for consideration

- Actual transactional data migration of open trades (front-leg or term-leg not yet settled) from CCP to C7 SCS in Production will be performed **on weekend of 22 October 2022**

- To **avoid non-compliancy**, GC Pooling participants should duly execute all required legal documentation and be setup with new accounts for C7 SCS by **15 September 2022**

- Non-Compliant Clearing Members:

  ➢ **Not allowed to enter GC Pooling trades with settlement dates beyond grace period end date**

- Member master data migration will be conducted in the course from **12 September 2022** to **10 October 2022**. Following member reports will be provided:

  – RM400 – Settlement Account Assignments with Euroclear Bank Codification
  – RM300 – Settlement Account Clearing Settings

Publications: <u>C7 SCS Release 2.0</u> > System Documentation > Overview and Functionality:
- <u>C7 SCS 2.0 – Migration Strategy Paper Eurex</u>
- <u>C7 SCS 2.0 - Important Deadlines</u>

Overview of the cut-over weekend

20 October

Last GC Pooling Settlement Day and margin collateral in CCP & Xemac

- Preponed trading deadline for same day (overnight) GC Pooling trades
- Pending delivery instructions will be cancelled at 15:45 CET
- From 3:45pm CET Xemac will not be available for any changes of exposure, i.e., delivery or withdrawal of collateral in favor of Eurex Clearing (margin collateral, Own Funds, Default Fund contributions). The securities inventories will be frozen and prepared for migration.
- Xemac early closing at 16:30 CET
- No ASDN performed and no delivery instructions sent for **GC Pooling trades**
- Provision of EoD reporting including:
    - Settled Delivery Report
    - Pending Delivery Report (with no delivery information for GC Pooling trades)
    - CD037 with margin collateral booked in Xemac

21 October

Last Special Repo Settlement Day in CCP & collateral mobilization to CmaX

- F7 GC Pooling settlement holiday
- Collateral mobilization from Xemac to CmaX for both GC Pooling, margin and Default Fund contributions collateral
- Regular Special Repo settlement day; i.e., no adjustments of settlement deadlines
- All late Special Repo trades adjusted for gross processing
- Finalization of EoD activities including standard fixing and re-rates
- No ASDN performed and no delivery instructions sent
- Provision of EoD reporting including:
    - Settled Delivery Report
    - Pending Delivery Report (with no delivery information for repo business)
    - CD037 with margin collateral booked in CmaX

22 October

Migration Weekend for transaction data

- GC Pooling and Special Repo (late) trades are migrated from CCP to C7 SCS
- Initialization of GC Pooling exposures
- Migrated trades will undergo a special netting run (SDN & SDEN) and creation of delivery instructions in C7 SCS
- Creation of special reporting instance of pending delivery report (CE860), reflect the netting result and the Delivery IDs

24 October

Go-Live

- Special Repo: Settlement processing, feedback from (I)CSDs
- GC Pooling: Exposure Adjustment feedback from CmaX
- F7 trading will open
- Margin collateral adjustments performed automatically by CmaX
- 1st regular business day for repo business in C7 SCS

✏️ Please consider the highlighted items for Margin and Default Fund contributions collateral

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C7 SCS 2.0 – Information Sources

Information on Eurex Clearing Website

C7 SCS Initiative Page:

Eurex Clearing > Support > Initiatives & Releases > C7 SCS Releases > C7 SCS Release 2.0

https://www.eurex.com/ec-en/support/initiatives/c7-scs-releases/C7-SCS-Releases-2396668?frag=2631074

Member Documentation:

C7 SCS 2.0 - Release Notes (Updated)

C7 SCS 2.0 - Member Simulation Guide

Eurex Clearing - C7 SCS XML Reports – Reference Manual

C7 SCS 2.0 - List of known limitations

ISIN - List of financial instruments for C7 SCS 2.0

Related Circulars:

➢ Eurex Clearing Circular 036/21: Securities clearing: Migration of Repo clearing as part of C7 Securities Clearing Service Release 2.0 (https://www.eurex.com/ec-en/find/circulars/clearing-circular-2622236)

➢ Eurex Clearing Circular 066/21:C7 SCS Release 2.0: Impact of collateral mobility of Clearstream for Members using Xemac for provision of margin collateral and Default Fund contributions (https://www.eurex.com/ec-en/find/circulars/clearing-circular-2722536)

4 **Q&A**

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Thank you!

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