

Eurex Clearing Circular 013/19

Introduction of bunched order clearing for OTC IRD Transactions; amendments to the Price List of Eurex Clearing AG

Summary

Eurex Clearing AG introduces new functionality and amends the Price List of Eurex Clearing AG (Price List) to facilitate the clearing of bunched orders for OTC Interest Rate Derivative (IRD) Transactions.

The amended sections of the Price List, as decided by the Executive Board of Eurex Clearing, are attached to this circular.

The amendments to the Price List will come into effect on **1 March 2019**.

Attachment:

- Amended sections of the Price List of Eurex Clearing AG

Date: 13 February 2019

Recipients:

All Clearing Members, FCM Clearing Members, Basic Clearing Members, Disclosed Direct Clients of Eurex Clearing AG, other affected contractual parties and vendors

Authorized by:

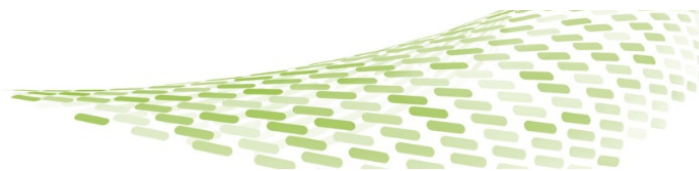
Heike Eckert

Target group:

All departments

Contact:

Your Key Account Manager Clearing,
[clearing.services-
admission@eurexclearing.com](mailto:clearing.services-admission@eurexclearing.com)



Introduction of bunched order clearing for OTC IRD Transactions; amendments to the Price List of Eurex Clearing AG

Eurex Clearing AG (Eurex Clearing) introduces new functionality to facilitate the clearing of OTC IRD block trades that are initially booked into a “suspense account” for post-novation allocation to different target accounts (so-called “bunched orders”). The Price List of Eurex Clearing AG (“Price List”) will be amended to reflect the pricing logic for such bunched orders.

Introduction of Bunched Orders Suspense Accounts

For the initial clearing of a client’s bunched orders by a “stand-by” Clearing Member, “Bunched Orders Suspense Accounts” will be introduced as a new client position account type. All Clearing Members holding a licence for the clearing of OTC IRD Transactions will be able to open one or more Bunched Orders Suspense Accounts.

Trades booked into a Bunched Orders Suspense Account will be cleared in the same way as any other client trade. As preconditions for successful novation, bunched orders must be sufficiently prefunded with client collateral and accepted by the stand-by Clearing Member for clearing. Any trades remaining in a Bunched Orders Suspense Account at the end of the day will be included in the end-of-day margin run of the stand-by Clearing Member.

Stand-by Clearing Members can either open a new Bunched Orders Suspense Account via the regular set-up process, or have an existing client account flagged as Bunched Orders Suspense Account. Please get in contact with your Key Account Manager for further support.

Allocation of bunched orders to target accounts

After the clearing on block level, the bunched order is allocated from the Bunched Orders Suspense Account to the target accounts of the Clearing Member which clears the transactions of the client to which the bunched order relates. These accounts can be held either by the same Clearing Member or by another Clearing Member. For the allocation to be successful, the target accounts must be sufficiently collateralised and the target Clearing Member must accept the allocated trades for clearing.

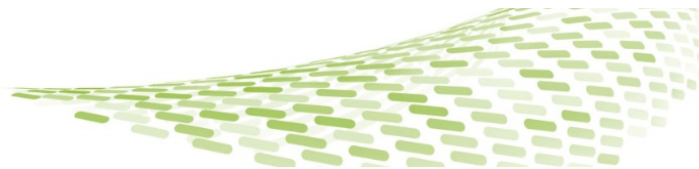
The allocation can be performed in two ways: either via A) a third-party allocation service provider or B) via post-trade events directly at Eurex Clearing.

A) Allocation via third party

The third party allocation service provider used by the bunched order client could be, for instance, the trading venue where the block trade was executed. The bunched order client has to specify vis-a-vis the third party how it wants to allocate the cleared bunched order, e.g. the number of splits and their notional. Furthermore, the respective target account at Eurex Clearing of each split must be explicitly specified. The third party will then submit the allocation instructions to Eurex Clearing, which simultaneously offset the block trade in the Bunched Orders Suspense Account of the stand-by Clearing Member and create new positions in the target accounts of the Clearing Member of the bunched order client.

B) Allocation via post-trade events

The stand-by Clearing Member itself can also allocate the bunched order by using the existing post-trade functionality at Eurex Clearing. The bunched order can be allocated by the stand-by Clearing Member to any other of its own accounts via an account transfer request or to accounts of another Clearing Member via a trade transfer request. The transfer requests can be initiated by the stand-by Clearing Member either via FpML messaging or via the EurexOTC Clear GUI.



Pricing of bunched orders

For any transaction booked into a Bunched Orders Suspense Account, no transaction fees (i.e. neither booking nor maintenance fees) will be charged if transferred to another account within the same calendar month of its novation. Instead, the booking and maintenance fees will be charged for the allocated trades and with regard to the target account(s) of the bunched order client.

The following provisions of the Price List will be amended as outlined in the attachment to reflect the changes:

- Numbers 10.2 and 10.3 of the Price List

The amendments mentioned above will become effective on 1 March 2019. As of the effective date, the full version of the amended Price List will be available for download on the Eurex Clearing website www.eurexclearing.com under the following link:

Resources > Rules and Regulations > Price list

The amendments to the Price List of Eurex Clearing AG published by this circular at least ten (10) Business Days prior to the effective date indicated herein are deemed accepted by each affected contractual party of Eurex Clearing AG, unless the respective contractual party objects by written notice to Eurex Clearing AG within the first ten (10) Business Days of such period of such period. Any ordinary right of Eurex Clearing AG to terminate the respective contract (including a Clearing Agreement, if applicable) shall remain unaffected.

Unless the context requires otherwise, terms used and not otherwise defined in this circular shall have the meaning ascribed to them in the Clearing Conditions or FCM Clearing Conditions, as applicable.

If you have any questions or need further information, please contact your Key Account Manager Clearing, e-mail: clearing_services-admission@eurexclearing.com.

13 February 2019

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

[...]

10. Transaction Fees for OTC Interest Rate Derivative Transactions

[...]

10.2 Standard Pricing Model

[...]

10.2.1 Booking Fee per OTC Interest Rate Derivative Transaction

(1) For the novation of each OTC Interest Rate Derivative Transaction, a fixed booking fee per OTC Interest Rate Derivative Transaction ("**Fixed Booking Fee**") of

- EUR 0.25 for IRS, OIS and FRA; and
- EUR 0.375 for ZCIS

[...]

(2) [...]

"**Calculation Period**" for the purposes of this Number 10.2.1 means, with respect to the Maturity Premium, the following period (whereby the relevant date is included in the calculation of the deadline):

[...]

(3) [...]

(4) The OTC Interest Rate Derivative Booking Fee shall exclusively be paid by the Clearing Member with the invoice issued for the relevant calendar month. By payment of the OTC Interest Rate Derivative Booking Fee, all services to be provided by Eurex Clearing in relation to an OTC Interest Rate Derivative Transaction pursuant to Chapter VIII Part 1 Number 1.2.7 Paragraph (4), Number 2.6 (with the exception of Trade Netting Fees in accordance with Number 10.5.1), Number 2.7 (except for the transfer of an OTC Interest Rate Derivative Transaction to another Clearing Member (~~Trade Transfer~~ transfer) pursuant to Number 2.7.1) and Number 2.8 of the Clearing Conditions, or pursuant to Chapter II Part 1 Number 1.2.5 Paragraph (4), Number 2.6

(with the exception of Trade Netting Fees in accordance with Number 10.5.1), Number 2.7 (with the exception of a transfer of an OTC Interest Rate Derivative Transaction to another Clearing Member (~~Trade-trade Transfer~~transfer) pursuant to Number 2.7.1) and Number 2.8 of the FCM Regulations, shall be covered.

10.2.2 Booking Fee per OTC Interest Rate Derivative Transaction for Trade Transfer

For each transfer of an OTC Interest Rate Derivative Transaction to another Clearing Member, Basic Clearing Member or FCM Clearing Member pursuant to Chapter VIII Part 2 Number 2.7.1 of the Clearing Conditions or pursuant to Chapter II Part 2 Number 2.7.1 of the FCM Regulations (“Trade Transfer”)-pursuant to Chapter VIII Part 2 Number 2.7.1 of the Clearing Conditions or pursuant to Chapter II Part 2 Number 2.7.1 of the FCM Regulations, Eurex Clearing may charge the respective ~~Transferee~~ transferee Clearing Member and/or the respective transferor Clearing Member a percentage of the originally calculated OTC Interest Rate Derivative Booking Fee for the relevant OTC Interest Rate Derivative Transaction.

~~Such~~Such percentage applicable to the transferee Clearing Member is currently ~~equal to zero per cent~~zero per cent.

Such percentage applicable to the transferor Clearing Member is currently zero per cent.

[...]

10.2.4 Booking Fee per OTC Interest Rate Derivative Transaction for Bunched Orders

For the novation of Bunched Orders in an account which was designated by the Clearing Members as a suspense account for the initial clearing of bunched orders (“Bunched Orders Suspense Account”), Eurex Clearing AG may charge the respective Clearing Member a percentage of the originally calculated OTC Interest Rate Derivative Booking Fee for the relevant OTC Interest Rate Derivative Transaction.

Such percentage is currently equal to zero per cent.

[...]

10.2.510.2.6 Maintenance Fee

(1) [...]

[...]

(3) For OTC Interest Rate Derivative Transactions booked on a Bunched Orders Suspense Account, no maintenance fee according to Paragraph (1) shall be charged, if the respective OTC Interest Rate Derivative Transactions is transferred to another account (other than a Bunched Orders Suspense Account) within the same calendar month of its novation.

[...]

10.3 High Turnover Pricing Model for IRS, OIS and FRA with respect to DCs With System Access and Basic DCs wID

[...]

[...]

10.3.2 Booking Fee for Trade Transfer

~~For each transfer of an OTC Interest Rate Derivative Transaction to another Clearing Member (Trade Transfer) pursuant to Chapter VIII Part 2 Number 2.7.1 of the Clearing Conditions, Eurex Clearing may charge the respective Transferee Clearing Member a percentage of the originally calculated OTC Interest Rate Derivative Booking Fee for the relevant OTC Interest Rate Derivative Transaction.~~

[...]

[...]

10.3.4 Booking Fee per OTC Interest Rate Derivative Transaction for Bunched Orders

For the novation of Bunched Orders in an Bunched Orders Suspense Account, Eurex Clearing AG may charge the respective Clearing Member a percentage of the originally calculated OTC Interest Rate Derivative Booking Fee for the relevant OTC Interest Rate Derivative Transaction.

Such percentage is currently equal to zero per cent.

[...]
