Eurex Clearing Circular 050/19

Equity Total Return Futures and Basket Trades of Equity Total Return Futures: Amendments to the Clearing Conditions – End of Consultation

As announced and further explained in Eurex Clearing circular 041/19, Eurex Clearing proposed changes and amendments to the Clearing Conditions regarding the following topic and conducted a Consultation under the Clearing Conditions:

- Equity Total Return Futures ("Equity TRF") and Basket Trades of Equity Total Return Futures ("Basket TRF")

Eurex Clearing has received no comments that led to further changes or amendments of the Default Management Committee Rules and no requests for the application of a Prolonged Notification Period.

Therefore, all changes and amendments as notified in number 2 of the abovementioned Eurex Clearing circular will come into effect on **29 July 2019**.

As of the effective date, the full version of the amended Clearing Conditions will be available for download on the Eurex Clearing website www.eurexclearing.com under the following link:

Resources > Rules and Regulations > Clearing Conditions

The changes and amendments to the legal framework of Eurex Clearing AG published by this circular 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 after publication. 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.

Attachment:

- Amendments to Chapter II of the Clearing Conditions

Date: 17 May 2019

Recipients:
All Clearing Members, Basic Clearing Members, Disclosed Direct Clients of Eurex Clearing AG and vendors

Authorized by:
Heike Eckert

Target group:
- All departments

Related Eurex Clearing circular:
041/19

Related Eurex circular:
043/19

Contact:
client.services@eurexclearing.com

Chapter II of the Clearing Conditions of Eurex Clearing AG

Transactions Concluded at Eurex Deutschland

(Eurex Exchange)

As of 29.07.2019

****

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

****

[…]

Part 2 Clearing of Futures Contracts

[…]

2.22 Clearing of Index Total Return Futures Contracts

[…]

2.22.2 Daily Settlement Price

[…]

2. The Daily Settlement TRF Spread used to calculate the Settlement Basis is determined based on the following procedure ("Daily Settlement TRF Spread"):

   - The Daily Settlement TRF Spread shall be determined based on the TRF Spread traded via the closing auction between 17:25 – 17:30 CET;
   - ~~Should~~ If no trades ~~be~~ are executed in the closing auction, then the Daily Settlement TRF Spread ~~shall~~ will be determined based on the average bid-ask spread of the respective contract month;
   - ~~Should~~ If no price ~~be~~ are determined according to the aforementioned procedure, the Daily Settlement TRF Spread ~~shall~~ will be determined based on a theoretic (fair) TRF Spread for the respective contract month

3. The following shall apply to Index Total Return Futures Contracts on EURO STOXX 50® (Product ID: **TESX**)~~,~~ in conjunction with the Eurex Contract Specifications and provisions specified above under Sub-paragraph (1) for the daily settlement price:

Parameter	Format	Description
Index Close	Index points	Daily closing level of EURO STOXX 50® (SX5E) as calculated by Stoxx Ltd.
Annualisation Factor	Integer	360

2.22.3 Final Settlement Price

[…]

(2) The following shall apply to Index Total Return Futures Contracts on EURO STOXX 50® (Product ID: **TESX**), in conjunction with the Eurex Contract Specifications and formulas used for the calculation of the final settlement price in index points:

Parameter	Format	Description
Final Settlement Index	Index points	Final settlement price of the Index Futures on the EURO STOXX 50® (Product ID: **FESX**) as calculated in accordance ~~according to~~ with Chapter II Part 2 Number 2.4.2 of the Clearing Conditions.

[…]

2.22.5 Fulfilment, Delivery

(1) The performance day for Index Total Return Futures Contracts shall be the ~~business day (as defined in Chapter I Part 1 Number 1.2.4 Paragraph (1) (h))~~Business Day after the final settlement day of the contract.

[…]

[…]

2.25 Clearing of Equity Total Return Futures Contracts

The following provisions shall apply to the clearing of Equity Total Return Futures Contracts as specified in Number 1.26 of the Eurex Contract Specifications.

2.25.1 Payment Procedures

All payments shall be made on the Business Day following the final settlement day as specified in Number 1.26.4 of the Eurex Contract Specifications. All Clearing Members must ensure their ability to effect payments on the due date thereof through sufficient credit balances in the RTGS Account or the euroSIC Account.

2.25.2 Daily Settlement Price

The daily settlement price for Equity Total Return Futures shall be determined by Eurex Clearing AG based on the Daily Settlement TRF Spread in basis points, according to Number 1.26.8.4 of the Eurex Contract Specifications and in conjunction with the following provisions:

The daily settlement price for Equity Total Return Futures Contracts is determined as:

$$\textit{Daily settlement price (t)} = \textit{Underlying Close (t)} + \textit{Accrued Distributions (t)} - \textit{Accrued Funding (t)} + \textit{Settlement Basis (t)}$$

Where:

t = current trading day

Underlying Close (t) = the official closing price of the underlying share on the primary cash market as listed in Annex G. to the Eurex Contract Specifications

Accrued Distributions (t), as defined in the Eurex Contract Specifications

Accrued Funding (t), as defined in the Eurex Contract Specifications

Settlement Basis (t) = Underlying Close (t) * [Daily Settlement TRF Spread(t) * 0.0001] * [days to maturity(t) / Annualisation Factor]

With the:

Daily Settlement TRF Spread (t) = the TRF Spread in basis points as defined below under sub-pragraph (2)

Days to maturity(t), as defined in the Eurex Contract Specifications

Annualisation Factor, as defined in the Eurex Contract Specifications

2. The Daily Settlement TRF Spread used to calculate the Settlement Basis is determined based on the following procedure ("Daily Settlement TRF Spread"):

- The TRF Spread (as defined in the Eurex Contract Specifications) determined on the volume-weighted average of the traded TRF spreads of all transactions concluded within the last trading minute of trading;
- If no trades are executed within the last trading minute of trading, the Daily Settlement TRF Spread will be determined based on the average bid-ask spread of the respective contract month;
- If no average bid-ask spread can be calculated, the Daily Settlement TRF Spread will be determined as the volume-weighted average TRF Spread of all transactions executed during the last 30 minutes of continuous trading before 17:25 CET on each scheduled trading day;

- If no price can be determined according to the aforementioned procedure, the Daily Settlement TRF Spread will be determined based on a theoretical (fair) TRF Spread for the respective contract.

3. The following shall apply to Equity Total Return Futures in conjunction with the Eurex Contract Specifications and provisions specified above under sub-paragraph (1) for the daily settlement price:

Parameter	Format	Description
Underlying Close for Equity Total Return Futures	Euro per share	Official closing price of the underlying share on the relevant primary cash market as specified in Annex G of the Eurex Contract Specifications
Annualisation Factor	Integer	360

2.25.3 Final Settlement Price

(1) According to Number 1.26.8.5 of the Eurex Contract Specifications, the final settlement price of the Equity Total Return Futures Contracts is determined as:

$$\textit{Final settlement price (T)} = \textit{Final Settlement Underlying (T)} + \textit{Accrued Distributions (T)} - \textit{Accrued Funding (T)} + \textit{Settlement Basis (T)}$$

Where:

T = expiry date of the contract

Final Settlement Underlying (T) = Value used by Eurex Clearing AG to determine the final settlement price in conjunction with the Eurex Contract Specifications

Accrued Distributions (T) and *Accrued Funding (T)* are determined using the same methodology described for the calculation of the daily settlement price

Settlement Basis (T) = 0 (as on the expiry date the number of days to maturity is zero)

(2) The following shall apply to Equity Total Return Futures in conjunction with the Eurex Contract Specifications and formulas used for the calculation of the final settlement price in index points:

Parameter	Format	Description
Final Settlement Underlying for Equity Total Return Futures	Euro per share	Official closing price of the underlying share on the relevant primary cash market as specified in Annex G of the Eurex Contract Specifications provided that such day is a trading day on the relevant primary cash market; otherwise, it shall be the official closing price on the trading day on the relevant primary cash market immediately preceding such day

2.25.4 Margin Requirements

(1) The applicable Margin Type for Equity Total Return Futures Contracts shall be the Initial Margin in accordance with the Eurex Clearing Prisma methodology.

(2) The STM Variation Margin for Equity Total Return Futures Contracts shall reflect the changes between the daily settlement prices.

2.25.5 Fulfilment, Delivery

(1) The performance day for Equity Total Return Futures Contracts shall be the Business Day after the final settlement day of the contract.

(2) Open positions from the last trading day of a contract shall be balanced on the final settlement day by means of a net payment credited to or debited from the internal cash account of the Clearing Member pursuant to Chapter I Part 1 Number 4.3. Such payment shall equal the difference between the final settlement price of such contract and such contract's daily settlement price on the preceding Business Day. For positions opened on the last trading day, the booking amount shall equal the difference between the final settlement price and the trading price.

2.25.6 Extraordinary Handling

An extraordinary event in relation to Equity Total Return Futures Contracts means any occurrence on a Business Day of at least one of the market disruption events or distribution recovery events, as specified in Number 1.26.9.1 and Number 1.26.10 of the Eurex Contract Specifications.

In such extraordinary events, the Management Board of Eurex Clearing AG may decide to adjust the daily settlement prices or to apply an adjustment, as specified in Number 1.26.9.2 and Number 1.26.10 of the Eurex Contract Specifications, which apply *mutatis mutandis*. The decisions needs to be aligned with the Management Board of the Eurex Exchange.

2.25.7 Default Management Process

The following provisions shall apply to the default management process of Basket Trades of Equity Total Return Futures Contracts, as specified in Number 4.3 of the Conditions for Trading at Eurex Deutschland and in Number 3.2 and 3.3 of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland ("**Basket Total Return Futures Contracts**") in addition to the Default Management Process described in Chapter I Part 1 Number 7.5.

If a Termination or a Basic Clearing Member Termination occurs with respect to a Clearing Member or Basic Clearing Member, any open positions of this Clearing Member or Basic Clearing Member in Basket Total Return Futures Contracts will be disassembled into the constituent parts of the Basket Total Return Futures Contracts, resulting in individual Total Return Futures Contracts, which will no longer be linked to the respective Basket ID (as specified in Number 3.2.7 and 3.3 of the Eurex Contract Specifications). This also applies to any open positions in Basket Total Return Futures Contracts held by a Clearing Member or Basic Clearing Member (i) which resulted from a trade consummation with a Clearing Member or Basic Clearing Member with respect to which a Termination or a Basic Clearing Member Termination has occurred or (ii) to which such open positions were transferred after inclusion into clearing, and, consequently, whose open positions mirror the open positions in Basket Total Return Futures Contracts of a Clearing Member or Basic Clearing Member with respect to which a Termination or a Basic Clearing Member Termination has occurred.

[…]

Part 4 Clearing of Off-Book Trades

[…]

4.1 General Conditions

Eurex Clearing AG will carry out the clearing of Eurex Off-Book Trades according to Number 4.3 of the Eurex Trading Conditions and Number 3.2 of the Eurex Contract Specifications for the following trade types:

- Basket Trades of Equity Total Return Futures Contracts
- Block Trades

[…]

[…]

****