X-pand into the Future

eurex circular 053/16

Date: 13 May 2016
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Michael Peters

⚠ **Action required** ⚠ **High priority**

Usage of Trade Enrichment Rules and Clearing Account Information related to C7 Release 3.0

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Content may be most important for:	**Attachments:**
➲ Front Office/Trading ➲ Middle + Backoffice ➲ IT/System Administration	none

Summary:

Due to the introduction of C7 Release 3.0, we would like to draw your attention to an unanticipated change in clearing account processing that affects all Participants who send:

- orders to T7 without specifying a Clearing Account, and/or
- orders in the short order message layout and quotes to T7, that do not include Trade Enrichment Rules.

Please note: Participants who populate the Clearing Account field during order entry or use valid Enrichment Rules in the case of ETI short order message layout and quote entry are not affected.

This circular describes the change and highly recommends all affected Participants to introduce a preventive measure to ensure that all executed orders are routed into the correct clearing account in C7.

The activation of the expected clearing account rules should take effect on C7 as of 13 June 2016.

An updated version of the Eurex Functional and Interface Overview will include the Clearing Accounting Rules effective on **13 June 2016**.

Usage of Trade Enrichment Rules and Clearing Account Information related to C7 Release 3.0

Due to the introduction of C7 Release 3.0, we would like to draw your attention to an unanticipated change in clearing account processing that affects all Participants who send:

- orders to the trading platform T7 without specifying a Clearing Account, and/or
- orders in the short order message layout and quotes to T7, that do not include Trade Enrichment Rules

Please note: Participants who populate the Clearing Account field during order entry or use valid Enrichment Rules in the case of ETI short order message layout and quote entry are not affected.

This circular describes the change and highly recommends all affected Participants to introduce a preventive measure to ensure that all executed orders are routed into the correct clearing account in C7.

Activation of the expected Clearing Account Rules should take effect on C7 as of 13 June 2016. Until then, it will be insufficient to populate solely the “TradingCapacity” field within the order message, as the value will not be considered during the clearing account allocation process of the C7 clearing system. It is therefore strongly recommended that all affected Participants note that:

- regular orders should always include a Clearing Account
- orders and quotes sent via ETI using the short order message layout should always include a Trade Enrichment Rule that contains the required Clearing Account. Participants who do not have any Trade Enrichment Rules in place should create them in the T7 Admin GUI
- quotes without Trade Enrichment Rule are recognized by C7 automatically, they will be assigned to the M1 account.

Please note that the “TradingCapacity” is a mandatory field which must containing the value “market making”, “proprietary” or “agency” while the clearing account is an optional field which is not validated by the T7 trading platform.

An updated version of the Eurex functional and interface overview will include the Clearing Accounting Rules effective on 13 June 2016.

Clearing Account Rules used before C7 Release 3.0

The Eurex Clearing classic system validated and updated the clearing fields if required, and then provided clearing information to the Participants. If the Clearing Account was not valid, it was replaced using rules based on the member type and the Trading Capacity (always “M” for quotes).

The Clearing Account Rules (see chapter 5.5.4 in the Eurex Functional and Interface Overview) were not used in case the Clearing Account was correctly filled or could be determined via Trade Enrichment Rules.

Source: Eurex Exchange’s T7 Functional and Interface Overview Release 3.0 Update, pages 38–42.

Clearing Account Rules with C7 Release 3.0 (intended to be effective on 13 June 2016)

An updated version of the Eurex Functional and Interface Overview will include the Clearing Account Rules effective on 13 June 2016.

If a valid Clearing Account is provided/defaulted it will be used. If the Clearing Account is missing or determined to be invalid, then it will be set by the clearing system according to the following logic:

(1) If the Clearing Account is "G1" or "G2", then the Clearing Account will be set as described in (3). If the Take Up Member field is filled correctly and
   a. all validations for the Give Up are fulfilled, Give Up will be triggered automatically.
   b. in case validations for the Give Up are not fulfilled, no Give Up will be triggered automatically.

(2) If the trade is from a quote, then the Clearing Account is set to “M1” (if “M1” is not allowed for the Participant, then it is set to “P1”).

(3) If the Clearing Account is not valid, then it is derived based on Trading Capacity:
   a. Agency -> “A1” (if “A1” is not allowed for the Participant, then it is set to “P1”)
   b. Proprietary -> “P1” (if “P1” is not allowed for the Participant, then the trade will be flagged as erroneous)
   c. Market Making -> ”M1” (if “M1” is not allowed for the Participant, then it is set to “P1”).

Please note that the trade confirmation from Eurex Exchange’s T7 will reference the Clearing Account that has been provided/defaulted by the Participant. The trade information from Eurex Clearing’s C7 will specify the final, potentially updated, Clearing Account in accordance with the Clearing Account Rules.

Description of Trade Enrichment Rules

Source: Eurex Exchange’s T7 – Functional Reference, pages 83–84.

For quotes and also for orders, which are sent with the small message layout, clearing related information cannot be provided directly on the order or quote. Instead, the Participants can specify Trade Enrichment Rules which are then used by the T7 trading platform to determine the clearing account after a quote or order with short message layout was executed before sending them to the clearing system. Trade Enrichment Rules are not available for orders, which are sent with the normal message layout, since the fields for the clearing information are directly accessible. See the document Eurex Enhanced Trading Interface – Manual for details on order message layouts.

Participants may specify several different Trade Enrichment Rules to the exchange, identifying them with different Trade Enrichment Rule IDs. For each order or quote, the trade items of which shall be automatically enriched, the corresponding Trade Enrichment Rule ID needs to be applied to the mass quote or order with short message layout. Trade enrichment will be done by Eurex Exchange’s T7 trade manager and will be supplied on the trade confirmation to Participants (not on the execution information from the matching engine).

If no Trade Enrichment Rule with the supplied identifier exists, or if the desired Trade Enrichment Rule contains no value for a specific attribute, T7 forwards the trade item to the clearing system without giving any value to this attribute. The clearing system will assign defaults, according to pre-defined logic. Participants using the short order message layout via Eurex ETI will specify the exact Trade Enrichment Rule to be used at the time of the order or quote entry.

Setup of Trade Enrichment Rules

Source: Eurex Trader GUI and Eurex Admin GUI Manual, pages 141–143.

For each Trade Enrichment Rule, Participants must define a Trade Enrichment Rule ID and one or more of the available clearing fields (including the Clearing Account).

Updates to the Trade Enrichment Rules only take effect on the next business day. Changes of Trade Enrichment Rules can be done on the Preview tab of the Trade Enrichment view.

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