clear to trade

eurex clearing *circular 069/16*

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Recipients: All Clearing Members, Non-Clearing Members and Registered Customers of Eurex Clearing AG and Vendors
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Extension of fee waiver for late closing fees and one-time increase of Zero Cost Quantity

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Content may be most important for:	**Attachments:**
➲ All departments	none

Summary:

The following measures of Eurex Clearing will come into effect:

- Extension of fee waiver for late closing fees from 11 May 2016 until 30 May 2016.
- Late closing fees will be charged again starting 31 May 2016.
- One-time increase of the previous Zero Cost Quantity on 30 May 2016: the cost-free potential will be increased by 100,000 for all products in order to adjust the previous Zero Cost Quantity. Correction close-outs should be performed **on 30 May 2016, until 13:30 CET**.

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1. Background

The Zero Cost Quantity from Friday, 6 May 2016 was not migrated during the conversion weekend to C7 Release 3.0. Therefore, the Zero Cost Quantity on Monday, 9 May 2016 started with a quantity of zero. Combined with the enhancement of the Zero Cost Quantity calculation logic in C7 (decommissioning of the "Early Close-Out Fee"), an insufficient amount of available Zero Cost Quantity for certain Members was created. The Zero Cost Quantity will be increased once in C7 to account for this. On 30 May 2016, Eurex Clearing will increase the available previous Zero Cost Quantity for each series and Member by 100,000.

This adjustment allows Members to perform the required close-outs on 30 May 2016 until 13:30 CET.

Late Closing Fees will be charged again starting 31 May 2016.

2. Enhanced Zero Cost Quantity calculation logic

2.1 Zero Cost Quantity

The Zero Cost Quantity (ZCQ) is the potential number of contracts that can be closed out without late closing fees being charged.

Early close-out

The early close-out will be discontinued, which means that the quantity traded can be closed out immediately (when available, the previous ZCQ will be reduced, when no previous quantity is available, the current ZCQ will be reduced instead). Consequently, close-outs entered between the start of day and 13:30 CET will not necessarily influence the previous ZCQ and will never bring the previous ZCQ to a negative value. After 13:30 CET, close-out will always reduce the current ZCQ only.

2.2 Treatment of historical transaction events

Regarding transactions from previous business days (e.g. take-up of a transaction traded on T-1), the following logic is applied:

- Adjustments to transactions from T-1 are considered when the ZCQ increases (take-up, received transaction account transfer and transaction open adjustment).
- Adjustments to "historical" transactions are not considered when the ZCQ is decreased (give-up, sending transaction account transfers and transaction closing adjustment).
- Adjustments to transactions from T-2 (and older) are not considered.
- The current ZCQ instead of the previous ZCQ will be increased.

2.3 Calculation logic

- Current ZCQ

  The current ZCQ is calculated as follows:

	Current ZCQ
=	trades to open (long and short)
+	transactions booked to open after closing error
+	taken-up to open
+	transactions booked to open after take-up with closing error
-/+	transaction account transfers for transactions to open
+	transactions to open adjustments
-	transactions to close adjustments
-	current give-ups which were taken-up
-	position close-outs
+	take-ups on transactions from T-1
+	transaction transfers (for destination account) on transactions from T-1
+	transactions to open adjustments on transactions from T-1
+	futures positions created after exercise of options on futures

- Previous ZCQ

  During the booking cut at EOD, the current ZCQ is transferred to the previous ZCQ. The logic is:

  - If the current ZCQ > 0, the value is set to the previous ZCQ
  - If the current ZCQ ≤ 0, the value of previous ZCQ is set as 0

    Close-outs until 13:30 CET on T+1 will be calculated against the previous ZCQ as long as quantity is available. Remaining close-outs will be set off against the current ZCQ.

    In general, the following events are not considered for the ZCQ quantity:

    - Position transfers
    - Re-open
    - Trade reversals
    - Trade to close
    - Exercise or notification
    - A give-up of trades from T-2 is treated as neutral

If the ZCQ is negative due to close-outs, a late closing fee will be charged at the end of the day. That is the case if the previous or current ZCQ, respectively, is not sufficient for the amount of close-outs during the day.

The following tables show a sample calculation of the current and previous ZCQ:

Time	Events	Current ZCQ	Previous ZCQ
09:00	**Start of day**	**1000**	**0**
11:00	Close-out (100)	900	0
End-of-day (EOD)			

The ZCQ is positive, hence no late closing fees are charged.

Time	Events	Current ZCQ	Previous ZCQ
09:00	**Start of day**	**0**	**900**
11:00	Close-out (100)	900	800
End-of-day (EOD)			

The ZCQ is positive, hence no late closing fees are charged.

Time	Events	Current ZCQ	Previous ZCQ
09:00	**Start of day**	**0**	**900**
11:00	Close-out (950)	-50	0
14:00	**Close-out (100)**	**-150**	**0**
End-of-day (EOD)			

The ZCQ is negative, hence late closing fees are charged.

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