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eurex clearing *circular 009/11*

Date: February 7, 2011
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
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CCP Roadmap 2011: Xetra International Market: Netting Enhancements, Instrument Migration from XONTRO Frankfurt to Xetra Frankfurt 2, CCP Release 7.0

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Content may be most important for:

➲ All departments

Attachments:

none

Summary:

With this circular Eurex Clearing announces the CCP changes planned for 2011.

On **May 23, 2011** the following enhancements will be introduced with CCP Release 6.0:

- Xetra International Market: Two additional netting levels for Xetra International Market UK & Ireland
- Changes due to the instrument migration from XONTRO Frankfurt to Xetra Frankfurt 2

On **November 21, 2011** CCP Release 7.0 will be launched.

Kindly forward this announcement to all involved departments in your company.

CCP Roadmap 2011:
Xetra International Market: Netting Enhancements,
Instrument Migration from XONTRO Frankfurt to Xetra Frankfurt 2,
CCP Release 7.0

With this circular Eurex Clearing announces the CCP changes planned for 2011.

The changes planned to take place in the first half of 2011 comprise enhancements to the current netting levels introduced for Xetra International Market and necessary changes for the instrument migration to Xetra Frankfurt 2.

On May 23, 2011, the following enhancements will be made available in the CCP system:

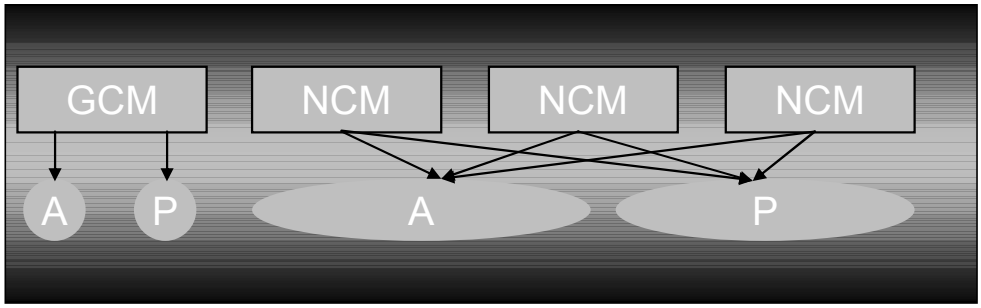
- Xetra International Market: Two additional netting levels for UK & Ireland
- Changes in conjunction with the instrument migration from XONTRO Frankfurt to Xetra Frankfurt 2

Xetra International Market: Netting Enhancements

Currently four trade date netting levels for the Eurex Clearing International Service (EC-IS) are offered. As only one of these four netting levels can be used for Xetra International Market UK & Ireland two additional netting levels are introduced that can also be used for these markets:

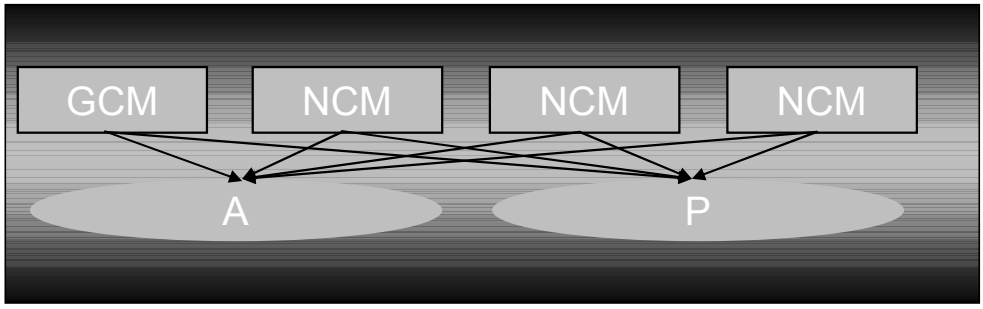
- **Netting level "Optimization on account type across all NCMs"**

  Trades from all Trading Members (NCMs) of a Clearing Member (CM) are netted together per account type and separated from the Clearing Member's trades that are also netted per account type.



- **Netting level "Optimisation on account type across all NCMs and CM"**

  All trades of one single Clearing Member's Trading Members as well as Clearing Member trades are netted per account type, i.e. trades with same Clearing Member are netted per account type, irrespective of the Trading Member.



The additional netting levels are currently only offered for Xetra International Market UK & Ireland.

Trades entered for Irish equities using the agent account type are still processed gross. Therefore the extension of the netting level has no impact on the gross processing of Irish trades.

The updated CCP setup forms will be published on March 7, 2011. If no setup forms are provided the current processing/netting level will be used, as before.

Instrument migration from XONTRO Frankfurt to Xetra Frankfurt 2

Due to the migration of instruments from XONTRO Frankfurt to Xetra Frankfurt 2 the following changes are introduced to CCP:

- **Clearing Model Extension**

  Trades for CCP-eligible instruments from Xetra Frankfurt 2 (trading location identifier XFRA) can also be cleared in the Basic Net Service and Extended Net Service already available for Xetra Frankfurt (trading location identifier XETR).

  Initially, all Members are set up with "Full Service Clearing Model" for trades from Xetra Frankfurt 2, i.e. the same trade processing as for XONTRO Frankfurt is used. Within Actual Settlement Date Netting on S-1, trades from both platforms will be netted for delivery at Clearstream Banking Frankfurt.

  If a Member chooses the Basic or Extended Net Service for Xetra Frankfurt 2 trades he can additionally decide whether or not trades from different cash market trading locations are netted within trade date netting (cross trading location netting):

  - If cross trading location netting is chosen by the Member, the trading location for net positions is always reported with "ECAG" as a net position can contain trades from several trading locations. If referencing to the original trading location is required, the report "RAWCE395 Net Clearing Report" can be used. This report contains the net position and the respective single trades. In this report the single trade is reported with its original trading location (i.e. with "XETR" or "XFRA") and the net position with "ECAG".

    Please note that if the clearing service for "XETR" and "XFRA" is a combination of Basic and Extended Net Service, cross trading location netting set to "YES" will still result in two netted positions but with trading location identifier "ECAG".

    Respective in-house processes have to be adapted accordingly.

  - If cross trading location netting is disabled the trading location for the net position is always reported with "XETR" and/or "XFRA", as before.

  On settlement day the net positions are netted and included in one delivery instruction, as before. Depending on the setting of the "Origin Type Separation", trades from Eurex are netted (Origin Type Separation = "No") with the cash market net positions or not (Origin Type Separation = "Yes").

  The provision of setup forms is only required if the Clearing Service Model or cross trading location netting currently used needs to be changed. If no setup forms are provided, trades with trading location identifiers XFRA and XETR will not be netted during trade date netting.

  Respective setup forms for selection of both parameters will be provided on March 7, 2011.

- **Decommissioning of CD280 (Pending Price Differences) report**

  After the migration of the XONTRO Frankfurt instruments to Xetra Frankfurt 2 report CD280 (Pending Price Differences) containing price differences from XONTRO Frankfurt is no longer required. Therefore this report will be automatically deselected for all Members by the system on May 23, 2011. As the report is still available on report selection list, manual selection after May 23, 2011 results in the delivery of an empty report.

Please note that after the instrument migration all trades entered in XONTRO Frankfurt are not transferred to CCP any more, even in cases the instrument is flagged as CCP-eligible.

Technical Changes:

There are no mandatory technical changes and no new front-end kit will be distributed. Current front-end software supports Windows 2003 and Microsoft Windows Server 2008 R2 (64 bit) as MISS platforms and Windows XP and Microsoft Windows 7 (64 bit) as workstation platforms. Solaris 10 will be supported as MISS and workstation platform.

Simulation:

Members will be able to test the enhancements in the standard CCP permanent simulation environment from March 22, 2011 onwards. The Xetra Frankfurt 2 environment will be connected to CCP starting on March 28, 2011.

Documentation:

Documentation concerning the instrument migration from XONTRO Frankfurt to Xetra Frankfurt 2 was published by Xetra in conjunction with the announcements for Xetra Release 11.1. Please check Xetra circulars 137/10 and 146/10 for further information, which are available for download from the Deutsche Börse website under the following path:

www.deutsche-boerse.com > Trading & Clearing > Publications/circulars > Xetra circulars

For direct access to the Xetra circular archive, please click on the following link:

http://deutsche-boerse.com/dbag/dispatch/en/notescontent/gdb_navigation/trading/60_downloads/300_xetra_circulars/200_archiv_circular/INTEGRATE/x4_member?notesDoc=Rundschreiben+Xetra

CCP Release 7.0

Eurex Clearing plans to introduce CCP Release 7.0 on November 21, 2011.

Main features are the extension of Eurex Repo GC Pooling trading hours and the introduction of CCP services for the new initiative Securities Lending.

In this new initiative Eurex Clearing will be acting as Central Counterparty between the lender and borrower of securities, thus guaranteeing the loan transaction and ensuring post-trade activities.

Simulation and Documentation:

Additional documentation about the enhancements and information concerning simulation will be distributed at a later point in time.

If you have any questions or require additional information, please contact the Member Services & Admission team at tel. +49-69-2 11-1 17 00 or fax +49-69-2 11-1 17 01.

February 7, 2011