clear to trade

eurex clearing
circular 132/14

Date: 11 September 2014
Recipients: All Clearing Members, Non Clearing Members and Registered Customers of Eurex Clearing AG and Vendors
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Migration to contractual settlement period of T+2: Amendments to Clearing Conditions for Eurex Clearing AG

Related Eurex Clearing circulars: 048/14, 078/14, 111/14

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Content may be most important for:	**Attachment:**
➲ All departments	Updated sections of the Clearing Conditions for Eurex Clearing AG

Summary:

As already confirmed with Eurex Clearing circulars 048/14, 078/14 and 111/14, the contractual settlement period for transferable securities will be shortened from three business days after the execution day (T+3) to two business days after the execution day (T+2) effective as of **6 October 2014** in order to be compliant with CSD Regulation Article 5.

By means of this circular Eurex Clearing announces the required amendments to the Clearing Conditions for Eurex Clearing AG (Clearing Conditions) for affected markets and respective financial instruments resulting out of migration to T+2 settlement.

Any products, which currently already have a contractual settlement period of T+2 will not be affected by this change. Please also note that Spanish securities will continue to settle within a settlement cycle of T+3 due to later migration to T+2 settlement in the home market which is intended for fourth quarter 2015.

The amended sections of the Clearing Conditions are attached to this circular and will come into effect on **6 October 2014**.

Migration to contractual settlement period of T+2: Amendments to Clearing Conditions for Eurex Clearing AG

As already confirmed with Eurex Clearing circulars 048/14, 078/14 and 111/14, the contractual settlement period for transferable securities will be shortened from three business days after the execution day (T+3) to two business days after the execution day (T+2) effective as of 6 October 2014 in order to be compliant with CSD Regulation Article 5.

By means of this circular Eurex Clearing announces the required amendments to the Clearing Conditions for affected markets and respective financial instruments regarding migration to T+2 settlement.

Any products, which currently already have a contractual settlement period of T+2 will not be affected by this change. Please also note that Spanish products will continue to be settled within a settlement cycle of T+3 due to later migration to T+2 settlement in the home market which is intended for fourth quarter 2015.

The amended sections of the Clearing Conditions are attached to this circular and will come into effect on 6 October 2014.

Amendments to the Clearing Conditions for Eurex Clearing AG

1. Settlement period of options and futures contracts

In order to reflect the reduction of the contractual settlement period to T+2 for futures and options contracts concluded at Eurex Exchange amendments to the Clearing Conditions as outlined in the attachment are required:

- Chapter II Part 2
    - Number 2.5.1. Clearing of Futures Contracts of Exchange-Traded Fund Shares
    - Number 2.18.1 Clearing on Futures Contracts on Exchange-Traded Commodities Securities
- Chapter II, Part 3
    - Number 3.5.1 Clearing of Options Contracts on Shares of Exchange-Traded funds (EXTF Options)
    - Number 3.6.1 Clearing of Options Contracts and Low Exercise Price Options on Shares
    - Number 3.12. Clearing of Options Contracts and Low Exercise Price Options on Exchange-Traded Commodities Securities

2. Contractual penalties for failure to deliver securities

Furthermore, timings for charging penalties in case of a failure to deliver shares covered by Article 15 of Regulation (EU) No. 236/2012 have to be amended in order to reflect the harmonized settlement periods across most of the European markets. As Spanish securities will continue to settle with a settlement period of T+3, fines in case of a failure to deliver those securities will be charged according to the settlement period in the home market of the underlying.

Therefore amendments to the Clearing Conditions as outlined in the attachment are required:

- Chapter V, Part 2, Number 2.2.1 Failure to Deliver Securities

As of 6 October 2014, 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

Pursuant to Chapter I, Part 1, Number 17.2.3 of the Clearing Conditions, the changes and amendments to the Clearing Conditions communicated with this circular shall be deemed to have been accepted by each Clearing Member, Non-Clearing Member and each Registered Customer, unless they object in writing to Eurex Clearing AG prior to the actual effective date of such change and amendment of the Clearing Conditions. The right to terminate the Clearing Agreement or the Clearing License according to Chapter I, Part 1, Number 2.1.4 Paragraph 2 Number 7.2.1 Paragraph 4 and Number 13 of the Clearing Conditions shall remain unaffected.

If you have any questions or require further information, please contact Derivatives Clearing at tel. +49-69-211-1 12 50, or send an e-mail to clearing@eurexclearing.com.

11 September 2014

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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[…]

Chapter II Transactions Concluded at Eurex Deutschland and Eurex Zürich (Eurex Exchanges)

[...]

Part 2 Clearing of Futures Contracts

[…]

2.5 Clearing of Futures Contracts of Exchange Traded Fund Shares

[…]

2.5.1 Delivery and Payment Procedures

All physical deliveries and payments for EXTF futures shall be concurrently performed between the Clearing Members and Eurex Clearing AG

on the second Business Day after the last trading day of the contract. ~~with respect to contracts, the underlying securities of which are traded in the electronic trading system of the Frankfurter Wertpapierbörse (Xetra),~~

~~on the third~~second ~~Business Day after the last trading day of the contract with respect to contracts, the underlying securities of which are traded in the electronic trading system of the SIX Swiss Exchange AG.~~

Physical deliveries of securities shall be made through a Settlement Location, and payments shall be made through the account specified by such Settlement Location.

[…]

2.18 Clearing of Futures Contracts on Exchange Traded Commodities Securities

[…]

2.18.1 Delivery and Payment Procedures

All physical deliveries and payments shall be concurrently performed between the Clearing Members and Eurex Clearing AG on the second~~third~~ Business Day after the last trading day of the contract (Number 1.17.4 of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich).

Physical deliveries of securities shall be made through a Settlement Location, and payments shall be made through the account specified by such Settlement Location.

[…]

Part 3 Clearing of Options Contracts

3.5 Clearing of Options Contracts on Shares of Exchange-Traded Funds (EXTF Options)

[…]

3.5.1 Delivery and Payment Procedures

All physical deliveries and payments shall be concurrently performed between the Clearing Members and Eurex Clearing AG

– on the second Business Day after the last trading day of the contract with respect to EXTF options on iShares ETFs whose underlying securities are traded in the electronic trading system of the Frankfurter Wertpapierbörse (Xetra),

– on the second ~~third~~ Business Day after the last trading day of the contract with respect to EXTF options, whose underlying securities are traded in the electronic trading system of the SIX Swiss Exchange AG, as well as EXTF options on Source ETFs, db x-trackers ETFs and Lyxor ETFs whose underlying securities are traded in the electronic trading system of the Frankfurter Wertpapierbörse.

This shall also apply if the exercise is not assigned to the writer until the Business Day following exercise. Physical deliveries of securities shall be made through a Settlement Location, and payments shall be made through the account specified by such Settlement Location.

[…]

3.6 Clearing of Options Contracts and Low Exercise Price Options on Shares

[…]

3.6.1 Delivery and Payment Procedures

All physical deliveries and payments shall be concurrently performed between the Clearing Members and Eurex Clearing AG

- on the second ~~third~~ Business Day after the last exercising day of the option,
- on the ~~second~~ third Business Day after the exercising day of the option with respect to option contracts or LEPOs on shares with assigned group ES11, ES12~~ID DE11, DE12, DE13, DE14~~ (Annex B of the Eurex Contract Specifications),
- ~~on the third Business Day after the exercising day of the option with respect to option contracts or LEPOs on shares with assigned group ID FI11, FI12, FI13, FI14, GB11 and IE11 (Annex B of the Eurex Contract Specifications),~~

This shall also apply if the exercise is not assigned to the writer until the Business Day following exercise. Physical deliveries of securities shall be made through a Settlement Location, and payments shall be made through the account specified by such Settlement Location.

[…]

3.12 Clearing of Options Contracts and Low Exercise Price Options on Exchange-Traded Commodities Securities

[…]

3.12.1 Delivery and Payment Procedures

All physical deliveries and payments shall be concurrently performed between the Clearing Members and Eurex Clearing AG on the second ~~third~~ Business Day after the exercise day of the option with respect to ETC options or LEPOs respectively.

This shall also apply if the exercise is not assigned to the writer until the Business Day following exercise. Physical deliveries of securities shall be made through a Settlement Location, and payments shall be made through the account specified by such Settlement Location.

[…]

Chapter V Transactions Concluded at the Frankfurter Wertpapierbörse[1]

[…]

[1] ~~With regard to the clearing of transactions concluded at the Rhenish-Westfalian Exchange in Düsseldorf (Rheinisch-Westfälische Börse zu Düsseldorf) which share the securities and rights named in Chapter V, Chapter V and all remaining provisions of the Clearing Conditions for Eurex Clearing AG shall apply.~~

Part 2 Clearing of transactions concluded at the Frankfurter Wertpapierbörse (FWB)[2]

[…]

2.2 Failure to Deliver

2.2.1 Failure to Deliver Securities

In case of a failure to deliver shares covered by Article 15 of Regulation (EU) No. 236/2012 ("**Shares**") or other securities ("**Other Securities**", and together with Shares "**Securities**")[3] owed under a FWB Transaction, the following provisions apply.

[…]

(6) Contractual Penalty

(a) Non-delivery of Shares

A Clearing Member is obliged to pay a contractual penalty to Eurex Clearing AG if it does not deliver Shares (i) for which the principal trading venue is in Member State of the European Union ~~Germany~~ at the latest on the delivery day within the 2nd SDS or (ii) for which the principal trading venue is in Spain ~~another member state of the European Union~~ at the latest on the 1st Business Day after the delivery day within the 2nd SDS of the Settlement Location. This contractual penalty applies regardless of actual damages incurred by Eurex Clearing AG.

The amount of the daily contractual penalty is 0.2 basis points of the value of the non-delivered Shares. The defaulting Clearing Member is obliged to pay the contractual penalty for each day of non-delivery, regardless of whether the right to deliver is excluded pursuant to Paragraph (2)(a), up to and including the day on which the replacement pursuant to Paragraph (2) or the payment of the cash settlement amount as determined pursuant to Paragraph (3) occurs.

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~~[2] With regard to the clearing of transactions concluded at the Rhenish-Westfalian Exchange in Düsseldorf (Rheinisch-Westfälische Börse zu Düsseldorf) which share the securities and rights named in Chapter V, Chapter V and all remaining provisions of the Clearing Conditions for Eurex Clearing AG shall apply.~~