X-pand into the Future

eurex circular 033/17

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Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Randolf Roth

⚠ **High priority**

Amendments to the Rules and Regulations of the Eurex Exchanges: (Exchange Rules, Trading Conditions and Fee Regulations)

Related Eurex Clearing circular: 035/17

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Content may be most important for:

➲ All departments

Attachments:

Amended sections of the following Rules and Regulations:

1. Exchange Rules of Eurex Deutschland and Eurex Zürich (Exchange Rules)
2. Conditions for Trading at Eurex Deutschland and Eurex Zürich (Trading Conditions)
3. Fee Regulations for Eurex Deutschland (Fee Regulations)

Summary:

This circular outlines amendments to the Exchange Rules of Eurex Deutschland and Eurex Zürich (Exchange Rules), Conditions for Trading at Eurex Deutschland and Eurex Zürich (Trading Conditions) and Fee Regulation of Eurex Deutschland (Fee Regulations), (from now on summarised as "Rules and Regulations of the Eurex Exchanges") which are made in order to legally migrate the Eurex Clearing Trade Entry Service (TES) to the Rules and Regulations of the Eurex Exchanges. Further, the amended sections of the Rules and Regulations of the Eurex Exchanges are attached to this circular. The amendments will come into effect on **10 May 2017**.

All applicable provisions of the Conditions for Utilization of the Eurex Trade Entry Service (TES Conditions) are being migrated to Rules and Regulations of the Eurex Exchanges. As a consequence, the TES Conditions will cease to exist simultaneously to the entry into force of the amended sections of the Rules and Regulations of the Eurex Exchanges.

With the migration of the TES to the Rules and Regulations of the Eurex Exchanges, TES trades will be classified as exchange traded derivatives concluded Off-Book. It is not intended to implement changes to the functioning and set-up of the service as it is today, except for changes that relate to order approval and further changes, which are required by law in order to shift the TES to the exchange.

Relevant changes to the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be published at a later stage, before 10 May 2017.

Amendments to the Rules and Regulations of the Eurex Exchanges: (Exchange Rules, Trading Conditions and Fee Regulations)

1. Motivation for migration to the Rules and Regulations of the Eurex Exchanges

One of the main benefits of migrating the provisions from the TES Conditions to the Rules and Regulations of the Eurex Exchanges is that even though trades are being negotiated Off-Book and prices are derived from these bilateral negotiations instead of using market prices, trades will be considered as part of the exchange ("exchange traded derivatives"). As a consequence, the MiFIR/MiFID II related regulatory requirements would be satisfied, ideally without additional efforts for market participants.

This would also include e.g.:

- Trade publication via the trading venue
- No consideration of TES trades for determining authorisation requirement as Systematic Internaliser (SI), since TES trades will be classified as standardised exchange traded derivatives after the legal migration
- No associated reporting requirements as well as no costly establishment of Multilateral Trading Facilities (MTFs) or Organised Trading Facilities (OTFs) in regards to look-alikes.

Further, in the international arena Off-Book-Trading is considered part of the exchange; from this perspective, the migration means getting par with those standards.

2. Amendments to the Rules and Regulations of the Eurex Exchanges

This circular outlines amendments to the Exchange Rules of Eurex Deutschland and Eurex Zürich (Exchange Rules), Conditions for Trading at Eurex Deutschland and Eurex Zürich (Trading Conditions) and Fee Regulations for Eurex Deutschland (Fee Regulations) which are made in order to legally migrate the Eurex Clearing Trade Entry Service (TES) to the Rules and Regulations of the Eurex Exchanges. This encompasses the following amendments:

2.1 Exchange Rules

- The General Framework of the TES Conditions is being shifted to the Exchange Rules:
  The possibility to do Off-Book-Trading and a reference to provisions in the Trading Conditions for Off-Book-Trading is being introduced.
- Cf. Exchange Rules of Eurex Deutschland and Eurex Zurich, Section III. General Conditions, Sub-Section 1. Exchange Trading, § 13 Electronic Trading Platform.

2.2 Trading Conditions

- Chapters 1, 2, 3.4, 4 and 13 of the TES Conditions are being migrated to a new chapter 4 in the Trading Conditions, which regulates Off-Book-Trading inclusive Off-Book trading periods, trade types and consummation of Off-Book trades.
- Cf. Conditions for Trading at Eurex Deutschland and Eurex Zurich, Section 4 Off-Book Trading.

2.3 Fee Regulation

- Chapter 13.4 of the TES Conditions is being shifted to the new Para. 2 (4) in the Fee Regulation for Eurex Deutschland which will incorporate the previous fee for trade reversals.
- Cf. Fee Regulations for Eurex Deutschland, § 2 (4).

Chapters of the TES Conditions which have not been mentioned above, will cease to exist due to the change from private to public law.

The amended sections of the Rules and Regulations of the Eurex Exchanges are attached to this circular. The amendments will come into effect on 10 May 2017.

All applicable provisions of the Conditions for Utilization of the Eurex Trade Entry Service (TES Conditions) are being migrated to the Rules and Regulations of the Eurex Exchanges. As a consequence the TES Conditions will cease to exist simultaneously to the entry into force of the amended sections of the Rules and Regulations of the Eurex Exchanges

3. Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich

- Chapters 4, 5, and 8-12 of the TES Conditions are being migrated to the Contract Specifications and sum up a new part 3 within the Contract Specifications which outlines provisions amongst others w. r. t. price intervals, allowed products, allowed reference instruments.
- The Contract specifications will be published at a later stage, before 10 May 2017.

4. Changes for Eurex Participants

4.1 Order approval

The major change for Eurex Participants resulting out of the amendments of the Rules and Regulations of the Eurex Exchanges will be that in future, only admitted traders of exchange participants will be allowed to approve TES entries. This is independent of whether the order information are entered bilateral or via Third Party Information Providers (TPIPs). TPIPs or contractually not involved other parties are only allowed to enter, modify or delete order information, not to approve them.

4.2 Naming

In addition, the naming for the platform will slightly change: Currently TES is the acronym for “Trade-Entry-Service”. In the future, TES will mean “T7-Entry-Service”, since trade execution will only happen after all involved participants have approved their entries in the exchange system.

4.3 Supervision

Starting from 10 May 2017 the Trading Surveillance Office will be responsible for investigations. Thus the supervision framework for TES activities will become similar to those already in place for order-book transactions.

4.4 Penalties

Currently, penalties for violations of TES Conditions are pre-defined and regulated in chapter 17 of the TES Conditions. In the future, TES activities are regulated under the Trading Conditions of Eurex; violations of the Trading Conditions will be investigated by the Trading Surveillance Office and sanctioned by the Eurex Deutschland Disciplinary Committee.

If you have any questions or require further information, please contact Andre Eue via e-mail andre.eue@eurexchange.com or via Tel. + 49 69 2 11-1 27 69.

7 April 2017

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AMENDMENTS ARE MARKED AS FOLLOWS:

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III. Section General Conditions

1. Sub-Section Exchange Trading

§ 13 Electronic Trading Platform

The orders and quotes sent to the trading platform of the Eurex Exchanges shall be automatically allocated to and matched with one another. Orders entered for the off-book trade, shall be matched pursuant to the provisions in Part 4 of the Conditions for Trading. Transactions which are effected via this trading platform shall be deemed transactions at Eurex Deutschland and, if both parties to any such transaction are admitted to trading at Eurex Zürich, also at Eurex Zürich.

The Management Boards of the Eurex Exchanges may delete orders and quotes which have been entered in the order book if such deletion is necessary for the maintenance of an orderly exchange trading. The Management Boards of the Eurex Exchanges will provide information on any deletion of orders or quotes immediately.

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1 Part: General Provisions

1.1 Scope of Application

The following Conditions shall govern all transactions on Eurex Deutschland and Eurex Zürich (Eurex Exchanges)~~, in products which, pursuant to the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich, are assigned to the new trading system ("Eurex New Trading Architecture")~~.

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4 Part: Off-book Trading

As an element of exchange trading, the Eurex Exchanges provide exchange participants with the T7 order functionality ("TES") to facilitate off-book trades pursuant to Number 4.2. The trades originate outside the central order book. The trades do not result in an exchange price. The provisions of Numbers 1.4 and 1.5 of Part 1, Numbers 2.4, 2.5, 2.6 and 2.8 of Part 2 and Part 3 of these Trading Conditions do not apply to off-book trading.

4.1 Eligible Orders

The futures and options contracts eligible for off-book trading and the permitted price intervals where matching is permitted are determined by the Management Boards of the Eurex Exchanges in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich.

4.2 Procedure for Off-book Trading

(1) Off-book trading period

Off-book trades may be concluded during the off-book trading period by entering orders into the Eurex Exchange system pursuant to Part 4. The Eurex Exchange system automatically deletes entries and orders that are not fully executed by the end of the off-book trading period.

(2) Off-book post-trading period

After the end of the off-book trading period, the Eurex Exchange system continues to provide access to exchange participants for the purposes of cancelling trades (off-book post-trading period).

4.3 Types of Off-book Trades

The following trades may be concluded using the TES order functionality for off-book trading:

(1) Block Trades

Trades in futures and options contracts, including the Combined Instruments specified in Number 2.2, that exceed a specific order volume. The eligible futures and options contracts and the minimum order volume for block trades are determined by the Management Boards of the Eurex Exchanges in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich.

When entering an order for a block trade relating to multiple clients, the minimum order volume must be met for each of these clients. Consequently, orders relating to multiple clients may not be aggregated in order to exceed the minimum order volume.

(2) Exchange for Physicals for Financials ("EFP-F")

Trades in fixed income futures contracts in connection with the conclusion of a corresponding trade in a defined reference transaction. The eligible futures contracts and reference transactions are determined by the Management Boards of the Eurex Exchanges in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich.

(3) Exchange for Physicals for Index Futures/FX Futures ("EFP-I")

Trades in index futures contracts or FX futures contracts in connection with the conclusion of a corresponding trade in a defined reference transaction. This also includes trades where the intention is for the EFP-I futures trade to be concluded at the next available official closing price of the underlying index plus basis ("Guaranteed Price") ("Trade at Index Close"). The eligible index and FX futures contracts as well as the reference transactions are determined by the Management Boards of the Eurex Exchanges in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich.

(4) Exchange for Swaps ("EFS")

Trades in futures contracts in connection with the conclusion of a corresponding trade in a defined swap reference transaction. The eligible futures contracts and the corresponding reference transactions are determined by the Management Boards of the Eurex Exchanges in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich.

(5) Vola Trade

Trades in futures contracts based on an options trade previously concluded in Eurex off-book trading with an identical underlying. The eligible futures contracts as well as

the corresponding options contracts and their minimum order volumes are determined by the Management Boards of the Eurex Exchanges in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich.

(6) Trade at Market (TAM) Trades

Trades in a total return futures contract, in which the underlying has been defined by the exchange participants involved in the TAM trade. The Management Boards of the Eurex Exchanges determine the eligible futures contracts and the minimum order volume for TAM trades in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich.

4.4 Consummation of Trades

(1) Order matching

A trade is initiated by the offering exchange participant by filling in the input fields (“offer conditions”) and subsequently confirming these. A binding order to conclude the trade is only submitted once the exchange participant initiating the trade confirms the offer conditions as entered. The trade is consummated when the recipient exchange participant confirms the order. If there are multiple exchange participants on the sell or buy side of the trade ("Multilateral Trade"), the trade is only consummated once it has been confirmed by all exchange participants involved in the trade. The recipient exchange participant shall submit confirmation at the latest 15 minutes after the initiating exchange participant enters the order. Employees of the exchange participant that are not admitted to trading, another exchange participant or a third party information provider pursuant to Number 4.5 may also enter the offer conditions, if appropriately authorised by the exchange participant. However, the offer conditions may only be confirmed by the exchange participant.

(2) Trade confirmation

Trades are consummated once they have been matched pursuant to Paragraph (1) and subsequently saved in the Eurex Exchange system. Immediately after consummation of an off-book trade, exchange participants receive a trade confirmation generated by the Eurex system. Off-book trades are indicated in the daily reports generated by the Eurex system and are designated as trades outside of the order book.

4.5 Third Party Information Provider

Exchange participants may engage a third party information provider to enter the offer conditions. Third party information providers are not exchange participants and may not conclude trades. They are only authorised to enter the offer conditions, not to confirm them. Third party information providers operate exclusively on behalf of an exchange participant and are neither agents of the Eurex Exchanges nor do they perform any obligations of the Eurex Exchanges. Only entities that have entered into a Third Party Information Provider Connection Agreement with Eurex Frankfurt AG may be engaged as third party information providers.

4.6 Data Entry Obligation and to Obligation to Provide Evidence

Upon entry of an order by the exchange participant pursuant to Number 4.4 (1), all input fields marked as mandatory shall be duly populated. The mandatory fields for the entering of off-book trades are determined by the Management Boards of the Eurex Exchanges in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich. Exchange participants shall, on request, provide evidence to the Management Boards of the Eurex Exchanges that the requirements for EFP-F, EFP-I and EFS trades pursuant to Number 4.3 (2) to (4) have been met. In the case of EFP-F, EFP-I and EFS trades,exchange participants shall, on request, provide evidence that the trade is linked to a counter-trade defined as a reference transaction in the Contract Specifications at Eurex Deutschland and Eurex Zürich. In the case of a Trade at Index Close pursuant to Number 4.3 (3), the exchange participant shall provide evidence of the conclusion of any Trade at Index Close underlying the respective futures trade, which shall indicate the Guaranteed Price and the connection with the respective official closing price of the underlying index. The evidence pursuant to Sentences 3 to 5 shall be provided by the exchange participant on the day on which they are requested by the Management Boards of the Eurex Exchanges and may take the form of a screenshot from the front or back office system.

4.7 Cross Trades

Exchange participants are prohibited from using the TES order functionality for off-book trades to submit orders for trades under which the beneficial owner on both the buy and sell sides is identical. Within the meaning of this provision, beneficial owners are persons trading for their own account or for whose account an exchange participant trades.

4.8 Cancellation of Trades

The Management Boards of the Eurex Exchanges will cancel an off-book trade pursuant to Number 4.3 if an exchange participant involved in the trade asserts without undue delay – however at the latest by the end of the off-book post trading period for the instrument in question – that it has erroneously or incorrectly entered the trade into the

Eurex system and requests a cancellation. In the case of a Multilateral Trade, the requirements pursuant to Sentence 1 shall be met by all of the exchange participants involved. The Management Board of the Eurex Exchanges may cancel transactions ex-officio, if required in order to guarantee an orderly exchange trading or if a transaction result from an error in the EDP system of the Eurex Exchanges

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§ 2 Participation Fee

(1) The annual fee for participation in options and futures trading is determined by the Management Board (Geschäftsführung) of Eurex Deutschland.

(2) For Exchange Participants admitted in the context of a cooperation arrangement which Eurex Deutschland has entered into with another exchange, the Management Board of Eurex Deutschland may reduce the annual basic fixed fee, provided that the Exchange Participants of Eurex Deutschland intending - in the context of such cooperation arrangement - to trade on such other exchange are required to pay no or a correspondingly reduced fee to such exchange.

(3) Exchange participants who submit an application for cancellation or price correction of a transaction pursuant to the Conditions for Trading at Eurex Deutschland shall be charged a special participation fee for the processing of such application. This fee shall amount to EUR 500 per application. To the extent several transactions, whose cancellation or price correction has been applied for, have been concluded as a result of the execution of an order or a quote (partial executions), this fee shall only be charged once.

(4) In deviation to Paragraph 3, Exchange Participants who are involved in the transaction and who submit an application for cancellation of an off-book trade pursuant to the Conditions for Trading at Eurex Deutschland, shall be charged a special participation fee of EUR 100 for the processing of such application.

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