EUREX

Eurex Clearing - C7 SCS

**C7 SCS – 1.0 Release Notes (final version)
valid from August 2021 onwards**

Eurex Clearing AG

August 2021

Abstract

As a part of Eurex Clearing's strategic roadmap, Eurex Clearing proceeds with the migration of Equity and Bonds Clearing to the C7 architecture.

The new securities clearing system, C7 Securities Clearing Service (C7 SCS), will be introduced for all transactions involving CCP-eligible instruments concluded at the Frankfurt Stock Exchange (MIC: XETR and MIC: XFRA) and for all transactions concluded at Eurex Deutschland[1] (MIC: XEUR) that result in securities transactions. With this migration, Eurex Clearing will apply Trade Date Netting (TDN) as the only supported net processing model in C7 SCS. The current Netting model: Actual Settlement Day Netting (ASDN) for cleared transactions will not be available in C7 SCS.

The Eurex Repo market will be part of the next stage of the C7 SCS migration. Therefore, currently existing netting and settlement processes for this market will remain in the existing CCP system and will not be amended with the introduction of C7 SCS Release 1.0.

In comparison to the updated version of the Release Notes published in May 2021, this version includes updates in chapter 5.2 "Hold/Release (Full/Partial) of Delivery Instructions" and in the new chapter 8.4 "Reporting of Clearing Member and Trading Member in Party Level 2".

The timeline for the new platform C7 SCS, Release 1.0, is as follows:

Start of Simulation: March 29th, 2021

Start of Production: September 27th,2021

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[1] Transactions settled at EuroClear UK + Ireland (EUI, CREST) will still be processed via the CCP system.

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1 Introduction

This document provides an overview of the functionality covered and available with the new C7 Securities Clearing Service (C7 SCS).

The document starts with a "Functional Scope" in chapter 2 and focuses on the functionality provided with the first Release of C7 SCS. Services offered are described in chapter 3 "Services Offered with C7 SCS". The "Trade Date Netting Concept" can be found in chapter 4. A detailed overview of the "Delivery Management' is given in chapter 5. Consequently, the "Corporate Action processing" is described in chapter 6. "Settlement" related topics like partial settlement or cross-border, etc. are described in chapter 7. "Reporting" headlines and a brief overview of the "Referencing between C7 SCS reports and (I)CSD reporting" is part of chapter 8.

All documents which will be created in connection with the introduction of C7 SCS Release 1.0 will be made available for download on the Eurex Clearing website. Details on the publication dates can be found in the "Eurex Clearing Member Communication Calendar" also available under the following path:

https://www.eurex.com/ec-en/ => Support => Initiatives & Releases => C7 SCS Releases

Important

This first release of C7 SCS is a mandatory release for all Members of Eurex Clearing, i.e. Clearing Members, DC Market Participants and respective Settlement Institutions (SI).

1.1   Overview of functionality

The following list provides a functional overview of the features given to the participants with the new C7 SCS:

- Trade Date Netting (TDN) is a new mechanism offered with C7 SCS, substituting today's Basic Service, Extended Service and Full Service with Actual Settlement Day Netting (ASDN).
- Participants have the following choice for the Net Processing Method setting: Netting (default), Aggregation or Gross Processing.
- This selection must be made per: Clearing Member, Settlement Account, Trading Member, Trading Location and Account Type.
- At the end of the trade day, Netting, Aggregation and Gross Processing is performed combining Single Trades to Net Position Trades depending on the selected Processing Method.
- In case Clearing Members have chosen "Aggregation" as the Net Processing method they can influence the Net Processing results by Linking Single Trades concluded at FWB before Aggregation.
- In case of Netting with an activated Strange Net handling option on "Net/Split" or in case of Aggregation (after Single Trades have been linked and pre-netted) potentially occurring non-standard results (Strange Nets) are handled as follows: for cash payments a dedicated Cash-Only Net Position is generated which is booked on the Clearing Member's cash account, securities are processed "free-of-payment" as a separate Net Position Trade.
- For every Net Position Trade (with security quantity ≠ 0), a Delivery Instruction is sent to the respective settlement location (CBF/T2S, CBF-i and SIX SIS) at the end of the trade day. In case a Net Position Trade after Netting or Aggregation results in "cash-only" or flat(zero) position, which can only happen in case Netting with Strange Net ("Net/Split") or Linking before Aggregation is applied, no Delivery Instruction is sent to settlement location.

- The Delivery Instructions (customer leg) can be sent out with status "Released" (default) or with status "on-Hold" depending on the applicable Netting parameters. For buy side, irrespective of the Netting parameters, Delivery Instructions will be sent as "Released".
- Instead of today's Gross Delivery Management on Single Trades, participants can modify hold/release status on Delivery Instructions at the (I)CSD[2]. At CBF/T2S participants can use partial release[3].
- ECAG offers a Routing Service for change of hold/release status and partial release of pending Delivery Instructions at CBF-i that were instructed by C7 SCS. Participants can send requests via SWIFT interface to C7 SCS. ECAG will cancel the pending Delivery Instruction and re-instruct one or two Delivery Instructions at CBF-i in the respective new status.
- Corporate Action (CA) processing and related cash booking will be processed by (I)CSDs. Participants will receive the CA information directly from (I)CSDs and can rely on them for further processing. C7 SCS will also receive CA information from (I)CSD and will update the Net Positions (whenever applicable). The updated positions will be reported in the regular Pending Delivery Report and in the Settled Delivery Report.

Reports

- All C7 SCS reports will be provided by the end of each business day for Net Position Trades.
- All C7 SCS reports will be provided in XML format to Clearing Members and Settlement Institutions via the Common Reporting Engine (CRE). Moreover, participants can opt for text version of reports.
- Reports selection for Trading Members (for both XML and text version) have to be instructed by its Clearing Members via dedicated form.
- Net Clearing Report is provided on the end of each trade day after Net Processing containing Single Trades, resulting Net Position Trades and a reference to the Delivery Instructions (Delivery ID + Delivery Reference).
- Pending Delivery Report and Settled Delivery Report will contain Net Position Trades considering the settlement status at the end of the business day.
- ECAG will reflect updates to Delivery Instructions received from the (I)CSD, based on the standard feedback supported by the (I)CSD, due to "on-Hold/Released" status changes, impacts due to Corporate Action and settlement in the Pending Delivery Report and in the Settled Delivery Report.

Member Interfaces and Services

- Linking before Aggregation + Routing Service: SWIFT, ISO 15022
- Reports via CRE
- No Member GUI will be provided

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[2] (International) Central Securities Depository

[3] Actual processing and implementation is subject to specification with Clearstream

Technical Connection

- For usage of Linking before Aggregation and/or the Routing Service via the SWIFT Network a technical connection to C7 SCS is required.
- To receive (I)CSD reports and for usage of delivery management functionality (e.g. Hold/Release) at the (I)CSDs directly a connection to the respective (I)CSD is required.

Migration

The production migration from the current CCP system to C7 SCS will follow a "Big Bang" approach, where all eligible instruments and members are mandatorily migrated. The transaction data and historic data will not be migrated; pending transactions will stay in the current CCP system during the migration and will be processed and completed in CCP system. Moreover, there will be no duplicates of any transactions in two systems. New trades incoming after the migration date will be processed in the C7 SCS system.

1.2   Readiness Statement

According to §10 (3) (ii) of the General Terms and Conditions to the Agreement on Technical Connection to the Clearing Electronic Data Processing (EDP) of Eurex Clearing AG, Clearing Members are obliged to provide Eurex Clearing prior to the first use of the service of Eurex Clearing's C7 SCS with a written statement confirming that (a) the service of Eurex Clearing's C7 SCS successfully passed internal test procedures based on each members' own defined test cases, and (b) the participant system and the participant software interact with the service of Eurex Clearing's C7 SCS without any errors or interruptions (Readiness Statement via online questionnaire).

Participation in the C7 SCS Release 1.0 simulation and testing phase is optional, but highly recommended especially for report and interface changes. Eurex Clearing will offer Focus days to give all participants the opportunity to get familiar with the new clearing service.

2 Functional Scope

2.1 C7 SCS transaction lifecycle

The following diagram gives a high-level overview on the future TDN process.
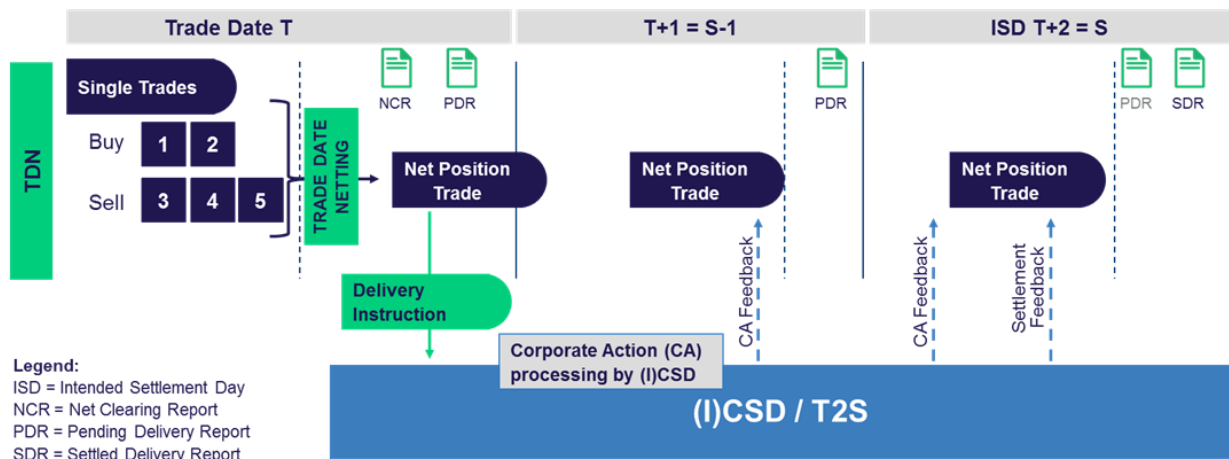
Figure 1: C7 SCS transaction lifecycle across business days

T – Processing on the trade day T

Trades are loaded from Trading Locations to C7 SCS until the end of the trading phase at the respective Trading Location. In Figure 1 Single Trades are 1, 2,…5 and N1 is a Net Position Trade.

After conclusion of trading at the Trading Location, C7 SCS performs Net Processing (Netting, Aggregation, Gross). As a result, C7 SCS generates Net Position Trades and send out Delivery Instructions to (I)CSDs. The feedback message is sent from (I)CSDs to account owners and C7 SCS.

Participants will receive Net Clearing Report and Pending Delivery Report at the end of the business day.

T+1 – Processing before settlement

In case of Corporate Actions, (I)CSDs process the corporate action on pending Delivery Instructions and provide update to participants and C7 SCS. C7 SCS reflects these updates on Net Position Trades and on pending Delivery Instructions.

Participants can perform delivery management on Net Position Trades for pending Delivery Instructions. Clearing Members and Settlement Institutions have the possibility to release Delivery Instructions for settlement, which are set to status "on-Hold", either for the complete pending quantity or partially. Participants do this directly at the (I)CSDs (as long as the (I)CSD supports this functionality). For CBF-i/Creation participants can also make use of C7 SCS Routing Service.

Participants will also receive the Pending Delivery Report with potential corporate action updates reflected at the end of the business day.

S=T+2 – Processing on contractual settlement day

Similar as on T+1, participants can continue performing delivery management on pending Delivery Instructions. In case of successful settlement, the (I)CSDs send settlement confirmation message of the Delivery Instructions to participants and to C7 SCS. The settlement status of the Delivery Instructions is updated respectively by C7 SCS. At the end of the day the Clearing Member receives the Settled Delivery Report with all the settled Net Position Trades and the Pending Delivery Report, if Net Position Trades are not yet settled (completely).

S+X Late deliveries – Processing after contractual settlement day

All trades in pending status will be reported as late, but the processing on pending Delivery Instructions continues. As on the previous day the settlement status of the Delivery Instructions is updated respectively by C7 SCS.

As on every day, Clearing Members receive the Settled Delivery Report with all the settled Net Position Trades and the Pending Delivery Report, if Net Position Trades are not yet settled (completely). Those reports are provided independent whether there is a trade or settlement on that effective day.

If required, Clearing Operations will initiate a buy-in/cash settlement/disclosure, considering regulatory requirements.

2.2 Participant and Account Structure

As of today, the C7 SCS participant structure will provide financial institutions with the flexibility to concentrate on the functions of one or more of the following domains:

- Trading
- Clearing
- Settlement

Eurex Clearing AG differentiates between the following areas and participants:

Trading

- Trading Member (TM)
  TMs are financial institutions, financial services institutions and banking organizations, which trade in C7 SCS relevant instruments. TMs are entitled to execute proprietary and agent trades. TMs are not intended to operate directly with C7 SCS but can receive reports depending on the permission of their respective Clearing Member. In legal terms TMs can be either „DC Market Participants" or „Indirect Client Market Participants", respectively.

Clearing

- Clearing Member (CM)
  A CM is entitled to perform the clearing of trades in "CCP eligible" instruments. In addition, CMs are liable for the timely fulfilment of all payment and delivery obligations resulting from trades.
- Clearing Licenses
  Clearing Members have one or several Clearing Licenses, which are granted by Eurex Clearing for clearing different markets such as cash markets (FWB) and Eurex Derivatives.

Following Clearing Licenses are applicable with C7 SCS:

- FWB – To clear equity-style products and bonds from Trading Locations Xetra (MIC XETR) and Boerse Frankfurt (MIC XFRA)
- Eurex Derivatives – To clear equity-style products and bonds from Trading Location Eurex Derivatives (MIC XEUR)

Settlement

- Settlement Institution (SI)
  SIs perform securities settlement via accounts at one or several of the supported (I)CSDs. They provide securities services between Eurex Clearing AG and the Clearing Member. However, the responsibility towards Eurex Clearing AG to fulfil trades by means of orderly settlement remains with the CM. Settlement Institution will be able to apply for some reports generated also for their purposes.

A participant performs the functions associated with one or more of these areas, given it complies with the associated prerequisites.

The following table provides an overview of available combinations:

Operated Functions	Requirements on TM role not operating clearing	Requirements on CM role	Requirements on SI role
Trading	X		
Trading + Clearing		X[4]	
Trading + Settlement	X		X
Trading + Clearing + Settlement		X	X
Clearing		X	
Clearing + Settlement		X	X
Settlement			X

Figure 2: Participant roles within C7 SCS

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[4] In C7 SCS, the CM role includes the TM role.

2.2.1 Settlement Accounts

Settlement Accounts are setup in the C7 SCS system for the settlement of transactions at different (I)CSDs and T2S. Settlement Accounts can be assigned to participants acting as CM and/or SI depending on the participant's roles.

The following table shows the different possible relations between Settlement Accounts and the different participants roles (e.g. a CM can have a relation to one or more than one TM, or a Settlement Account has exactly one SI assigned, or a Settlement Account can be assigned to one or more than one CM):

have:	CM	TM	SI	Settlement Account
CM	---	>=1	>=1	>=1
TM	>=1	---	n/a	>=1[5]
SI	>=1	n/a	---	>=1
Settlement Account	>=1	>=1	1	<=1[6]

Figure 3: Relationships between participant roles and Settlement Accounts within C7 SCS

2.2.2 Position accounts

For the trades from C7 (i.e. Trading Location XEUR) also the position/flex account[7] information is received. This account information will be used in C7 SCS for account setting and net processing purposes.

- For proprietary business: "PP" account
- For agent business: "AA" account
- For Eurex (i.e. Trading Location XEUR) additionally: "A2" to "A9" + flex accounts.

2.2.3 Cash accounts

Cash Accounts are setup in C7 payment system for cash-only bookings triggered by C7 SCS in case of Strange Nets (see chapters 4.3.2, 4.4.4 and 5.3). Clearing Members opting for Netting with Strange Nets ("Net/Split") or for Aggregation (with the option to perform Linking before Aggregation) need to provide a cash account per settlement account and supported currency.

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[5] Settlement Accounts are not directly assigned to TMs within SCS, but indirectly there is a relation between TM and Settlement Account via the CM-TM-Settlement Account relation. Additionally, from a Trading Location point of view there can be a relation from TM to Settlement Account.

[6] Settlement Account is either used unchanged for the Delivery Instruction or it is mapped to its headquarter account in case it is a branch account.

For Delivery Instruction on CBF-i 6 series accounts the usage of Sub-Matching Account (SMA) and Group Matching Account (GMA) is supported.
7 For a Clearing Member, the position/flex account structure supports the segregation of positions of "Direct Disclosed Clients" from the positions of their "(Indirect) Clients". See more details at https://www.eurex.com/ec-en/services/risk-management/client-asset-protection-emir/position-account-structure-and-transaction-accounts-group

2.3 Trading Locations

C7 SCS supports the following Trading Locations:

- Frankfurter Wertpapierbörse (FWB): Xetra (MIC: XETR) and Börse Frankfurt (MIC: XFRA)
- Eurex Deutschland (MIC: XEUR): Physical deliveries resulting from:
    - o Notifications / Allocations from Eurex Derivatives
    - o Exercises / Assignments from Eurex Derivatives
      (for more details refer to C7 Derivatives Clearing Functional Reference on Eurex Clearing website)
- This includes transactions in
    - o Equity, equity-style and bond products
    - o EUR and non-EUR (same currencies as today)
    - o Collective Safe Custody (CSC) [8], Non-Collective Safe Custody (NCSC)[9]

2.4 Product Scope / Eligible Instruments

The new securities clearing service, C7 SCS will be introduced at first for Equity Clearing (Release 1.0) i.e. for all transactions in CCP eligible instruments concluded at Frankfurter Wertpapierbörse (FWB): Xetra (MIC: XETR) and Börse Frankfurt (MIC: XFRA)[10]. Also applies for all transactions resulting from physical deliveries at Eurex Deutschland (MIC: XEUR).

Central counterparty services are offered for the following instrument types:

Equities

C7 SCS supports German and foreign EUR, USD and CHF denominated equities (EQU), Equity-style instruments, exchange traded products (ETP), subscription rights (SUB) and retaining and distributing funds (FUN) listed on FWB or as physical deliveries from Eurex Derivatives.

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[8] In German; Girosammelverwahrung (GS)

[9] In German: Wertpapierrechnung/Auslandskassenverein (AKV); Remark: NCSC instruments, where T2S settlement is conisdered as feasible, are labelled as NCSC-T (Non-Collective Safe Custody on T2S). Respective transactions settle via CBF on the T2S platform for equity and equity-like products. Eurex Clearing treats them in the same way as transactions in Collective Safe Custody, see Eurex Clearing Circular 023/19.

[10] This includes on-exchange and off-book trades in CCP eligible instructions concluded at Frankfurter Wertpapierbörse.

Bonds

C7 SCS supports settlement of bond securities.

- Bonds denominated in EUR and non-EUR listed on FWB.
- Bonds denominated in EUR and non-EUR out of "Notification/Allocation" from Eurex Derivatives.

C7 SCS will be capable to process trades in instruments that are traded with different currency for the same ISIN at a Trading Location[11].

2.5 Custody types

The following custody types[12] are supported:

- CSC – instruments tagged as Collective Safe Custody with settlement possible via CBF and SIS in T2S

- NCSC[9] – instruments tagged as Non-Collective Safe Custody with settlement possible via CBF-i and SIS

2.6 Settlement Locations

C7 SCS uses the following (I)CSDs for external settlement instructing versus Payments and free of Payment:

- CBF - Clearstream Banking Frankfurt

- CBF-i - Clearstream Banking Frankfurt International[13]

- SIS - SIX SegaIntersettle Zürich

Securities settlement will take place in the following combinations of securities, custody type and settlement location:

- Equity and bond deliveries in EUR and in foreign currencies with custody type CSC (or NCSC-T) at the settlement location CBFas CBF internal settlement via T2S including conditional settlement for foreign currencies on CBF-i cash accounts.

- Equity and bond deliveries in EUR and in foreign currencies with custody type NCSC at the settlement location CBF-i via Creation.

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[11] For details please refer to the future Release Announcement related to C7 SCS Release 1.1 that will be published in due times under the following link: https://www.eurex.com/ec-en/support/initiatives/c7-scs-releases

[12] For the detailed explanation of the custody types refer to Clearstream Customer Handbook chapter 1.4. Types of custody.

[13] In C7 SCS reports the settlement location CBF-i is indicated with code "CBL" for historical reasons.

In addition, for Eurex deliveries the following applies:

- Eurex equity and bond deliveries in EUR with custody type CSC (or NCSC-T) at the settlement location SIS as cross-border settlement CBF-SIS for CBF as Issuer CSD via T2S.

- Eurex equity and bond deliveries in CHF at the settlement location SIS as SIS internal settlement via SECOM.

- Eurex equity and bond deliveries in CHF at the settlement location CBF/T2S as cross-border settlement CBF-SIS for SIS as Issuer CSD (CHF denominated securities - cash settlement via SNB) via SECOM.

With the introduction of C7 SCS, cross-border settlement can only occur between CBF and SIS.
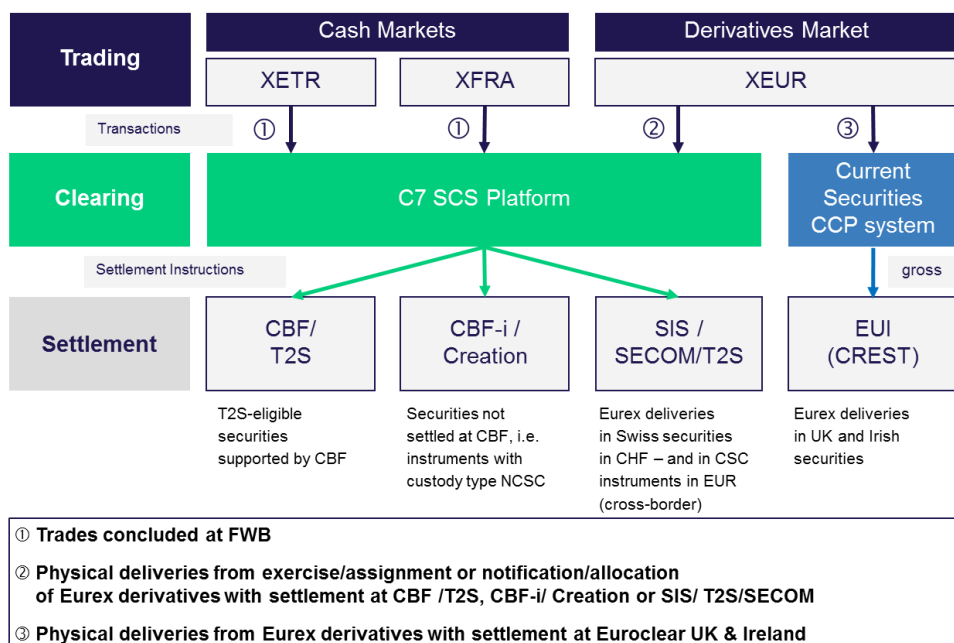
Figure 4: Trading, Clearing and Settlement Locations

Please note that Physical deliveries from Eurex Derivatives on UK and Irish underlyings that are settled at EuroClear UK + Ireland (EUI, "CREST") will be kept in the CCP system and reported in CCP reports also after C7 SCS Release 1.0.

With the introduction of C7 SCS Non-German bond deliveries in EUR resulting from Notification/ Allocation of Eurex Fixed Income Futures (i.e. French, Italian & Spanish government bonds) with custody type CSC (or NCSC-T) will settle at the settlement locations CBF and SIS using T2S.
This is a change compared to the current settlement logic in the current Securities CCP. As of today, such bond deliveries settle at the settlement location CBF-i via Creation only.

Members need to ensure that their CBF accounts are set-up for settlement of respective bond instruments considering proper tax certification and Italian Tax Identification Number (TIN) of the Trading Member. Members using SIS account for cross-border CBF-SIS settlement for bonds in EUR will be fully taxable in regards to Italian bonds.

3 Services Offered with C7 SCS

Clearing Members will have a default account setting, which are the basic services provided by C7 SCS. Optional services are to be selected by the members.

3.1 Basic Services (per default - no selection required)

- Net Processing Method: Netting (see chapter 4.2.1)
  C7 SCS will offer standard Trade Date Netting (TDN). All trades received by C7 SCS are to be netted on the trade day T (end-of-day).

- Aggregation to unwind Strange Nets (see chapter 4.3)
  C7 SCS will unwind Strange Nets (i.e. aggregate) and create two Delivery Instructions (one for buy and one for sell)[14].

- Default Hold/Release Status: "Released" (see chapter 5.2)
  The Net Position Trades and related instructions are set to status "Released". The Delivery Instructions are sent as "Released" to (I)CSDs.

- Support for Hold/Release performed at (I)CSD by participants
  When hold/release status is changed by a participant directly at the (I)CSD, C7 SCS will reflect this in Pending Delivery Reports.
  Please be aware that Buy/Receive instructions (customer leg) are always assumed to be in status released.

- Member Reports in XML format (see chapter 8)
  Reports are provided to Clearing Members and Settlement Institutions in XML format.

3.2 Optional services (explicit selection required)

- Net Processing Method: Aggregation (see chapter 4.2.2)
  As an alternative to Netting, members can choose Aggregation of Single Trades on T as Net Processing Method. Cash clearing clients expecting a more precise position management (block/release) and exact allocation of partial deliveries, using today's "Full Service", can change their processing model to aggregation.

- Net Processing Method: Gross (see chapter 4.2.3)
  As an alternative to Netting, members can choose Gross Processing of Single Trades on T as Net Processing Method. Single Trades will be then sent out Gross as Delivery Instructions.

- Cross-Location Netting (XETR/XFRA)
  Member can choose if netting across the cash market Trading Locations of FWB, i.e. Xetra (MIC: XETR) and Börse Frankfurt (MIC: XFRA) should be performed or not. For information: Eurex Derivatives transactions (MIC: XEUR) cannot be netted with FWB trades.

- Default Hold/Release Method: "on-Hold" (see chapter 5.2)
  A member can choose to send the Delivery Instructions as "on-Hold" to (I)CSDs.

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[14] Aggregation to unwind Strange Nets is part of the standard Netting service

- Routing Service for Hold/Release status changes[15] (see chapter 5.2)
  Participants can change the hold/release status of pending Delivery Instructions at CBF-i (incl. partial release) via C7 SCS.

- Reports in printable format (Pending and Settled Deliveries) (see chapter 8)

- Handle Strange Nets
  Instead of unwinding of Strange Nets, a member can choose to split Strange Nets into cash-only transaction and/or Free-of-Payment Delivery Instruction. In case a settlement instruction is in the status of "Hold", the participant is responsible for the release of this settlement instruction. This can be done either via target (I)CSD or via the C7 SCS Routing Service.

- Linking before Aggregation
  Participants can link trades to each other (n:m) to achieve a pre-netting. All linked trades are first netted and the results are then aggregated with the unlinked trades to form a Net Position. Linking is applicable only until start of Net Processing for the members who have chosen Aggregation as a Net Processing method.

3.3   Member set up forms for Settlement Account and processing parameters

C7 SCS offers to Clearing and Trading Members setup flexibility. The delivery positions created by the system can be set on a highly granular level allowing specific treatments of customer's needs, like distinguishing between proprietary and agent positions and attach different processing of it.

Those possibilities are reflected in the set-up forms, which will be available under the following path:

https://www.eurex.com/ec-en/ => Support => Initiatives & Releases => C7 SCS Releases

3.3.1   Members' account settings

Participants can also request different parameters for transactions allowing the delivery positions to be tailored for specific member requirements, i.e. to comply with countries regulatory reporting standard.

The settings are applied to the combination of

- Clearing Member (CM)
- Settlement Account
- Trading Location
- Trading Member (TM)
- Account Type
- Account Usage (DEF;TIN[16])

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[15] Actual processing and implementation are subject to specification with Clearstream

[16] Account Usage = TIN means that dedicated settings can be set up for transactions in instruments that require a Tax Identification Number (TIN), i.e. Italian bond instruments.

This makes it possible for the CM to set different processing for each of the Trading Members in relation to the Settlement Account and Account Type[17].

Example:

It is feasible to net exercises to delivery positions out of Eurex Derivatives and position account A1 (Net Processing Method: Netting and Hold/Release Status: "Released") and at the same time to create single delivery position in status "on-Hold" for every Eurex Derivative exercise for same Trading Member for position PP (Net Processing Method: Gross and Hold/Release Status: "on-Hold")

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[17] These settlement accounts are related to the member set up in C7 SCS, but not to the settlement account at (I)CSDs.

4 Trade Date Netting Concept

Clearing Members will have the choice in C7 SCS to define on settlement-account × Trading Location × Trading Member x transaction-Account Type level, how Single Trades should be processed within a Net Processing Unit (NPU) on the trade date. The resulting Net Position Trades are then sent as Delivery Instructions to settlement locations.

4.1 Trade Load

At the end of trading, the Single Trades are loaded from the relevant Trading Locations (XFRA, XETR and XEUR) into C7 SCS throughout the trade day.

Eurex (XEUR) delivers transactions resulting from notifications/allocations and exercises/assignments also in form of Single Trades. The "trading date" in respect to C7 SCS for Eurex deliveries is always the day of creation of the physical delivery trade (which corresponds with the maturity date of the original derivative contract).

The Single Trades are loaded with the attributes in the following (schematic) example (these example trades will be used to demonstrate certain functionalities throughout the document).

Trading Location	Trade Date	ISIN	Currency	Settlement Date	Clearing Member	Trading Member	Account Type	Trade Number	Buy/Sell	Quantity	Price	Amount	Trade Time
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMAFR	CMAFR	PP	ST99994	Buy	200	108.93 €	21,786.00 €	10:00:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMBAM	EFGHI	A1	ST99984	Sell	55	108.93 €	5,991.15 €	10:00:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMDDU	ABCDE	PP	ST99983	Sell	145	108.93 €	15,794.85 €	10:00:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMAFR	CMAFR	PP	ST99995	Sell	12	108.22 €	1,298.64 €	10:01:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMDDU	ABCDE	PP	ST99985	Buy	12	108.22 €	1,298.64 €	10:01:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMAFR	CMAFR	PP	ST99996	Buy	22	108.23 €	2,381.06 €	10:02:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMDDU	ABCDE	PP	ST99986	Sell	22	108.23 €	2,381.06 €	10:02:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMAFR	CMAFR	A1	ST99997	Buy	72	108.11 €	7,783.92 €	10:03:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMBAM	EFGHI	A1	ST99987	Sell	72	108.11 €	7,783.92 €	10:03:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMAFR	CMAFR	A1	ST99998	Sell	38	107.73 €	4,093.74 €	10:04:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMBAM	EFGHI	A1	ST99988	Buy	38	107.73 €	4,093.74 €	10:04:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMAFR	CMAFR	A1	ST99999	Sell	155	107.19 €	16,614.45 €	10:05:00
XETR	11.02.2019	DE0006048432	EUR	13.02.2019	CMDDU	ABCDE	PP	ST99989	Buy	155	107.19 €	16,614.45 €	10:05:00

Figure 5: Trade Load Example

4.2 Net Processing Methods

At the end of the trade day, for all Single Trades that belong to the same Net Processing Unit (NPU) C7 SCS performs the Net Processing. According to Clearing Member's account setting as a result of the processing, Net Position Trades are created.

Net Processing Unit

A 'Net Processing Unit' (NPU) forms the least granular level in C7 SCS on which trades are netted or aggregated during the Net Processing.

The following attributes of a Single Trade define a NPU:

- Clearing Member
- Clearing Member Settlement Location
- Clearing Member Settlement Account
- Currency
- Instrument (ISIN)
- Trading Member
- Account Type
- Trade Date
- Contractual Settlement Date
- Position/Transaction Account
- Trading Location

Cross-Location Netting

C7 SCS allows Netting/Aggregation across cash market Trading Locations of FWB, i.e. MIC: XETR and MIC: XFRA, whereas Eurex Derivatives (C7) transactions (MIC: XEUR) cannot be netted/aggregated with cash market trades.

Net Processing methods available:

Name	Description
"Netting" (default option)	All Single Trades within one NPU are netted to one Net Position Trade in the standard case. Strange Nets may occur.
"Aggregation"	All Single Buy Trades within one NPU are aggregated to one Net Position Trade, all Single Sell Trades are aggregated to one separate Net Position Trade.
"Gross"	Each Single Trade is transferred one-to-one into one Net Position Trade

Figure 6: Net Processing methods

4.2.1 Netting as Net Processing Method

When a Clearing Member chooses to perform Netting as a Net Processing method, Single Trades belonging to the same NPU are netted to form one Net Position Trade with a net quantity[18] and a net cash amount[19].

The daily Net Clearing Report shows all Single Trades assigned to their related Net Position Trade. A 'Surplus Flag' indicates which Single Trades can arithmetically be allocated to the net quantity of the Net Position Trade provided that the Single Trades are sorted by price[20]. For each Net Position Trade one Single Trade may have been split in the report so that one part carries the "Surplus Flag" and other part not.

Example for Netting

The following example shows the trades of the trade load example in chapter 4.1 (Trade Load) processed as 'Netting' for Clearing Member 'CMAFR':

- All Single Trades of the same NPU belong to the same Net Position Trade ID=1231.
- One Buy Net Position with quantity 210 is created with Net Position Trade ID=1231 substituting the Single Trades ST99994, ST99995 and ST99996.
  A related Delivery Instruction with Delivery ID=44003 and
  Delivery Reference=SAM1102M00044003 is sent to the (I)CSD.

  - The single buy trade 99996 (quantity 22) has the lowest price and thus Surplus Flag "Yes".
  - The single buy Trade 99994 is split: the part with quantity 188 (=200-12) gets the Surplus Flag "Yes".

Clearing Member	Trading Member	Record Type	Net Position Trade ID	Trade Number	ISIN	Currency	Buy Sell Indicator	Account Type	Trading Location	Trade Date	Settlement Date	Quantity	Trade Price	Amount	Delivery ID	Delivery Reference	Surplus Flag
CMAFR	**CMAFR**	**NET**	**1231**	**1231**	**DE0006048432**	**EUR**	**B**	**PP**	**XETR**	**11.02.19**	**13.02.19**	**210**	**108.90 €**	**22,868.42 €**	**44003**	**SAM1102R00044003**	**Yes**
CMAFR	CMAFR	SGL	1231	ST99994	DE0006048432	EUR	B	PP	XETR	11.02.19	13.02.19	12	108.93 €	1,307.16 €			No
CMAFR	CMAFR	SGL	1231	ST99994	DE0006048432	EUR	B	PP	XETR	11.02.19	13.02.19	188	108.93 €	20,478.84 €			Yes
CMAFR	CMAFR	SGL	1231	ST99995	DE0006048432	EUR	S	PP	XETR	11.02.19	13.02.19	12	108.22 €	1,298.64 €			No
CMAFR	CMAFR	SGL	1231	ST99996	DE0006048432	EUR	B	PP	XETR	11.02.19	13.02.19	22	108.23 €	2,381.06 €			Yes

Figure 7: Example of Netting

4.2.2 Aggregation as Net Processing Method

If the Clearing Member chooses Aggregation as Net Processing method, the sell and buy obligations will be separately aggregated and two Net Position Trades (one sell Net Position Trade and one buy Net Position Trade; with two separate Delivery Instructions, i.e. one DvP and one RvP) will be created.

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[18] The term 'net quantity' denotes the resulting surplus quantity after Netting all Single Trades of the NPU.

[19] As above, the term 'net cash amount denotes the resulting cash amount after Netting all Single Trades of the NPU.

[20] Sell trades with highest price and buy trades with lowest price have the highest priority to belong to the surplus.

Example for Aggregation:

The following example shows the Single Trades of the trade load example in in chapter 4.1 (Trade Load) processed as 'Aggregation' for Clearing Member 'CMAFR':

Two different Net Position Trade IDs are created for the two Net Position Trades.

- One Sell Net Position with Net Position Trade ID=1232 sent to the (I)CSD with Delivery ID=44001 and Delivery Reference=SAM1102M00044001. The related Single Sell Trades ST99998 and ST99999 carry the same 'Net Position Trade ID =1232' as reference.
- One Buy Net Position with Net Position Trade ID=1233' sent to the (I)CSD with Delivery ID=44002 and Delivery Reference=SAM1102M00044002. The related Single Buy Trade ST99997 carries the same Net Position Trade ID=1233 as reference.

For Aggregation, the "Surplus Flag" is always set to 'Yes'.

Clearing Member	Trading Member	Record Type	Net Position Trade ID	Trade Number	ISIN	Currency	Buy Sell Indicator	Account Type	Trading Location	Trade Date	Settlement Date	Quantity	Trade Price	Amount	Delivery ID	Delivery Reference	Surplus Flag
CMAFR	CMAFR	NET	1232	1232	DE0006048432	EUR	S	A1	XETR	11.02.19	13.02.19	193	107.30 €	20,708.19 €	44001	SAM1102D00044001	Yes
CMAFR	CMAFR	SGL	1232	ST99998	DE0006048432	EUR	S	A1	XETR	11.02.19	13.02.19	38	107.73 €	4,093.74 €			Yes
CMAFR	CMAFR	SGL	1232	ST99999	DE0006048432	EUR	S	A1	XETR	11.02.19	13.02.19	155	107.19 €	16,614.45 €			Yes
CMAFR	CMAFR	NET	1233	1233	DE0006048432	EUR	B	A1	XETR	11.02.19	13.02.19	72	108.11 €	7,783.92 €	44002	SAM1102R00044002	Yes
CMAFR	CMAFR	SGL	1233	ST99997	DE0006048432	EUR	B	A1	XETR	11.02.19	13.02.19	72	108.11 €	7,783.92 €			Yes

Figure 8: Example of Aggregation

4.2.3 Gross as Net Processing Method

In case of Clearing Members' account-level choice is 'Gross', no Netting is performed at all and one Net Position Trade (with one Delivery Instruction) will be created per Single Trade within the NPU. Each trade receives a separate Net Position Trade ID which is different from the Trade Number of the Single Trade.

Example for Gross:

The following example shows the Single Trades of the trade load example in chapter 4.1 (Trade Load) processed as 'Gross' for Clearing Member 'CMBAM' resulting in 3 Net Position Trades.
The Record Type is 'GROSS'.

Clearing Member	Trading Member	Record Type	Net Position Trade ID	Trade Number	ISIN	Currency	Buy Sell Indicator	Account Type	Trading Location	Trade Date	Settlement Date	Quantity	Trade Price	Amount	Delivery ID	Delivery Reference	Surplus Flag
CMBAM	EFGHI	GRS	1234	1234	DE0006048432	EUR	B	A1	XETR	11.02.19	13.02.19	38	107.73 €	4,093.74 €	44004	SAM1102R00044004	Yes
CMBAM	EFGHI	SGL	1234	ST99988	DE0006048432	EUR	B	A1	XETR	11.02.19	13.02.19	38	107.73 €	4,093.74 €			Yes
CMBAM	EFGHI	GRS	1235	1235	DE0006048432	EUR	S	A1	XETR	11.02.19	13.02.19	72	108.11 €	7,783.92 €	44005	SAM1102D00044005	Yes
CMBAM	EFGHI	SGL	1235	ST99987	DE0006048432	EUR	S	A1	XETR	11.02.19	13.02.19	72	108.11 €	7,783.92 €			Yes
CMBAM	EFGHI	GRS	1236	1236	DE0006048432	EUR	S	A1	XETR	11.02.19	13.02.19	55	108.93 €	5,991.15 €	44006	SAM1102D00044006	Yes
CMBAM	EFGHI	SGL	1236	ST99984	DE0006048432	EUR	S	A1	XETR	11.02.19	13.02.19	55	108.93 €	5,991.15 €			Yes

Figure 9: Example of Gross

The mapping from a settlement reporting message to a Single Trade concluded at the Trading Location can be achieved with the help of the Net Clearing Report CE890/CE895 along the chain:

- Delivery Reference, e.g. SAM1102R0000440004
- Net Position Trade ID = Trade Number of Net Position Trade, e.g. 1234
- Trade Number of Single Trade, e.g. ST99988

4.3   Strange Net Handling

In general Clearing Members have the following options for the Strange Net Method handling depending on their choice of the Net Processing Method:

- If Net Processing Method is selected as "Netting" (default) then Strange Net Method can be selected as either "UNWIND" (default option) or "NET/SPLIT", i.e. Netting with Strange Nets.
- If Net Processing Method is selected as "Aggregation" then Strange Nets resulting from Linking before Aggregation are generally processed and Strange Net Method "NET/SPLIT" is applied.
- If Net Processing Method is selected as "Gross", no Strange Nets can occur. No value is applicable.

In case the net result from the Net Processing method 'Netting' is a standard Netting event Delivery vs Payment (DvP) or Receive vs Payment (RvP), the Net Position is kept as final Netting result, and one Delivery Instruction (either DvP or RvP) will be created.

Otherwise, if the result of the processing method 'Netting' is non-standard, a so-called "Strange Net", and the following cases can occur:

- "Flat Zero": Net quantity = 0 and net cash amount = 0
- Cash Only: Net quantity = 0 and net cash amount ≠ 0
- Free of payment: Net quantity ≠ 0 and net cash amount = 0
- Net quantity ≠ 0 and net cash amount ≠ 0 both in same direction

4.3.1   Unwinding of Strange Nets (Default method)

Every non-standard Netting result is unwound: Buy trades and sell trades are aggregated separately resulting in one Net Buy Position Trade and one Net Sell Position Trade. As a result, two separate Delivery Instructions will be created.

Example for Netting applying "unwinding"

The following example shows the Single Trades of the trade load example in chapter 4.1 (Trade Load) processed as 'Netting' for Clearing Member 'CMDDU' applying the Strange Net Method "Unwinding":
- The aggregated buy obligation and the separate aggregated sell obligation both add up to quantity=167. Thus, the net quantity for the NPU is zero, while the net cash amount is not zero. This is a non-standard result and for option 'Unwinding' the aggregated buy and sell obligation remain just like for method 'Aggregation'.
- Two different Net Position Trade IDs are created for the two Net Position Trades
  o one Net Buy Position with Net Position Trade ID=1237 sent to the (I)CSD with Delivery ID=44007 and Delivery Reference=SAM1102M00044007. The related Single Buy Trades carry the same Net Position Trade ID=1237 as reference.

- o one Net Sell Position with Net Position Trade ID=1238 sent to the (I)CSD with Delivery ID=44008 and Delivery Reference =SAM1102M00044008. The related Single Sell Trades carry the same Net Position Trade ID=1238 as reference.
- o Surplus Flag is always 'Yes'.

Clearing Member	Trading Member	Record Type	Net Position Trade ID	Trade Number	ISIN	Currency	Buy Sell Indicator	Account Type	Trading Location	Trade Date	Settlement Date	Quantity	Trade Price	Amount	Delivery ID	Delivery Reference	Surplus Flag
CMDDU	ABCDE	NET	1237	1237	DE0006048432	EUR	B	PP	XETR	11.02.19	13.02.19	167	107.26 €	17,913.09 €	44007	SAM1102R00044007	Yes
CMDDU	ABCDE	SGL	1237	ST99985	DE0006048432	EUR	B	PP	XETR	11.02.19	13.02.19	12	108.22 €	1,298.64 €			Yes
CMDDU	ABCDE	SGL	1237	ST99989	DE0006048432	EUR	B	PP	XETR	11.02.19	13.02.19	155	107.19 €	16,614.45 €			Yes
CMDDU	ABCDE	NET	1238	1238	DE0006048432	EUR	S	PP	XETR	11.02.19	13.02.19	167	108.84 €	18,175.91 €	44008	SAM1102D00044008	Yes
CMDDU	ABCDE	SGL	1238	ST99983	DE0006048432	EUR	S	PP	XETR	11.02.19	13.02.19	145	108.93 €	15,794.85 €			Yes
CMDDU	ABCDE	SGL	1238	ST99986	DE0006048432	EUR	S	PP	XETR	11.02.19	13.02.19	22	108.23 €	2,381.06 €			Yes

Figure 10: Example of Netting with Unwinding

"Unwinding" is the default option for net processing method "Netting". Please note, that the netting result is unwound and aggregated on buy and on sell side also in the "flat zero" case, i.e. net quantity = 0 and net cash amount = 0.

4.3.2 Processing of Strange Nets ("NET/SPLIT")

As alternative to unwinding Clearing Members have the possibility to opt for the Strange Net Method "NET/SPLIT", i.e. Netting with Strange Nets.

In case of a strange net/non-standard result occurs, the net result is split into:

- Quantity in securities (if ≠0) is send out in Delivery Instruction towards (I)CSD
  If net quantity is = 0, no instruction is sent towards (I)CSD; only cash is booked,
- Cash amount (if ≠0) sent out separately as cash-only via cash account

In case that net quantity ≠ 0 and net cash amount ≠ 0 both in same direction C7 SCS generates two separate Net Position Trades: one for quantity in securities and one for amount in cash.

In the "flat zero" (net quantity = 0 and net cash amount = 0) C7 SCS generates one Net Position Trade to document that result of Net Processing is without delivery obligation.

Example for Netting with Strange Nets applying "NET/SPLIT"

The following example shows the Single Trades of the trade load example in chapter 4.1 (Trade Load) now processed as 'Netting with Strange Nets' for Clearing Member 'CMDDU' applying the Strange Net Method "NET/SPLIT":

- The buy obligation and sell obligation in securities both add up to quantity=167. Thus, the net quantity for the NPU is zero, while the net cash amount is not zero. This is a non-standard result and for Strange Net option "NET/SPLIT" no Delivery Instruction towards the (I)CSD is generated, only the net cash amount is booked.
  - o One Net Position Trade ID is created for the Net Position Tradeone Sell Net Position with Net Position Trade ID=1239 with Delivery ID=44009 used for cash booking. The Cash-Only Net Position Trade ID=1239 corresponds to the Net Position Trade ID. The

related Single Trades carry the same Net Position Trade ID=1239 and Cash-Only Net
Position Trade ID=1239 as reference.
- o Surplus Flag is 'No' for the involved Single Trades.

Clearing Member	Trading Member	Record Type	Net Position Trade ID	Trade Number	ISIN	Currency	Buy Sell Indicator	Account Type	Trading Location	Trade Date	Settlement Date	Quantity	Trade Price	Amount	Delivery ID	Cash-Only Net Position Trade ID	Surplus Flag
CMDDU	ABCDE	NET	1239	1239	DE0006048432	EUR	S	PP	XETR	11.02.19	13.02.19	0	0.00 €	262.82 €	44009	1239	Yes
CMDDU	ABCDE	SGL	1239	ST99983	DE0006048432	EUR	S	PP	XETR	11.02.19	13.02.19	145	108.93 €	15,794.85 €		1239	No
CMDDU	ABCDE	SGL	1239	ST99985	DE0006048432	EUR	B	PP	XETR	11.02.19	13.02.19	12	108.22 €	1,298.64 €		1239	No
CMDDU	ABCDE	SGL	1239	ST99986	DE0006048432	EUR	B	PP	XETR	11.02.19	13.02.19	22	108.23 €	2,381.06 €		1239	No
CMDDU	ABCDE	SGL	1239	ST99989	DE0006048432	EUR	B	PP	XETR	11.02.19	13.02.19	155	107.19 €	16,614.45 €		1239	No

Figure 11: Example of Netting with Strange Nets ("NET SPLIT")

4.4 Linking before Aggregation

4.4.1 Steps of Linking

Clearing Members who chose the Net Processing method 'Aggregation' have the possibility to influence
the Net Processing results by Linking Single Trades concluded at FWB before Aggregation. It is
important to mention that even if a Cross-Location Netting is enabled for both FWB Trade Locations
(XETR and XFRA), linking between XETR and XFRA trades is not possible.

On trade day, participants can send link requests and link trades of the same NPU together with the
same Link Reference.

During Net Processing at the end of trade day in a first step, linked Single Trades are pre-netted. In a
second step, net results from pre-netting and unlinked Single Trades in the same NPU are aggregated
on each side, i. e. sell and buy.

Non standard results from pre-netting are handled like for Strange Net Handling method NET/SPLIT.

Final result of the Aggregation considering linked Single Trades are reported in the Net Clearing Report.

4.4.2 Linking Requests

Participants can instruct Linking and un-Linking of Single Trades in one NPU with a MT543 message via
SWIFT, no matter if those trades are buy or sell trades. Settlement Institutions can send MT543
messages on behalf of Clearing Members. A link reference is generated or can be defined by participant
and is sent in field 20C:POOL. The external trade number[21], that needs to be added for each single
trade, is the Trade number assigned by Trading Platform T7 for XETR and XFRA trades. Multiple Sell
Single Trades and multiple Buy Single Trades of the same Netting Unit can be linked, an m:n Linking
will be allowed.

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[21] Field 'SideTradeReportID' in T7 interface ETI (Trade Notification)

4.4.3 Pre-Netting of linked trades

- Net processing takes place after cut-off time for Linking. The cut-off time for XETR is 19:00 CET and the cut-off time for XFRA is 20:40 CET[22].
- During Pre-Netting the linked buy and sell trades are netted together within one NPU. Netting of linked trades is performed like regular Netting described in chapter 4.2.1 with Strange Nets as described in chapter 4.3.2. The net quantity and net cash amount are calculated.
- As a result there is a standard result or a non standard result (Strange Net).

Example for Pre-Netting:

Trade Number	Buy/Sell Indicator	Quantity	Price	Amount	Link Reference	Label for trades
101	B	45	50,00 €	2.250,00 €	L1	B1
102	B	25	48,00 €	1.200,00 €	L1	B2
103	S	90	45,00 €	4.050,00 €	L1	S1
104	B	85	55,00 €	4.675,00 €	L2	B3
105	S	85	48,00 €	4.080,00 €	L2	S2
106	B	25	59,00 €	1.475,00 €	L3	B4
107	B	25	58,00 €	1.450,00 €	L3	B5
108	S	60	45,00 €	2.700,00 €	L3	S3
109	B	55	54,00 €	2.970,00 €		B6
110	B	85	46,00 €	3.910,00 €		B7
111	S	94	58,00 €	5.452,00 €		S4
112	S	84	47,00 €	3.948,00 €		S5

Figure 12: Example of Single Trades

Result:

Figure 13: Netting Result of Single Trades Example

4.4.4 Results from Pre-Netting

In case the pre-netting results into a standard outcome, i.e. delivery vs. payment or receive vs. payment, the entire net result (securities vs. cash) goes into Aggregation as described in chapter 4.4.5.

If pre-netting results into a non-standard outcome due to a strange net, the net securities quantity is considered in Aggregation and the cash is booked separately similar as described for Strange Net Method "NET/SPLIT" in chapter 4.3.2.

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[22] Börse Frankfurt (XFRA) envisages to extend its trading hours following the introduction of C7 SCS to 22:00 CET. Accordingly, a respective change of the linking deadline in production from 20:40 to 22:40 CET will apply. Details will be announced in due time.

Handling of Strange Nets

In case of a strange net/non-standard outcome, the net result is split into:

- Quantity (if ≠0) is considered in Aggregation and cash amount (if ≠0) sent out as cash-only via cash account.
- If net quantity of linked trades is = 0, net quantity is not considered in Aggregation and cash only is booked.
- Flat zero position without cash is not considered in Aggregation.

Potential results of Pre-Netting

Result of Pre-Netting	Net Quantity	Net Cash Amount	Split into quantity in securities (FoP) and/or cash-only
"Flat zero" position (quantity + cash zero)	=0	=0	• Not considered in Aggregation and no cash booking
Cash-only (quantity is zero)	=0	≠0	• Not considered in Aggregation • Cash amount booked separately
"Free of payment" (payable amount is zero)	≠0	=0	• Net quantity in securities considered in aggregation
Securities & cash in same direction	<0	<0	• Net quantity in securities considered in Aggregation
	>0	>0	• Cash amount booked separately

Figure 14: Potential results of Pre-Netting

Note: When the net quantity of Linking result is not conforming **MSU** (Minimum Settlement Unit) or **SUM** (Settlement Unit Multiple), then Linking result will be discarded, and Single Trades will not be Linked.

In case of Cash-Only:

- After Aggregation (after Linking), if the Net Position is non-standard having cash-only position, then a Cash-only Net Position Trade is created for cash-only position
- Single Trades resulting in such positions are included in Netting result for Cash-only Net Position Trade.

4.4.5 Aggregation of results

Net results from pre-netting and unlinked single trades are aggregated together into one buy and one sell block. As Aggregation result for each of these two blocks a Net Position Trade is generated (provided that there is at least one sell or buy item) similar as described in chapter 4.2.2.

Cash only is treated separately and not part of the aggregated which is shown as an own NPT out of Linking.

4.4.6 Reporting of Pre-Netting/Aggregation

Characteristics of the reporting:

- Reporting is done via Net Clearing Report and each link request is also reported in the Trades Action Report.
- Single Trades are getting the link reference as sent by customer.
- Results from Aggregation get the Net Processing Trade ID for buy and sell side.
- Single Trades belonging to the respective NPT can be referenced via this NPT ID.

Example of a Net Clearing Report in case of Linking with Cash-only and Cash in same direction:

Net Position Trade ID	Record Type	Trade Number	Buy/ Sell Ind.	Qty	Trade Price	Amount	Delivery ID	Delivery Reference	Cash-only Net Position Trade ID	Surplus Flag	Link Ref.	Note	
1116	NET	1116	S	208	48,08 €	10.000,00 €	3	SAM1102M00000003		Yes		DvP	
1116	NET	1119	B	0	0,00 €	225,00 €	5		1119	Yes	L3	Cash-only	🪙
1116	SGL	101	B	45	50,00 €	2.250,00 €				No	L1	B1	
1116	SGL	102	B	25	48,00 €	1.200,00 €				No	L1	B2	
1116	SGL	103	S	70	45,00 €	3.150,00 €				No	L1	S1	
1116	SGL	103	S	20	45,00 €	900,00 €				Yes	L1	S1	
1116	SGL	106	B	25	59,00 €	1.475,00 €			1119	No	L3	B4	
1116	SGL	107	B	25	58,00 €	1.450,00 €			1119	No	L3	B5	
1116	SGL	108	S	50	45,00 €	2.250,00 €			1119	No	L3	S3	
1116	SGL	108	S	10	45,00 €	450,00 €			1119	Yes	L3	S3	
1116	SGL	111	S	94	58,00 €	5.452,00 €				Yes		S4	
1116	SGL	112	S	84	47,00 €	3.948,00 €				Yes		S5	
1117	NET	1117	B	140	49,14 €	6.880,00 €	4	SAM1102M00000004		Yes		RvP	
1117	SGL	109	B	55	54,00 €	2.970,00 €				Yes		B6	
1117	SGL	110	B	85	46,00 €	3.910,00 €				Yes		B7	
1118	NET	1118	B	0	0,00 €	595,00 €	6		1118	Yes	L2	Cash-only	🪙
1118	SGL	104	B	85	55,00 €	4.675,00 €			1118	No	L2	B3	
1118	SGL	105	S	85	48,00 €	4.080,00 €			1118	No	L2	S2	

Figure 15: Example of a Net Clearing Report for Linking and Aggregation[23]

Net Clearing Report – in case of Linking with Cash-only and Cash in same direction

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[23] Fields being identical for every column are not shown in this report example due to facility reasons
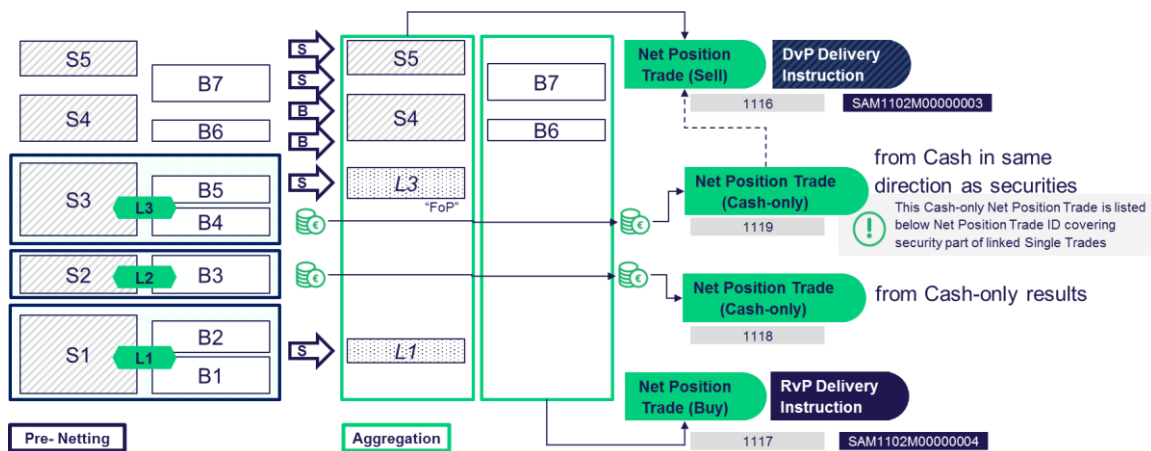
Figure 16: Example of stepwise approach in case of Linking with Cash-only and Cash in same direction

Cash-only results get a Cash-only Net Processing Trade ID.

For additional information on the reporting please refer to the C7 SCS Reference Report Manual which is provided on the open section of the Eurex Clearing website under the following path:

https://www.eurex.com/ec-en/ => Support => Initiatives & Releases => C7 SCS Releases

For additional information on the Linking before Aggregation service please also refer to the "Member SWIFT Interface with C7 SCS" document which is provided on the Eurex Clearing website under the following path:

https://www.eurex.com/ec-en/ => Support => Initiatives & Releases => C7 SCS Releases

4.5   Further processing of Net Processing results

Once Net Position Trades are created, only these Net Position Trades are processed and updated further in C7 SCS. Incoming settlement confirmations and Corporate Action updates from the (I)CSDs will be reflected on the Net Position Trades only. There will be no update of the underlying Single Trades anymore.

5 Delivery Management

To allow Eurex Clearing to instruct on behalf of the Clearing Member, Eurex Clearing requires the respective Clearing Members or Settlement Institutions to give a Power of Attorney (PoA) to Eurex Clearing for their (I)CSD/T2S account and cash accounts.

5.1 Creation of Delivery Instructions

Directly after the Net Position Trades are generated as a result of Net Processing, the novated transactions (provided that the quantity in securities is ≠ 0) are considered for delivery management. C7 SCS generates a Delivery Instruction with unique dedicated Delivery ID for every new Net Position Trade and sends it to the respective (I)CSDs.

Depending on the account set-up of the member, a Delivery Instruction shall be sent by C7 SCS into settlement either in status "Released" (buy/sell) or in status "on-Hold" (sell only) to the (I)CSDs. Release of those Delivery Instructions are done directly at the (I)CSDs. For pending Delivery Instructions at CBF-i that were instructed by C7 SCS ECAG offers a Routing Service. The status "on-Hold/Released" will be included in Pending Delivery Report.

All Delivery Instructions are sent with the original trade date T as either:

- one Already Matched (ALM) instruction to the (I)CSD, if this is supported by the (I)CSD. In this case, no matching of own and customer leg is necessary on (I)CSD side – or as
- two Delivery Instructions (own and customer leg, to be matched at (I)CSDs), otherwise if ALM functionality is not available.

The participants can find the relation between Delivery ID/Delivery Reference and Net Position Trade in Net Clearing Report on Trade date. This reference can also be found in Pending Delivery Report (CE860).

Delivery Instructions will remain at the (I)CSD and will no need to be cancelled by Eurex Clearing at the end of each settlement day (as done in current CCP system processing). The Delivery Instructions remain in the settlement layer until settlement or until Clearing Operations starts buy-in/cash settlement and therefore cancels the instructions. Cancellation by ECAG will only be done in emergency cases or in context of Eurex Clearing's Routing Service.

C7 SCS sends all Delivery Instructions with Partial Settlement Allowed Indicator as "TRUE" to allow partial settlement at (I)CSDs as far as supported by the (I)CSDs.

Delivery Instructions sent out by C7 SCS for (I)CSD settlement via Creation will be eligible for settlement during mandatory settlement period only.

As settlement locations CBF/T2S and CBF-i support partial settlement, C7 SCS will not offer shaping functionality.

5.2   Hold/Release (Full/Partial) of Delivery Instructions

Hold/Release status

A default setting for the initial status of newly created Delivery Instructions is included in the member's account setup. Delivery Instructions are then created and sent out to the (I)CSDs in either "Released" or "on-Hold" status based on the setting of this flag.

Change of Hold/Release status

Clearing Members can change the status of their leg of a pending Delivery Instructions from "on-Hold" to "Released" respectively:

- directly in the system of the (I)CSD based on the Delivery Instruction ID. C7 SCS processes the related update message from the (I)CSD and reflects the recent (I)CSD Hold/Release status and released quantity.
- for Delivery Instructions sent by C7 SCS towards CBF-i via Eurex Clearing Routing Service based on the Net Position Trade (not the Single Trades).

1) Modification of partially released quantity via "Hold" and new "Partial Release" request. A "partial Hold" is not supported. 2) Not supported by Creation for now.
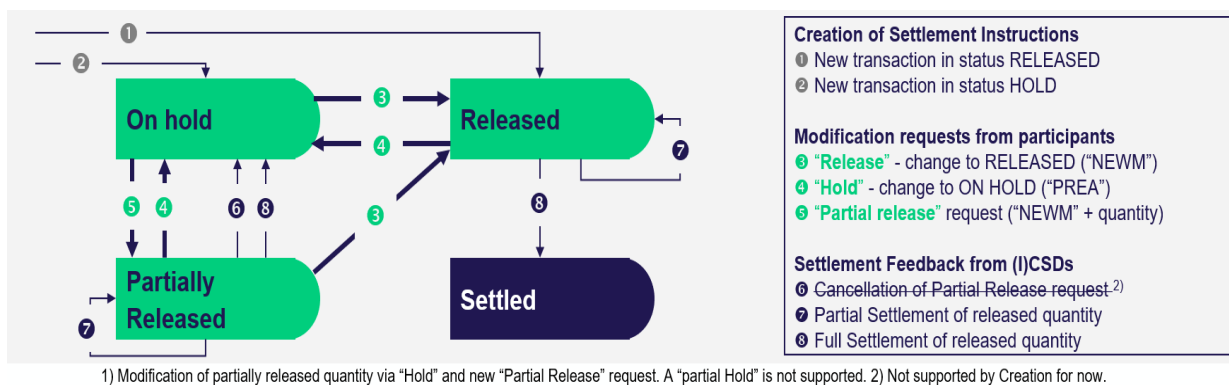
Figure 17: Hold/Release Status Transition for Eurex Clearing's Routing Service

As already mentioned in chapter 1.1, For buy instructions, irrespective of the Netting parameters, Delivery Instructions will be sent as "Released". Members need to note that it is forbidden by future Clearing Conditions[24] to set buy instructions to "on hold" at the (I)CSD.

The release status at the end of the business day is shown in the daily Pending Delivery Report. Please note that for Net Position Trades subject to cross-border settlement CBF-SIS, Eurex Clearing does not receive information on release status changes of the Clearing Member's Delivery Instruction pending at the Investor CSD. Therefore, the release status reported in the Pending Delivery Report for such trades might deviate from the actual release status of the Clearing Member's Delivery Instruction at the Investor CSD.

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[24] Please compare future Clearing Conditions in Chapter I, Part 1, 1.4.2 Settlement of Transactions in Securities

Full/Partial Release

Clearing Members are not limited to release the full quantity of a Delivery Instruction at the (I)CSDs.

- directly at the (I)CSD participants can specify a partial quantity of the instruction to be released, if this is reported by the (I)CSD. Currently CBF/T2S supports this functionality.
- Via Eurex Clearing's Routing Service participants can specify a partial quantity to be released for all Delivery Instruction at CBF-i.

Settlement can only take place based on the released part of the instruction quantity.

Eurex Clearing's Routing Service

Participants can send (partial) release or hold requests (MT543) related to pending Net Position Trades directly to C7 SCS via SWIFT network. The pending Net Position Trade is identified by the following details to be provided in the message:

- Net Position Trade ID of the underlying Net Position Trade (from Net Clearing Report) (tag :20C::RELA// or PREV//)
- Trade Details: Place of Trade, Instrument ISIN, Trade Date and Trade currency
- Settlement Details: Place of Settlement, Settlement Account
- The type of modification is identified by the following details to be provided in the message:
    - Function of the Message, either "Hold" ("PREA") or "Release" ("NEWM")
    - Quantity to be blocked/released: Full Remaining quantity for full "Hold"/"Release" - or partially to be released quantity

C7 SCS validates the participant request and forwards the requested new status and released quantity of the related Delivery Instruction with Power of Attorney to the (I)CSD.

For partial release requests a cancel/re-instruct mechanism is applied, i.e. C7 SCS cancels the pending Delivery Instructions in status "on-Hold" and sends two new Delivery Instructions, one in status "on-Hold" and another in status "Released". The C7 SCS Routing Service is just offered for Delivery Instructions that were originally generated by C7 SCS but not for instructions that were initially generated by (I)CSD in context of market claims or transformations.

C7 SCS receives status update messages from (I)CSDs (MT548) and reflects the recent hold/release status for each Net Position Trade in the member reporting.

The release status at the end of the business day and the quantity on hold are shown in the daily Pending Delivery Report.

For additional information on the C7 SCS Routing Service please also refer to the "Member SWIFT Interface with C7 SCS" document which is provided on the Eurex Clearing website under the following path:

https://www.eurex.com/ec-en/ => Support => Initiatives & Releases => C7 SCS Releases

5.3 Cash Bookings

Cash payments related to Eurex Clearing securities clearing will be processed as follows:

- Cash resulting from the Delivery Instructions (DvP and RvP payments) is booked by the (I)CSD on the cash account linked to the Settlement Account (as today).
- Corporate Actions income payments are booked by the (I)CSDs as part of the Corporate Action processing at the (I)CSDs.
- Cash booking such as buy-in settlement and cash settlement will be booked manually by Clearing Operations.
- Cash-only bookings outside C7 SCS for fees and fines are booked on the respective cash accounts.
- Cash only bookings from Strange Nets and from Linking before Aggregation are booked on cash account per settlement account, currency and market (FWB/Eurex) named by Clearing Members.

Booking of cash from Strange Nets and from Linking before Aggregation

- Cash only is booked via cash account.
- Cash account set-up is required for Settlement Account and relevant currency.
- Payment date of cash is contractual settlement day of related single trades (usually T+2).
- Cash booking is reported independently from securities settlement in report CD850 'Settled Cash Transactions'.

Pure Cash settlements resulting from Corporate Actions on pending Eurex derivatives contracts will continue to be reported in CCP report CD250 'Settled Cash Transactions' also beyond C7 SCS Release 1.0 go-live and not in C7 SCS report CD850.

Pure Cash Settlements are:

- Exercise/assignment of capital adjusted option on stock contracts with a fractional trading unit
- Settlement of flexible options on stock contracts with settlement method cash

Public

6 Corporate Action Processing

C7 SCS will utilize the Corporate Action services offered by (I)CSD/Custody. No opt-out flag for Corporate Action processing by the (I)CSDs is sent by C7 SCS.

Thus, with C7 SCS Corporate Action processing including fraction handling will take place at the respective (I)CSDs.

The (I)CSDs will perform Corporate Action processing on pending instructions and provide related information to C7 SCS and to participants if they subscribed for respective update messages from (I)CSD. C7 SCS will process the information received from (I)CSDs and update related Net Position Trades and Delivery Instructions. The daily Pending Delivery Report will reflect these Corporate Action related updates.
Please note: Delivery Instructions generated by the (I)CSD can be "on-Hold" and are subject to release by the participant.

Participants can identify that a pending Net Position Trade was impacted by a Corporate Action via a dedicated Corporate Action identifier in the C7 SCS Pending Delivery Report.

Processing and booking of corporate action proceeds follow different practices at (I)CSDs in different markets. Compensation rules, timing of initiating compensations, message types, message layouts and formats may be different for each (I)CSDs.

There will be no additional reporting on C7 SCS side to participants on top of the (I)CSD's Corporate Action reporting.

Corporate Action Types

Corporate action events are divided into Income events and Non-Income events.

All Income events represent cash payments (e.g., a dividend payment for equity style products and coupon payments for bonds) and are market claims. There might be market claims also created out of non-income events, if a security is traded while "cum" (with the entitlement) but settled when "ex" (without the entitlement).

In the context of the C7 SCS, market claims (e.g. subscription rights, partial rights, bonus rights, nominal change forward split) are on equity style products. Therefore, subscription rights, additional rights, bonus rights, etc. are generally referred to as additional rights.

Non-income events comprise

- ISIN change (Transformations)
- Nominal value change forward stock split, new quantity is greater than old quantity (Market Claim)
- Nominal change reverse stock split, new quantity is less than old quantity (Transformations)
- ISIN and nominal value change (Transformations), and
- Distribution of rights (additional rights or shares (Spin-off) are market claims

6.1 Disclosure Process

The current Trade Disclosure process at Eurex Clearing is kept at place with the introduction of C7 SCS and will preserve the Corporate Action related buyer rights – enable the buyer of securities to manually align with a seller[25].

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[25] Not valid for all markets

7 Settlement

7.1 Settlement of Delivery Instructions for Securities

The (I)CSDs perform settlement of Delivery Instructions on the contractual settlement day (earliest) considering the available holdings in the Settlement Account, available cash, the hold/release status of the Delivery Instruction and the (I)CSD-specific settlement prioritisation and optimization rules.

After settlement took place at the (I)CSD, a settlement confirmation message is sent to C7 SCS and participants by the (I)CSDs. A settlement confirmation indicates that the securities and cash have been successfully moved between the Settlement Accounts mentioned in the Delivery Instruction.

C7 SCS matches the incoming settlement confirmation with the original Delivery Instruction sent. The corresponding instruction is identified based on the unique 'Delivery ID'. Both the Delivery Instruction and the underlying Net Position Trade are updated in C7 SCS with the appropriate settled and Remaining unsettled quantities and statuses.

Participants are informed about the settlement status of their Delivery Instructions:

- intraday via (I)CSDs' settlement reporting for their Settlement Accounts.
  The settlement confirmation is sent by the (I)CSD real/near-time to the Settlement Account owner and to C7 SCS. C7 SCS will update the status of the Delivery Instruction based on this confirmation message.
- at end-of-day via Eurex Clearing's C7 SCS Settled Delivery Report.
  Eurex Clearing will inform participants on the updated settlement status with the provision of the Settled Delivery Report, which is an end-of-day report of the respective value day.

7.2 Partial Settlement

The (I)CSDs can, where supported by (I)CSDs, provide settlement confirmation for the quantity less than the instructed quantity. This indicates a partial settlement at the (I)CSDs.

Remark: The assignment of Single Trades to the already settled quantity of a Net Position Trade will not be performed by C7 SCS and is up to the Clearing Member. The Clearing Members can retrieve the Single Trades that contributed to the partly settled Net Position Trade from the Net Clearing Report of the trade day.

The updated pending quantity/amount (after partial settlement) will be reflected in the Pending Delivery Report. Settled portion will be reported in the Settled Delivery Report.

Reflection of partial settlement confirmation in Pending Delivery and Settled Delivery Reports:

When a settlement confirmation feedback is received for quantity less than the instructed quantity and amount in the feedback is less than that of the instructed amount,

- Delivery status remains as "SENT".
- Remaining quantity and Remaining amount will be updated based on the quantity and amount received in the confirmation feedback.

In case of multiple Partial Settlement not covering the full instructed quantity/amount,

- Delivery status remains as "SENT".
- Remaining quantity and Remaining amount will be updated based on the quantity and amount received in the confirmation feedback.
  Remaining quantity = Remaining quantity in the delivery – Current settled quantity received in the feedback.
  Remaining amount = Remaining amount in the delivery – Current settled Amount received in the feedback.
- Actual Settlement date is updated with the effective settlement date received in the feedback.
- Settlement time is updated with the effective settlement time received in the feedback.

If the effective settlement time is not provided in the feedback, then the response time is used as the actual settlement date.

When multiple Partial Settlement results in settlement of full instructed quantity and full instructed amount,

- Delivery status is updated to "SETTLED".
- Remaining quantity and Remaining amount will be updated to zero as the Delivery Instruction is fully settled.
- Actual Settlement date is updated with the effective settlement date received in the feedback.
- Settlement time is updated with the effective settlement time received in the feedback.

If the effective settlement time is not provided in the feedback, then the response time is used as the actual settlement date.

7.3   Late Delivery Handling

In case Delivery Instructions at the (I)CSD cannot be fully settled due to release status "on-Hold", lack of securities or cash, the (I)CSD settlement process will decide on the (I)CSD specific settlement priority. C7 SCS has no influence on which Clearing Member's instruction will be settled first. The (I)CSDs will follow their standard settlement priority rules for the C7 SCS Delivery Instruction. The Instructions that are not settled are forwarded to the next settlement at the (I)CSDs (settlement cycle or real-time processing).

Feedback on the settlement status of Delivery Instructions are provided at the end-of-day by C7 SCS in the 'Settled Delivery Report' and 'Pending Delivery Report'.

If required, Clearing Operations will initiate a buy-in/cash settlement/disclosure process to close late outstanding deliveries, considering upcoming regulatory requirements with Central Security Deposit Regulation (CSDR) Settlement Discipline Regime (SDR).

7.3.1 Fines

With the introduction of C7 SCS existing penalty regimes for late delivery processing - and the related automatic calculation and booking of fines - are continued.

C7 SCS supports the following:

- EU Short selling regular Late Delivery Fines
- Late Delivery Fines and Interest of Delay for bonds (from Eurex notifications/allocations)
- Fines on late deliveries over dividend reference days for equities (from FWB trades and Eurex Deliveries)

The calculation and reporting of above-mentioned fines are on Delivery Instruction level with reference to the related Net Position Trade (i.e. the result after Net Processing) - and not on Single Trade level.

7.3.2 Buy-in Processing

The C7 SCS will be utilizing the Buy-In Agent (Eurex Securities Transactions Services GmbH) services to handle the buy-in processing, where failed delivery of an original seller to a buyer is requested a substitute purchase from a third party. The failing party has to reimburse all costs associated with the buy-in (difference between the original price and the buy-in price and fees).

The regulatory background for the buy-in obligation is the Central Securities Depository Regulation[26] see Eurex Securities Transactions Services GmbH handbooks/user guides for more information on Buy-In processing.

7.4 Reporting of Settlement Status

In general, a Net Position Trade is reported as "settled" in the Settled Delivery Report after the following conditions are fulfilled:

- Contractual settlement day is reached
- Securities have settled
- Cash is paid[27]

For all standard cases with DvP, RvP or FoP Delivery Instructions above conditions are fulfilled after the related settlement confirmation message is received from the (I)CSDs.

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[26] Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012

[27] In case of a Cash-only Net Position Trade it is reported "settled" where value date is reached, and cash payment is due.

8 Reporting

The C7 SCS reports will be generated at end-of-day (EoD) and distributed through Common Report Engine (CRE) along with the reports from the current CCP system in the standard CCP directory. The general rules for report distribution will not change. The XML reports will be provided to Clearing Members and Settlement Institutions by default. The reports in printable text are optional. Clearing Member can request reports in XML and in text format for their Trading Members. The report ordering form will be available on Eurex Clearing > Resources > Forms > C7 SCS. Eurex Clearing will not provide dedicated Corporate Action reports.

For a full description of reports please refer to the "Eurex Clearing - C7 SCS XML Reports - Reference Manual" document which is provided on the Eurex Clearing website under the following path:

https://www.eurex.com/ec-en/ => Support => Initiatives & Releases => C7 SCS Releases

C7 SCS Report ID	Report Name	Delivery Time	RAW (XML) Format	Printable Format	Current CCP Reports	Description
CE860/ CE861/ CE862	Pending Delivery Report	EoD, T(+x)	Yes	Yes	CE260/ CE261/ CE262	Portion of Net Position Trades that has not yet settled, Corporate Action feedback and released/on-hold quantity are considered
CE870/ CE871/ CE872	Settled Delivery Report	EoD, T+1(+x)	Yes	Yes	CE270/ CE271/ CE272	Portion of Net Position Trades that has been settled on the current business day
CE890/ CE891/ CE892	Net Clearing Report (XEUR)	EoD[28], T	Yes	No	CE290/ CE291/ CE292	Single Trades from Eurex deliveries and Net Position Trades (resulting from Netting/ Aggregation/ Gross processing) incl. quantity, cash amount, Delivery ID
CE895/ CE896/ CE897	Net Clearing Report (XETR and XFRA)	EoD, T	Yes	No	CE395/ CE396/ CE397	Single Trades from FWB and Net Position Trades (resulting from Netting/ Aggregation/ Gross processing) incl. quantity, cash amount, Delivery ID

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[28] Net Clearing Reports are provided after Net Processing.

C7 SCS Report ID	Report Name	Delivery Time	RAW (XML) Format	Printable Format	Current CCP Reports	Description
CB830/ CB831	Trade Action Report	EoD, T(+x)	Yes	Yes	CB230/ CB231	Manually inserted, deleted, Buy-in Blocked/Released, Linking and Hold/ Released Status Update transactions
CD850/ CD851	Settled Cash Transactions Report	EoD, T	Yes	Yes	CD250/ CD251	Cash Transactions sent to the corresponding Payment Bank and considered as settled.

Figure 18: Available Reports

In addition to the list of available reports above the following overview is supporting where members can find the relevant reporting for trades that have been executed at the different Trading Locations.

Reporting on transactions concluded after migration date C7 SCS Release 1.0 (XETR/XFRA/XEUR)	C7 SCS				CCP		
	CE890 Net Clearing Report (XEUR)	CE895 Net Clearing Report (XETR/XFRA)	CE860 Pending Delivery Report	CE870 Settled Delivery Report	CE290 Eurex Deliveries	CE260 Pending Delivery	CE270 Settled Delivery
FWB Transactions (settlement locations: CBF, CBFi/ICSD)							
(1) Trades concluded on Xetra (XFRA)		✓					
(2) Trades concluded on Börse Frankfurt (XFRA)		✓					
Net Position Trades from (1) and (2)		✓	✓	✓			
Eurex Transactions (settlement locations: CBF, CBFi/ICSD, SIX SIS)							
(3) Physical Deliveries from Exercise/Assignment (XEUR)	✓						
(4) Physical Deliveries from Notification/Allocation (XEUR)	✓						
Net Position Trades from (3) and (4)	✓		✓	✓			
Eurex Transactions (settlement location: CCO=EuroClear UK + Ireland (EUI))							
(5) Physical Deliveries from Exercise/Assignment					✓	✓	✓
(6) Physical Deliveries from Notification/Allocation (if any[1)])					✓	✓	✓
Repo + SecLend (settlement locations: CBF, CBFi/ICSD, EB, for SecLend additionally EUI, ESES, SIX SIS)							
(7) Repo Transactions						✓	✓
(8) SecLend Transactions						✓	✓

Figure 19: Reporting on transactions concluded after migration date

Please note that transactions related to trades concluded before the migration date continue to be reported in CCP reports – even if the transaction lifecycle reaches beyond the migration date.

8.1 Referencing between C7 SCS reports and sent Delivery Instructions to (I)CSDs

The structure of the referencing is based on the reports that are provided by C7 SCS and the MT5xx messages that are provided by the (I)CSDs and which are based on the ISO 15022 standard message format.

Reference information will be provided in the following C7 SCS reports:

- Net Clearing Report CE890/891/892, CE895/896/897
- Pending Delivery Report CE860/861/862
- Settled Delivery Report CE870/871/872

C7 SCS sends a Delivery Instructions in SWIFT ISO 15022 format to (I)CSDs for each Net Position Trade that has a quantity in securities not equal to zero. C7 SCS sends (among other fields) the following identifiers in Delivery Instruction message:

SWIFT Tag	CBF/T2S	CBF-i	SIX SIS
20C::SEME//	Delivery Reference SAM2709M12345678	Delivery Reference SPA2709D12345678	Delivery Reference SPA2709D12345678
20C::TRRF//		Net Position Trade ID 12345678901234	Net Position Trade ID 12345678901234
70E::SPRO//	Net Position Trade ID: SCS/12345678901234		
20C::COMM//	Common Reference 2709X12345678	Common Reference 2709X12345678	Common Reference 2709X12345678

Figure 20: Examples for References sent in Delivery Instruction messages by C7 SCS to (I)CSDs

Please note that members will not receive a copy of these Delivery Instruction messages.

Member receive the (I)CSD settlement and custody reporting they subscribed to and which is related to Delivery Instructions. The following MT5xx messages are provided during the communication with the (I)CSDs and can be used for the referencing:

- MT54x: Settlement Confirmation
  →From (I)CSD to settlement account holder and ECAG
- MT548: Settlement Status and Processing Advice & Cancelation Confirmation
  →From (I)CSD to settlement account holder and ECAG
- MT564: Corporate Action Notification & Additional Business Process Indicator
  →From (I)CSD to settlement account holder and ECAG
- MT566: Confirmation on Corporate Action Events
  →From (I)CSD to settlement account holder and ECAG

Referencing can be done based on the following attributes which are included in the C7 SCS reports and SWIFT MTxxx messages provided by the (I)CSDs:

- Delivery ID
  - o Reported as dlvID in Net Clearing Report, Pending Delivery Report, Settled Delivery Report
  - o Builds last 8 digit of Delivery Reference in instructions send by C7 SCS
- Delivery Reference
  - o Reported as dlvRef in Net Clearing Report, Pending Delivery Report, Settled Delivery Report
  - o Send as Instruction Reference in field 20C::SEME towards (I)CSDs
  - o Used as Auftragsreferenz/Actor Reference by CBF/T2S
  - o To be used for delivery management via MT530 at CBF-i and SIS and via MT530 at CBF in ICP mode, see chapter 8.3

- Net Position Trade ID
  - o Reported as trdNum in Net Clearing Report, Pending Delivery Report, Settled Delivery Report
  - o Send in free text field 70E::SPRO towards CBF
  - o Send in field 20C::TRRF towards CBF-i and SIS
- CASCADE reference
  - o Provided by CBF in field 20C::TRRF
  - o To be used for delivery management at CBF via MT530 in ICP mode
- T2S reference (MITI)
  - o Provided by T2S
  - o To be used for delivery management at CBF/T2S in DCP mode

Note: For more details on the referencing please compare and align the detailed description of the "Eurex Clearing - C7 SCS XML Reports - Reference Manual". For more details on (I)CSD messages and reporting please refer to the documentation of the (I)CSDs.

8.2 Identification of Settlement Reporting related to Securities CCP and C7 SCS

Members can use the first 3 characters of the Delivery Reference ("prefix") from the settlement reporting sent out by (I)CSDs, such as

- Settlement Status Messages MT548
- Settlement Confirmation Message MT544-MT547

to distinguish if related transaction is related to current Securities CCP or C7 SCS.

Securities CCP uses the prefixes "ALM" and "POA" for Delivery References in Delivery Instructions (field 20C::SEME) towards (I)CSD. C7 SCS uses the prefixes "SAM" and "SPA", respectively.

C7 SCS uses "SAM" prefix for already matched instruction at CBF and "SPA" prefix is used for unmatched instructions.

For transactions generated by (I)CSD's Asset Services in context of corporate actions (i.e. claim instructions and transformation instructions) for underlying instructions from C7 SCS the respective (I)CSD will generate instruction references according to (I)CSD's own syntax. That means that due to CA processing by the (I)CSD the references to Delivery Instructions related to C7 SCS could also have a different prefix than "SAM" or "SPA". Thus, members should not rely on "SAM" or "SPA" for C7 SCS, but rather on "ALM" and "POA" ($\rightarrow$ current Securities CCP related) and other ($\rightarrow$ C7 SCS related).

8.3 Usage of extended CBF service offering for message type "MT530 Transaction Processing Command" in context of C7 SCS

CBF informed their customers in Announcement D21021[29] about the extended service offering for the message type related to the modification of a settlement instruction in the SWIFT standard ISO 15022 effective 27 September 2021. The CBF service offering will be supplemented for instructions with and without the flag "already matched".

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[29] https://www.clearstream.com/clearstream-en/products-and-services/settlement/d21021-2622058

At present time, modifications for "already matched" settlement instructions can only be provided by using the CASCADE instruction number ("KP reference") to uniquely identify the dedicated leg, i.e. the Delivery or Receive instruction, that should be subject to modification. With the announced service upgrade CBF will additionally allow to use the T2S Actor Reference to refer to an "already matched" settlement instruction and to specify the leg(s) to be modified by an indicator. For details on the new CBF functionality and on the message layout of the MT530 message please refer to the Clearstream Announcement D21021.

C7 SCS sends "already matched" settlement instructions to CBF for CBF internal settlement via T2S. Therefore, Clearing Members and their Settlement Institutions, respectively, will benefit of the supplemented CBF service offering. Customers will be enabled to use C7 SCS's Delivery Reference in a modification request towards CBF in order to set a pending Delivery Instruction to "on hold" or to (partially) release a Delivery Instruction (services "Party Hold" and "Partial Release Request").

Customers who want to use the supplemented CBF service can fill the required fields in the MT530 message as follows for C7 SCS transactions as long as no corporate action transformation is applied:

- The **T2S Actor Reference** corresponds to C7 SCS's **Delivery Reference**, e.g. SAM0902M00044003.
  It can be taken from Eurex Clearing's Net Clearing Reports (CE890/1/2 or CE895/6/7, respectively), the Pending Delivery Report (CE860/1/2) or CBF's MT548 message – Settlement Status and Processing Advice.
- The **Reference Owner BIC** corresponds to the **Eurex Clearing BIC**, e.g. EUXCDEFFCCP, that C7 SCS sends in the settlement instruction to CBF. It can be taken either from CBF's MT548 message – Settlement Status and Processing Advice – or be derived from information provided in the Net Clearing Reports (CE890/1/2 or CE895/6/7, respectively) or the Pending Delivery Report (CE860/1/2). For details, see next paragraph 'Derivation of Eurex Clearing BIC'
- The **Indicator of the related instruction** has to be filled with value "**DELI**" to refer only to the Delivery Instruction. Rationale: Modification of hold/release status is just allowed for the customer's leg of a Delivery Instruction ("sell transaction") from customer perspective. According to Clearing Conditions of Eurex Clearing it will not be allowed to set a Receive Instruction ("buy transaction") that is related to C7 SCS to "on-hold" in order to ensure settlement efficiency.

Please note that as an alternative (existing service) to the supplemented service, customers can still use the existing CBF service offering for MT530 with the CASCADE reference ("KP number") as reported in CBF's "MT548 Settlement Status and Processing Advice" and in Eurex Clearing's Pending Delivery Report (CE860/1/2) as CSD reference (field csdRef). For details on the current message layout for sending MT530 message to CBF please refer to CBF Connectivity Handbook Part 2[30]. Besides, CBF offers modification of settlement instructions via CASCADE Online Functionality (HOST/PC).

Derivation of Eurex Clearing BIC

The Eurex Clearing BIC is not reported explicitly in the C7 SCS reports. Customers can derive the Eurex Clearing BIC from information provided either in the Net Clearing Reports (CE890 and CE895) or in the Pending Delivery Report (CE860) considering below mapping:

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[30] https://www.clearstream.com/resource/blob/1312490/5714beb17a8f505640044414862a6251/cbf-connectivity-handbook-part-2-en-data.pdf

Based on Net Clearing Report – XETR + XFRA – (CE895/6/7)

Aspect	Settlement Location	Trading Location	Instrument Type	BIC Branch Code (last 3 chars)	ECAG BIC in Simulation environment	ECAG BIC in Production environment
Field in report	*dlvSettlLoc*	*trdLoc*	*instTypCod*	*N/A*	*N/A*	*N/A*
FWB Transaction in Bond instrument	CBF	XETR, XFRA, ECAG	BON	"XXX"	EUXCDEF0XXX	EUXCDEFFXXX
FWB Transaction in Equity instrument	CBF	XETR, XFRA, ECAG	*Other* (EQU, SUB, XTF, FUN, ADR, GDR)	"CCP"	EUXCDEF0CCP	EUXCDEFFCCP

Figure 21: Information on Eurex Clearing BIC based on Net Clearing Report for XETR and XFRA

Based on Net Clearing Report – XEUR – (CE890/1/2)

Aspect	Settlement Location	Trading Location	Instrument Type	BIC Branch Code (last 3 chars)	ECAG BIC in Simulation environment	ECAG BIC in Production environment
Field in report	*dlvSettlLoc*	*trdLoc*	*instTypCod*	*N/A*	*N/A*	*N/A*
Eurex Transaction in Bond instrument	CBF	XEUR	BON	"BON"	EUXCDEF0BON	EUXCDEFFBON
Eurex Transaction in Equity instrument	CBF	XEUR	*Other*	"CCP"	EUXCDEF0CCP	EUXCDEFFCCP

Figure 22: Information on Eurex Clearing BIC based on Net Clearing Report for XEUR

Please note that Eurex Clearing's Clearing House Settlement Account for Eurex equity and bond deliveries in currency CHF is at SIX SIS. In case a Clearing Member opts for cross-border settlement via its CBF settlement account, C7 SCS sends an unmatched settlement instruction to CBF (with Delivery Reference starting with "SPA"). In such a case C7 SCS uses the branch code "XXX" for the unmatched settlement instruction on the customer's settlement account at CBF, i.e. in Simulation "EUXCDEF0XXX" and in Production "EUXCDEFFXXX".

Based on Pending Delivery Report (CE860/1/2)

Aspect	Settlement Location	Clearing House Settlement Location	Clearing House Settlement Account	BIC Branch Code (last 3 chars)	ECAG BIC in **Simulation** environment	ECAG BIC in **Production** environment
Field in report	*dlvSettlLoc*	*clgHseSettlLoc*	*clgHseSettlAcc*	*N/A*	*N/A*	*N/A*
FWB Transaction in Bond instrument	CBF	CBF	**7525**0000	"XXX"	EUXCDEF0XXX	EUXCDEFFXXX
FWB/Eurex Transaction in Equity instrument	CBF	CBF	**8501**0000	"CCP"	EUXCDEF0CCP	EUXCDEFFCCP
Eurex Transaction in Bond instrument	CBF	CBF	**7530**0000	"BON"	EUXCDEF0BON	EUXCDEFFBON

Figure 23: Information on Eurex Clearing BIC based on Pending Delivery Report

8.4 Reporting of Clearing Member and Trading Member in Party Level information

Eurex Clearing will extend the information that is sent in optional Party Level fields in settlement instructions towards settlement locations CBF (CBF internal settlement) and towards settlement location CBF-i:

- Party Level 1 contains the settlement (headquarter) account of the customer[31]
- Party Level 2 contains Clearing Member and Trading Member ID

Please note that C7 SCS will not send Clearing Member and Trading Member ID in Party Level 2 towards settlement location SIX SIS and in case of cross-border settlement CBF-SIS.

Also, please be aware that in case of Corporate Actions (CA), filling of party level information in CA-related instructions depends on (I)CSD processing, as the instructions are generated by the (I)CSD.

For Party Level 2, C7 SCS will fill field 95Q to indicate the customer's side of the transaction ("SELL", "BUYR") and field 97A::SAFE with a 10-character value consisting of the five-character Clearing Member ID and the five-character Trading Member ID.

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[31] In case of Group Matching Account (GMA) for CBF-i, it is the Sub-Matching Account (SMA) this is provided in Party Level 1 to the customer.

Thereby, settlement account owners will have the possibility to identify the Clearing Member and the Trading Member which are related to a settlement instruction sent by C7 SCS from the (I)CSD reporting on their settlement account directly.

The usage of party level information is optional. In case a customer does not need to identify the Clearing Member or the Trading Member in (I)CSD reporting, the customer can ignore the Party Level information.

Customers can observe the Party Level information in (I)CSD reporting in MT548/MT54x messages in ISO15022 format as shown in Figure 24 (from CBF) and Figure 25 (from CBF-i) whereby "7930000" / "69730" represent sample customer settlement accounts, "CCCCC" represents the five-character Clearing Member ID and "TTTTT" represents the five-character Trading Member ID.

Party Level	Delivery Instruction, i.e member is SELLER	Receive Instruction, i.e. member is BUYER

1	`:16R:SETPRTY`
	`  :95Q::DEAG//UNKNOWN`
	`  :97A::SAFE//79300000`
	`:16S: SETPRTY`
		`:16R:SETPRTY`
		`  :95Q::REAG//UNKNOWN`
		`  :97A::SAFE//79300000`
		`:16S:SETPRTY`

2	`:16R:SETPRTY`
	`  :95Q::SELL//UNKNOWN`
	`  :97A::SAFE//`**`CCCCCTTTTT`**
	`:16S:SETPRTY`
		`:16R:SETPRTY`
		`  :95Q::BUYR//UNKNOWN`
		`  :97A::SAFE//`**`CCCCCTTTTT`**
		`:16S:SETPRTY`

Figure 24: Party Level information in ISO15022 format for CBF/T2S

Party Level	Delivery Instruction, i.e member is SELLER	Receive Instruction, i.e. member is BUYER

1	`:16R:SETPRTY`
	`  :95R::DEAG/CEDE/69730`
	`:16S: SETPRTY`
		`:16R:SETPRTY`
		`  :95R::REAG/CEDE/69730`
		`:16S:SETPRTY`

2	`:16R:SETPRTY`
	`  :95Q::SELL//UNKNOWN`
	`  :97A::SAFE//`**`CCCCCTTTTT`**
	`:16S:SETPRTY`
		`:16R:SETPRTY`
		`  :95Q::BUYR//UNKNOWN`
		`  :97A::SAFE//`**`CCCCCTTTTT`**
		`:16S:SETPRTY`

Figure 25: Party Level information in ISO15022 format for CBF-i

For customers that act as DCPs at T2S the Party Level 2" information can be observed as below in T2S reporting in ISO20022 format:

```
<DlvrgSttlmPties>
  <Dpstry>
    <Id>
      <AnyBIC>DAKVDEFFXXX</AnyBIC>
    </Id>
  </Dpstry>
  <Pty1>
    <Id>
```

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```
      <AnyBIC>TESTDEFFXXX</AnyBIC>
   </Id>
   <SfkpgAcct>
      <Id>DAKV79300000</Id>
   </SfkpgAcct>
</Pty1>
<Pty2>
   <Id>
      <NmAndAdr>
         <Nm>CCCCCTTTTT</Nm>
      </NmAndAdr>
   </Id>
   <SfkpgAcct>
      <Id>CCCCCTTTTT</Id>
   </SfkpgAcct>
</Pty2>
</DlvrgSttlmPties>
```

8.5   Settlement Reporting in case of CBF settlement in foreign currencies

In case of settlement instructions in foreign currencies that are processed by CBF/T2S the process flow for so called "conditional settlement mechanism[32]" is unchanged compared to today's process flow in Securities CCP.

Unlike Securities CCP, C7 SCS will receive the related MT548 settlement status message updates from CBF/T2S. Members will also receive corresponding status message updates from CBF/T2S. These status updates will be reflected in the respective C7 SCS Pending Delivery Report, Settled Delivery Report and Trades Action Report at the end of day.

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[32] T2S and Clearstream use in Customer Handbook: Conditional Securities Delivery (CoSD)

9 Abbreviations and Glossary of Terms

Abbreviations	Description
AG	Aktiengesellschaft (public limited company)
ALM	Already matched
ASDN	Actual Settlement Date Netting
C7 SCS	C7 Securities Clearing Service
CBF	Clearstream Banking Frankfurt
CBF-i	Clearstream Banking Frankfurt International
CBL	Clearstream Banking Luxembourg
CCP	Central Clearing Counterparty
CM	Clearing Member
CRE	Common Report Engine
CSC	Collective Safe Custody
CSDR	Central Securities Depositories Regulation
DCP	Direct Connected Participant
DvP	Delivery vs Payment
EDP	Electronic Data Processing
EoD	End of the Day
EQU	Equity
ETP	Exchange Traded Product
FUN	Retaining and Distributing Funds
FWB	Frankfurter Wertpapierbörse
GMA	Group Matching Account
GUI	Graphical User Interface
ICP	Indirect Connected Participant
(I)CSD	(International) Central Securities Depository
ID	Identification Number
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
MSU	Minimum Settlement Unit

Abbreviations	Description
MT	Message Type
NCSC	Non-Collective Safe Custody
NCSC-T	Non-Collective Safe Custody on T2S
NCR	Net Clearing Report
NPT	Net Position Trade
NPU	Net Processing Unit
Participants	Used synonymously for "Clearing Member and Settlement Institutions"
PDR	Pending Delivery Report
PoA	Power of Attorney
RvP	Receive vs Payment
SCS	Securities Clearing Service
SDR	Settlement Delivery Report
S	Settlement Day
SI	Settlement Institution
SIS	SIX SegaIntersettle Zürich
SMA	Sub-Matching Account
SUB	Subscription Rights
SWIFT	Global provider of secure financial messaging services
T	Trade day
T2S	Target 2 Securities
TDN	Trade Date Netting
TM	Trading Member
WP	Work product
XML	Extensible Markup Language

Figure 26: Abbreviations and Glossary of Terms