

Eurex Clearing - C7 SCS 2.0

C7 SCS 2.0 – Migration Strategy Paper

Eurex Clearing AG

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1 Introduction

This paper provides an overview of the migration strategy of repo business from the Securities CCP to C7 SCS Release 2.0 during the time from 20.10.2022 until its launch on 24.10.2022. Moreover, it provides updated information on the details and availability dates of migration reports and other important aspects that participants need to consider.

The production migration of repo business from the current CCP system to C7 SCS will follow a “Big Bang” approach, where all eligible instruments and members are mandatorily migrated. Any open repo and GC Pooling trades will also be automatically migrated to C7 SCS at once, provided the relevant legal documentation is duly executed, new dedicated collateral accounts are set up and enabled for GC Pooling using CmaX in due time, and member data is successfully migrated from CCP to C7 SCS.

For a detailed overview of the functionality given to participants for Special repo and GC Pooling with C7 SCS, members should refer to Release Notes 2.0 Updated Version on Eurex Clearing website.

2 Timeline of Migration in Production

The following timeline highlights activities during the migration days from 20.10.2022 till 24.10.2022.

| 20.10.2022 | 21.10.2022 | 22.10.2022 | 24.10.2022 |
|---|---|---|--|
| Last GC Pooling Settlement Day / Margin collateral in CCP & Xemac | Last Special repo settlement day and last day for repo business in CCP / Collateral Mobilization from Xemac to CmaX | Migration Weekend / Transaction Data Migration (TDM) | Go-Live / First business day in C7 SCS for Repo business |
| <ul style="list-style-type: none"> • Trading deadline for the same day (overnight) GC Pooling trades will be preponed to 15.00 CET • Pending delivery instructions for GC Pooling trades will be cancelled at 15:45 CET • Xemac will be closed early at 16:30 CET • No ASDN will be performed and no delivery instructions will be sent for GC Pooling trades • CCP EoD reporting will be provided, including: <ul style="list-style-type: none"> ○ Settled Delivery Report (CE270) ○ Pending Delivery Report, with no delivery information for GC Pooling trades (CE260) ○ CD037 with margin collateral booked in Xemac | <ul style="list-style-type: none"> • Exceptional Settlement Holiday for GC Pooling • Collateral mobilization from Xemac to CmaX for both GC Pooling and margin collateral • Regular settlement day for Special repo, with no adjustments of settlement deadlines • All late Special repo trades will be adjusted for Gross processing • No ASDN will be performed and no delivery instructions will be sent • CCP EoD reporting will be provided, including: <ul style="list-style-type: none"> ○ Settled Delivery Report (CE270) ○ Pending Delivery Report, with no delivery information for repo business (CE260) ○ CD037 with margin collateral booked in CmaX | <ul style="list-style-type: none"> • GC Pooling and Special repo trades will be migrated from CCP to C7 SCS • Initialization of GC Pooling exposures • Migrated trades will undergo a special netting run (SDN & SDEN) and delivery instructions will be created in C7 SCS • Creation of Migration report instance of pending delivery report (CE860) and repo contracts report (TC850) | <ul style="list-style-type: none"> • First regular business day for repo business in C7 SCS • Special repo: settlement feedback will come from the (I)CSDs • GC Pooling: exposure adjustment feedback will come from CmaX • Margin collateral adjustments will be done in CmaX |

Table 1 Timeline of Migration in Production

3 Migration of Repo Business

3.1 Reference Data Migration

As part of the migration strategy, Reference Data Migration (RDM) can start on 12.09.2022 the earliest and will go on till approximately 10.10.2022. A dedicated report (RM300/RM400) will be provided, once the member data migration is finalized.

The following member reports will be provided (before Production Go-live):

- RM400 – Settlement Account Assignments with Euroclear Bank Codification
- RM300 – Settlement Account Clearing Settings

Members have the possibility to verify their account set up in C7 SCS using these reports.

3.2 Special Repo

Members need to consider the following information regarding the migration of Special repo trades. On Friday, 21.10.2022 any pending delivery instructions will be cancelled by Eurex Clearing at the settlement cut-off deadline. After the clean-up, Actual Settlement Date Netting (ASDN) will not be performed in the CCP system and delivery instructions will not be sent out for settlement in the nighttime settlement cycle. Special repo trades will continue to be reported in the existing CCP reports till this Friday.

Settlement Date Netting (SDN) will be performed in C7 SCS after pending repo trades are migrated to C7 SCS. Migration report instance of CE860 (repo only) will be created, in addition to the daily EoD CE860 report for FWB/Eurex Derivative, to reflect the netting result and the delivery IDs for trades with contractual settlement date as of Monday, 24.10.2022.

Any late trades from the CCP system (contractual settlement date less than 24.10.2022) will be treated as Gross trades and instructed as Gross to the (I)CSDs. The delivery instructions will be sent out for settlement on Monday, 24.10.2022. The Migration report instance of CE860 will reflect the late trades and delivery instructions created.

Special repo trades with Single Instruction Netting (SIN) method, that are part of offset block, are considered as pending, if the relevant settlement instruction from the Surplus Block has not fully settled. Such trades from the offset block will also be instructed on Gross basis. Thus, it is highly recommended that settlement failures should be avoided by members on Friday, 21.10.2022.

The cash deferral functionality is not offered by C7 SCS. Therefore, it is highly recommended that members perform the release of all closed Special repo trades in the CCP system. Any closed trades and partially closed trades will be migrated as below:

- Closed Trades from the CCP system will be migrated to C7 SCS as Settled trades. Such trades will not be reported in the Settled Delivery Report (CE870/CE871/CE872) on Monday, 24.10.2022
- Partially Closed Trades from the CCP system will be migrated to C7 SCS as Partially settled trades. The pending portion of trades will be reported in the Migration report instance.

Cash only obligation out of the offset block for Dual Instruction Netting during Special Migration Netting run will be instructed intra-day on Monday. Settlements of such cash obligation will be reported in Settled cash transaction report created as part of Monday EoD reporting.

3.3 GC Pooling

As part of the migration strategy for GC Pooling, Clearstream plans an automatic transfer of all open GC Pooling Repo exposures and bookings of allocated GC Pooling Repo collateral from the current account structure to the new account structure. The collateral can only be moved on a T2S business day. After the settlement cut-off in the Xemac system, a snapshot of all open exposures will be taken on Thursday, 20.10.2022 and the collateral will be moved on Friday, 21.10.2022.

On Thursday, 20.10.2022, any pending delivery instructions will be cancelled by CCP at the preponed settlement cut-off 15:45 CET. ASDN will not be performed in the CCP system Thursday onwards. No delivery instructions for GC Pooling trades will be sent out for settlement by CCP on Friday, 21.10.2022. This is achieved by setting the GC Pooling Baskets to Technical ISIN Block in the CCP system and thus the GC Pooling trades will be reported in the existing CCP reports with Technical ISIN blocked status on Thursday, 20.10.2022 and Friday, 21.10.2022.

Open GC Pooling trades will be migrated to C7 SCS with the updated settlement location and the settlement account. The settlement location in C7 SCS is updated based on the Basket and the Currency combination as per table below. The settlement account is always the collateral receiver account set up in CmaX for the relevant settlement location.

| Basket | Currency | Location |
|---|--------------------|----------|
| DE000A0AE077 GC Pooling ECB Basket | EUR | CBF |
| DE000A0AE077 GC Pooling ECB Basket | CHF, USD, GBP | CBL |
| DE000A0WKKX2 GC Pooling ECB EXTended Basket | EUR | CBF |
| DE000A0WKKX2 GC Pooling ECB EXTended Basket | CHF, USD, GBP | CBL |
| DE000A1PHUP5 GC Pooling INT MXQ Basket | EUR, CHF, USD, GBP | CBL |
| DE000A1EZNP6 GC Pooling Equity Basket | EUR | CBF |
| DE000A1EZNP6 GC Pooling Equity Basket | CHF, USD, GBP | CBL |
| DE000A1PHUN0 GC Pooling CTD Germany Basket | EUR | CBF |
| DE000A2GG7V0 GC Pooling CTD France Basket | EUR | CBF |
| DE000A2GG7W8 GC Pooling CTD Italy Basket | EUR | CBF |

Table 2 Basket and Currency Combination

Settlement Date Exposure Netting (SDEN) will be performed in C7 SCS after the open GC Pooling trades are migrated. The exposure adjustments will then be sent out for settlement on Monday, 24.10.2022. Migration report instance of CE860/1/2 reflects the netting results for GC Pooling trades considered for SDEN and the updated settlement location and the settlement account as well.

Cash only obligation out of the offset block for Dual Instruction Netting during Special Migration Netting run will be instructed intra-day on Monday. Settlements of such cash obligation will be reported in Settled cash transaction report created as part of Monday EoD reporting.

3.3.1 Exceptional Settlement Holiday

The following points must be considered for the Exceptional Settlement Holiday and changes in the settlement and trading timings for GC Pooling repo transactions. Further details can be found in the Eurex Clearing Circular 066/21¹.

On Friday, 21.10.2022, the settlement of GC Pooling repo transactions with Eurex Clearing will not be available because of the Exceptional Settlement Holiday. From this day on Eurex Clearing will not accept any GC Pooling repo transactions with this date as a contractual settlement date. This condition is applicable for the opening date of the front leg as well as for the closing date of the term leg. Eurex Clearing will also not perform any closing of open term GC Pooling repo transactions on this date. Any pending (including late) GC Pooling repo transactions will not be instructed on this date and will be instructed as of Monday, 24.10.2022, following the successful migration. Eurex Clearing will take appropriate measures to enforce this within its own technical systems.

On Friday, 21.10.2022 trading on Eurex Repo can continue uninterrupted, but no trading and settlement of the same day GC Pooling trades is possible. Special repo markets remain unaffected by this exceptional handling.

3.4 Transaction Data Migration Reports

After the successful migration of open repo trade book, C7 SCS will provide the Migration report instance of the following reports:

- Pending Delivery Report: 21RPTCE860AAACC20220614MIGR.XML_ZIP
 - Report is created using the report name CE860/1/2 with the suffix "MIGR", with the business date as of Friday, 21.10.2022
 - XML layout of CE860/1/2 is used
 - Only Repo and GC Pooling trades are reported
 - The netting result after the SDN for Special repo trades with contractual settlement date as of Monday, 24.10.2022 is provided. The delivery IDs for Special repo trades are also provided
 - The netting result after the SDEN for pending GC pooling trades with contractual settlement date as of or before Monday, 24.10.2022 is provided
- Repo Contracts Report: 21RPTTC850AAACC20220614MIGR.XML_ZIP
 - Report is created using the report name TC850/1/2 with the suffix "MIGR", with business date of Friday, 21.10.2022
 - XML layout of TC850/1/2 is used
 - All the migrated repo trades are reported
 - GC Pooling trades are reported with the updated settlement location as well as settlement account

¹ www.eurex.com/ec-en/find/circulars/clearing-circular-2722536

These reports will be available in the CCP folder of the Common Reporting Engine (CRE) after the successful migration (latest Monday morning, 24.10.2022).

4 Abbreviations and Glossary of Terms

| Abbreviations | Description |
|-----------------------|--|
| ASDN | Actual Settlement Date Netting |
| C7 SCS | C7 Securities Clearing Service |
| CBF | Clearstream Banking Frankfurt |
| CBL | Clearstream Banking Luxembourg |
| CCP | Central Clearing Counterparty |
| CET | Central European Time |
| CmaX | CmaX is the triparty collateral management system used by Clearstream Banking Luxembourg (CBL) and in future also by Clearstream Banking Frankfurt (CBF), administration, management and re-use of securities collateral for Clearstream customers |
| CRE | Common Report Engine |
| EOD | End of Day |
| (I)CSD | (International) Central Securities Depository |
| ISIN | International Securities Identification Number |
| RDM | Reference Data Migration |
| SDEN | Settlement Date Exposure Netting |
| SDN | Settlement Date Netting |
| SIN | Single Instruction Netting |
| TDM | Transaction Data Migration |
| T2S | TARGET2-Securities |
| XML | Extensible Markup Language |
| XEMAC | CBF Collateral Management System |
| Xemac decommissioning | Part of Clearstream's Collateral Mobility project, aiming to decommission the CBFs' Xemac collateral management system and migrate the collateral products into the second existing collateral management system CmaX of CBL |

Table 3 Abbreviations and Glossary of Terms