X-pand into the **Future**

e u r e x *circular 052/00*

Date: Frankfurt, 21 June, 2000
Recipients: All Eurex members and vendors
Authorised by: Jürg Spillmann

⚠ **Action Required** ⚠ **High Priority**

Cash Payment Procedure between LZB and Eurex from 26 June, 2000

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Content may be most important for:

- Middle + Back Office
- Auditing / Security Administration

Attachments: None

Summary:

With the introduction of Eurex Release 4.0 on June 26, 2000 the current paper-based interface for cash payment instructions in euro between the Landeszentralbank Hessen (LZB) and Eurex Clearing AG will be replaced by an electronic data transfer via the EWV (Elektronische Wertpapierverrechnung) system of the Deutsche Bundesbank.

Associated with this change, the starting time of the daily cash payment procedure will be brought forward such that Eurex clearing members' cash accounts at LZB are debited or credited earlier than previously.

There are no changes to the current procedures for SNB cash payments.

The circular provides an overview of the current procedure for cash payments at LZB and the forthcoming changes.

Cash Payment Procedure between LZB and Eurex from 26 June, 2000

With the introduction of Eurex Release 4.0 on June 26, 2000 the current paper-based interface for cash payments in euro between the Landeszentralbank Hessen (LZB), as the main payment organisation of the Deutsche Bundesbank, and Eurex Clearing AG, will be replaced. The current procedure will be replaced by an electronic data transfer via the EWV (Elektronische Wertpapierverrechnung) system of the Deutsche Bundesbank. The new electronic cash payment procedure supports the supervision and control of the daily cash payments at LZB. There are no changes to the current procedures for SNB cash payments.

The starting time of the daily cash payment procedure at LZB will be brought forward such that Eurex clearing members' cash payments are debited or credited earlier than previously. An overview of the current procedures between Eurex and LZB, and the forthcoming changes to the procedure, is provided below.

The Eurex clearing processes include the daily settlement of cash payments resulting from premium, variation margin or margin calls, accounting for cash-settled contracts and other fees. The non-fulfilment of such payment obligations by a clearing member is of substantial importance for the market, since a proportion of them represent additional funding obligations on open positions. Therefore, delay to payments to Eurex Clearing AG need to be distinguished from non-fulfilment at Clearstream or SegaIntersettle for example, where the "delivery against payment" principle applies.

1. Current Cash Payment Procedure between LZB and Eurex

For each Eurex member, a calculation of the single net cash payment amount (credit or debit) is made during the overnight batch and booked on the internal cash account of the appropriate clearing member. These amounts are further netted, resulting in one single amount (credit or debit) for the clearing member, which is contained in the LZB Report, and which serves as the payment instruction for LZB.

In the event of non-covered **debit** instructions, LZB informs Eurex Clearing AG by **09:45 CET**, and the clearing member is contacted by Eurex. Debit instructions which are not covered at this point in time will not be executed and the corresponding bookings will be cancelled by LZB. Following that, Eurex Clearing AG may issue new instructions to LZB for those debits that were not originally settled.

From **10:00 CET** onwards the net **credits** are transferred and booked on the clearing members' LZB cash accounts.

2. Future Cash Payment Procedure between LZB and Eurex

The calculation of a single payment amount per clearing member during the overnight batch remains unaltered.

The resulting net amounts (credit or debit) and cash balances will be transmitted after the batch via file transfer from the Eurex host over the EWV interface. The net **debits** will be transferred to LZB in the morning at **07:00 CET** and are settled provided sufficient funds are available on the cash account of the member. **The booking of debits will be carried out until 08:00 CET. Therefore, clearing members must make the covering provisions to their cash account earlier than in the current procedure.** Eurex can make an advance if clearing members are unable to meet their obligations by that time.

From **08:00 CET** the net **credits** will be transferred electronically to LZB and then booked to the clearing members' cash accounts.

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The practicality of this time schedule will be analysed during the early days of the new procedure to determine whether any changes need to be made.

Please note that with the introduction of the electronic cash payment procedure, the attachment to the LZB statement concerning Eurex balances will no longer be issued. Instead, the text “Dt. Börse Eurex” will be printed against the entry on the account statement itself.

3. Rules and Regulations

No amendments to the Clearing rules and regulations are required. However, we would like to draw your attention to the most important relevant passages in this context.

According to the Eurex Clearing Conditions (section 1.3.1 para. (2), and section 1.3.4) any shortfall must be transferred to the account of Eurex Clearing AG at LZB or at SNB by the time specified by Eurex Clearing AG. Otherwise the Default procedure (section 1.7) is applicable.

If you have any questions, please contact Ernst Karbe on +41 (0)1-229-2470 or +49 (0)69-2101-5488.

Frankfurt, 21 June, 2000

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