



Eurex Clearing Resources Circulars & Mailings

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No. 073/2019

GC Pooling: Introduction of the Cheapest-to-Deliver (CTD) Basket – Amendments to the Clearing Conditions and Price List of Eurex Clearing AG

Eurex Clearing Circular 073/2019 GC Pooling: Introduction of the Cheapest-to-Deliver (CTD) Basket – Amendments to the Clearing Conditions and Price List of Eurex Clearing AG

1. Introduction

In order to meet Clearing Members' demand for a safe funding alternative for their CTD instruments, Eurex Repo will introduce the new "GC Pooling Cheapest-to-Deliver (CTD) Basket" containing deliverable Bonds for Fixed Income Futures Expiries. The new basket will be available as of **12 August 2019** and can be traded in euro in the GC Pooling Market, including Select Finance GC Pooling transactions.

A fee waiver will be applied to the GC Pooling CTD Basket transactions until 30 September 2019. Thus, as of **1 October 2019**, GC Pooling CTD Basket Transactions will be charged with the new transaction fee of two basis points.

This circular contains information with respect to the extended service offering of Eurex Clearing and introduces the related amendments to the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) and the Price List of Eurex Clearing AG (Price List).

The amendments to the Clearing Conditions and Price List are attached to the circular and will become effective on **12 August 2019**.

2. Required actions

Clearing Members who want to participate in the trading of the GC Pooling CTD Basket have to be set up by Eurex Repo GmbH.

3. Details of the initiative

Clearing Members trading Fixed Income Future Contracts are fined with high penalties for the late delivery of their futures obligations. In order to avoid late delivery fines, Clearing Members are warehousing their Cheapest-to-Deliver (CTD) instruments prior to the Future expiry date, financed through their internal Treasury department and thus leading to high financing costs.

In contrast to all other GC Pooling Baskets, the allocated collateral out of GC Pooling CTD Basket Transactions is exempted from the Reuse possibility for other GC Pooling Transactions, the pledge possibility towards Bundesbank or Banque Centrale du Luxembourg and the Reuse possibility for the collateralisation of Eurex Clearing's margin requirements. This contributes to the availability of the collateral upon settlement of the Term Leg.

Transactions executed in the GC Pooling CTD Basket will settle as Early Settlement transactions, thus the Front Leg and the Term Leg are sent out for settlement at 07:30 CET in order to ensure a timely settlement of CTD collateral for the Futures Deliveries at 14:00 CET.

For GC Pooling CTD Basket Transactions, including Select Finance GC Pooling Transactions, a new transaction fee of two basis points, or a minimum fee of EUR 15, will be introduced and included in the Price List.

To implement the introduction of the new GC Pooling Cheapest-to-Deliver (CTD) Basket, the following provisions will be amended as outlined in the attachments:

- Chapter I Part 2 Number 4.3.2.2 of the Clearing Conditions
- Chapter IV Part 2 Number 2.2 (2) and Number 2.9 of the Clearing Conditions

- Number 5 of the Price List

As of the effective date, the full versions of the amended Clearing Conditions and Price List will be available for download on the Eurex Clearing website www.eurexclearing.com under the following link:

[Resources > Rules and Regulations](#)

Unless the context requires otherwise, terms used and not otherwise defined in this circular shall have the meaning ascribed to them in the Clearing Conditions or FCM Clearing Conditions of Eurex Clearing AG, as applicable.

The changes and amendments to the legal framework of Eurex Clearing AG published by this circular are deemed accepted by each affected contractual party of Eurex Clearing AG, unless the respective contractual party objects by written notice to Eurex Clearing AG within the first ten (10) Business Days after publication. Any ordinary right of Eurex Clearing AG to terminate the respective contract (including a Clearing Agreement, if applicable) shall remain unaffected.

Attachments:

- Attachment 1 – Amended sections of Chapter I Part 2 Number 4.3.2.2 of the Clearing Conditions
- Attachment 2 – Amended sections of Chapter IV Part 2 Number 2.2 (2) and Number 2.9 of the Clearing Conditions
- Attachment 3 – Amended sections of Number 5 of the Price List

Recipients: All Clearing Members, Disclosed Direct Clients, Basic Clearing Members, OTC-IRS-FCM Clients of Eurex Clearing AG, vendors and other affected contractual parties

Target groups: Front Office/Trading, Middle + Back Office, IT/System Administration, Auditing/Security Coordination

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Further information

[Attachment 1 to Eurex Clearing circular 073/19](#)

[Attachment 2 to Eurex Clearing circular 073/19](#)

[Attachment 3 to Eurex Clearing circular 073/19](#)

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Chapter I of the Clearing Conditions of Eurex Clearing AG

General Provisions

As of 12.08.2019

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

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Part 2 Subpart A: General Elementary Clearing Model Provisions

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4 Margin

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4.3 Delivery of Eligible Margin Assets

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4.3.2 Delivery of Eligible Margin Assets in the form of Securities

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4.3.2.2 Notwithstanding Number 4.3.2.1, a Clearing Member may also provide Eligible Margin Assets in the form of Securities as Margin by pledge by using Xemac on the basis of the SC Xemac. For such purpose, the creation of the pledge is effected by way of Earmarking. Only for the provision of Proprietary Margin to Eurex Clearing AG via Xemac and to the extent not provided otherwise in Chapter IV Part 2 Number 2.9, a Clearing Member may also use Securities which it has received as collateral in accordance with Number 3.2 of the Terms and Conditions for Participation and Trading on Eurex Repo GmbH or the corresponding provision in the terms and conditions of another multilateral trading facility, if applicable in relation to GC Pooling Repo transactions. Notwithstanding Number 4.3.2.1, a Clearing Member participating in the trading of GC Pooling Repos and using the Re-use related type of contract in Xemac may, upon request, provide Proprietary Margin in Xemac also via the account of a settlement institution within the meaning of Chapter IV Part 1 Number 1.1.2 Paragraph 2 (b), provided that such settlement institution is domiciled in Germany.

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Chapter IV of the Clearing Conditions of Eurex Clearing AG

Clearing of Repo Transactions

As of 12.08.2019

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

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Part 2 Clearing of Repo Transactions

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2.2 General Provisions

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- (2) With respect to the procedure for delivery and payment resulting from Repo Transactions, the following provisions shall apply in addition to Chapter I Part 1 Number 1.2.5 and 1.4:

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- (d) Delivery and payment with regard to GC Pooling Repo Transactions:

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- (bb) Target Settlement Times for GC Pooling FL Early Settlement Transactions

Eurex Clearing AG may offer the Clearing of GC Pooling Repo Transactions with an earlier Target Settlement Time for the Front Leg than the time specified in Subparagraph (aa) [**GC Pooling FL Early Settlement Transactions**]. Multilateral trading facilities may submit qualifying transactions with a special identifier agreed between Eurex Clearing AG and the relevant multilateral trading facility to identify them as GC Pooling FL Early Settlement Transactions or Eurex Clearing AG and the relevant multilateral trading facility may agree in advance to handle certain transactions as GC Pooling FL Early Settlement Transactions. If the Front Leg of each GC Pooling FL Early Settlement Transaction is settled in any currency on a Business Day other than the trade date, the Target Settlement Time shall be 07:30 (Frankfurt am Main time). Except as otherwise provided in this Subparagraph (bb), Part 2 Number 2.2 (2) (d) (aa) shall apply *mutatis mutantis*.

(cc) Target Settlement Times for GC Pooling TL Early Settlement Transactions

Eurex Clearing AG may offer the Clearing of GC Pooling Repo Transactions with an earlier Target Settlement Time for the Term Leg than the time specified in Subparagraph (aa) [**GC Pooling TL Early Settlement Transactions**]. Part 2 Number 2.2 (2) (d) (bb) shall apply *mutatis mutandis*.

(dd) Target Settlement Times for GC Pooling FLTL Early Settlement Transactions

Eurex Clearing AG may offer the Clearing of GC Pooling Repo Transactions with an earlier Target Settlement Time for both the Front Leg and the Term Leg than the time specified in Subparagraph (aa) [**GC Pooling FLTL Early Settlement Transactions**]. Part 2 Number 2.2 (2) (d) (bb) shall apply *mutatis mutandis*.

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2.9 GC Pooling CTD Basket Transactions

(1) Eurex Clearing may offer the Clearing of GC Pooling Repo Transactions based on a GC Pooling CTD Basket (as defined in the Basket Specifications for Repo Transactions of Eurex Repo GmbH (*Basketspezifikationen für Repo-Geschäfte der Eurex Repo GmbH*)) (each such transaction a **GC Pooling CTD Basket Transaction**).

(2) A GC Pooling CTD Basket Transaction will be settled as a GC Pooling FLTL Early Settlement Transaction.

(3) By way of derogation from Chapter I Part 1 Number 4.3.2.2, a re-use of Securities which a Clearing Member or Basic Clearing Member has received as collateral in relation to GC Pooling CTD Basket Transactions is not possible.

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AMENDMENTS ARE MARKED AS FOLLOWS:

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DELETIONS ARE CROSSED OUT

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5 Repo Transaction Fees

For transactions pursuant to Chapter I Part 1 Number 5.1 of the Clearing Conditions, Eurex Clearing shall charge fees for the settlement of Repo Transactions and positions:

	Transaction fee* for all Repo Transactions (except with the exception of GC Pooling Select Invest Repo Transactions, and Select Finance Repo Transactions and GC Pooling CTD Basket Transactions)	Transaction fee* for GC Pooling Select Invest Repo Transactions	Transaction fee* for Select Finance Repo Transactions (except Select Finance Repo Transactions which also qualify as GC Pooling CTD Basket Transactions)	Transaction fee* for GC Pooling CTD Basket Transactions (including GC Pooling CTD Basket Transactions which also qualify as Select Finance Repo Transactions)
Clearing Members (other than Basic Clearing Members) and DC Market Participants / Indirect Client Market Participants	0.0038 % p. a. or a minimum fee** of EUR 15.00, CHF 17.00, GBP 14.00 or USD 17.00, respectively	0.0076 % p. a. or a minimum fee** of EUR 15.00, CHF 17.00, GBP 14.00 or USD 17.00, respectively	0.0076 % p.a. or a minimum fee** of EUR 15.00, CHF 17.00, GBP 14.00 or USD 17.00, respectively	<u>0.02 % p.a. or a minimum fee** of EUR 15.00</u>
Basic Clearing Members	n.a.	n.a.	0.0038 % p. a. or a minimum fee** of EUR 15.00, CHF 17.00, GBP 14.00 or USD 17.00, respectively	<u>0.02 % p.a. or a minimum fee** of EUR 15.00</u>
Specific Repo License Holders	n.a.	0.0000	n.a.	<u>n.a.</u>

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