

14 Jul 2022
Eurex Clearing

Changes to the Clearing Conditions and other related documents due to C7 SCS; Xemac Decommissioning Project and further harmonization measures – Consultation

Eurex Clearing Circular 053/22 Changes to the Clearing Conditions and other related documents due to C7 SCS; Xemac Decommissioning Project and further harmonization measures – Consultation

1. Introduction

This circular contains information with respect to the service offering of Eurex Clearing AG (Eurex Clearing) and introduces amendments to the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) and other related documents regarding the following topics:

A. Migration from Xemac to Cmax in relation to provision of security collateral (securities collateral for margin, insufficient own funds and Default Fund contributions)

B. Migration of Repo Clearing as part of C7 SCS Release 2.0

C. Amendments of Price List of Eurex Clearing AG as part of C7 SCS Release 2.0

D. Introduction of title transfer on collateral giver accounts in CBL

E. Extension of appropriation right with respect to pledged margin securities of defaulted Clearing Members' client related collateral and collateral location CBL

F. Harmonization of the third-party account structure across collateral locations CBF and CBL

The amendments will become effective as of **24 October 2022**.

The amendments to the Clearing Conditions regarding the above topics A, B, D, E, F are subject to a consultation process (Consultation); the Consultation will end with the expiry of **14 August 2022** (Consultation Period). The planned effective date of these amendments is **24 October 2022**, depending on the outcome of the Consultation which will be communicated in a separate Eurex Clearing circular.

All above listed amendments to the Clearing Conditions and other related documents will become effective as of **24 October 2022**.

2. Required action

The amendments to the Clearing Conditions are subject to a Consultation which will end **with the expiry of 14 August 2022**.

Eurex Clearing herewith invites all Affected Customers to submit comments on the proposed changes and amendments within the Consultation Period.

3. Details of the initiatives

A. Migration of Xemac to Cmax in relation to provision of security collateral (securities collateral for margin, insufficient own funds and Default Fund contributions)

As previously announced, Clearstream will decommission the legacy collateral management system of Clearstream Banking AG, Frankfurt (CBF) Xemac and replace it with the collateral management system of Clearstream Banking S.A., Luxembourg (CBL), Cmax. With this change, Clearstream will use a single collateral management system to support activities both with the Bundesbank (via CBF) and Banque Centrale de Luxembourg (via LuxCSD) but also the securities collateral provision to Eurex Clearing to cover margin requirements.

As a result, Eurex Clearing Members who use Xemac today to provide margin collateral, collateral in case of insufficient own funds and Default Fund contributions are impacted and have to switch to Cmax or use any other collateral location or cash.

The migration will be jointly processed by Clearstream and Eurex Clearing, effective as of 24 October 2022. Precondition is, amongst others, a duly signed legal documentation.

The relevant changes have to be reflected in the Clearing Conditions and in the relevant Appendices.

To reflect the changes, the following provisions of the Clearing Conditions will be amended, as outlined in Attachments 1, 4, 5 and 6:

- ◆ removal of references to CBF's Xemac as collateral management system and replacement with CBL's CmaX as appropriate
- ◆ Chapter I
- ◆ Appendix 7
- ◆ Appendix 11
- ◆ Appendix 14

B. Migration of Repo Clearing as part of C7 SCS Release 2.0

The migration of Repo Clearing Service to the new Securities Clearing platform “C7 Securities Clearing Service” (C7 SCS), Release 2.0, will take place on Monday, 24 October 2022 (see Eurex Clearing Circular **036/21**). On the same day, Clearstream plans to migrate the collateral management system for GC Pooling from Xemac (current system of CBF) to CmaX (current system of CBL, and also future system of CBF) as the common collateral management system.

The currently offered processing model Actual Settlement Day Netting (ASDN) allowing gross delivery management (*Brutto-Liefer-Management*) will not be available anymore for Repo Transactions. ASDN will be replaced by Settlement Date Netting (SDN) and provides two processing methods: netting (default option) and gross processing.

To reflect the changes, the following provisions of the Clearing Conditions will be amended, as outlined in Attachments 1, 2, 3 and 7:

- ◆ Chapters I and IV
- ◆ Appendix 5
- ◆ Pledge Agreement with respect to ISA Direct Light License Holder

C. Amendments to the Price List of Eurex Clearing AG as part of C7 SCS Release 2.0

With the migration of Repo Clearing Service from the Securities CCP to the C7 Securities Clearing Service (C7 SCS) on Monday, 24 October 2022, only transactions with settlement in Euroclear UK & Ireland (EUI) will remain to be processed in the Securities CCP.

The Price List of Eurex Clearing AG, valid as of 24 October 2022, will be adapted with regards to the following items:

- (i) Deletion of fee regulations for Securities CCP services not related to EUI transactions
(Numbers 6.2, 8.3.1, 8.3.3)
- (ii) Limitation of remaining fee regulations for Securities CCP services to EUI transactions
(Number 8.3.2)

To reflect the changes, the following provision will be amended, as outlined in Attachment 8:

- ◆ Price List of Eurex Clearing AG

D. Introduction of title transfer on collateral giver accounts in CBL

CBL is one of Eurex Clearing's collateral locations for provision of security collateral. The triparty collateral management system CmaX of CBL supports title transfer.

The current set-up for the provision of title transfer collateral in CBL requires Eurex Clearing as collateral receiver to open accounts in its own name for a specific Clearing Member and usage, i.e. Default Fund contributions, collateral for insufficient own funds and certain client margin collateral provided under title transfer.

However, title transfer in CBF may also be provided on accounts of the Clearing Member as collateral provider.

Therefore, Eurex Clearing will align the existing CmaX set-up with the CBF structure, i.e. enable a title transfer on collateral giver accounts of the Clearing Member also in CBL.

To reflect the changes, the following provisions of the Clearing Conditions will be amended, as outlined in Attachments 1 and 6:

- ◆ Chapter I
- ◆ Appendix 14

E. Extension of appropriation right with respect to pledged margin securities of defaulted Clearing Members' client related collateral and collateral location CBL

During a Default Management Process (DMP), Eurex Clearing is entitled to execute its appropriation right and access the defaulted Clearing Member's margin collateral before the Difference Claim is determined to contain losses and liquidity pressures resulting from the default of the relevant Clearing Member.

The appropriation right is currently limited to Proprietary Eligible Margin Assets in the form of securities pledged in favor of Eurex Clearing at CBF.

During a DMP, Eurex Clearing, in certain cases, has the interest to transfer, lend or liquidate margin collateral before the Difference Claim is determined beyond the current scope. Therefore, the proposed amendments address the extension of the appropriation right to:

- 1) Client related Eligible Margin Assets in the form of securities pledged in favor of Eurex Clearing at CBF
- 2) Proprietary and client related Eligible Margin Assets in the form of securities pledged in favor of CBL

To reflect the changes, the following provisions of the Clearing Conditions will be amended, as outlined in Attachments 1, 4 and 5:

- ◆ Chapter I Part 2 Subpart A Number 4.3.2.5; Part 4 Number 6.3.2.4; Part 6 Subpart A Number 7.6.5
- ◆ Appendix 7
- ◆ Appendix 11

F. Harmonization of the third-party account structure across CBF and CBL

The third-party account holder (TPAH) set-up means that the account holder of an account pledged or title transferred in favor of Eurex Clearing is any third party that is approved by Eurex Clearing. The Collateral Giver is the respective Clearing Member of Eurex Clearing.

TPAH was requested in the past by some Clearing Members to support their Brexit migration plans. This set-up allows to leverage the existing infrastructure on the clients' side without building up additional operational divisions and creating inefficiencies at a level of the group company. It also facilitates onboarding of buy-side clients.

Eurex Clearing is now harmonizing the set-up across CBF and CBL and different clearing models for the sake of consistency and flexibility.

To reflect the changes, the following provisions of the Clearing Conditions will be amended, as outlined in Attachments 1, 4, 5 and 6:

- ◆ Chapter I Part 1 Numbers 2.1.2, 2.4.1, 3.6, 6.1.2; Part 2 Subpart A Number 4.3.2.1; Part 4 Number 6.3.2.2
- ◆ Appendix 7
- ◆ Appendix 11
- ◆ Appendix 14

Consultation with respect to the amendments to the Clearing Conditions

Pursuant to Chapter I Part 1 Number 17.2 of the Clearing Conditions, the proposed changes and amendments to the Clearing Conditions are subject to a Consultation which will end with the expiry of **14 August 2022**.

Eurex Clearing herewith invites all Affected Customers to submit comments on the proposed changes and amendments within the Consultation Period.

During the Consultation Period, comments on proposed changes or amendments shall be only submitted through a web-based commenting service for which a registration form is available on the Eurex Clearing website www.eurex.com/ec-en/ under the following link:

[Find > Forms > Clearing Derivatives > Consultation form](#)

The form has to be duly signed and returned to Eurex Clearing via e-mail to SpecialProvisions@eurex.com, in order to obtain a User ID and Password together with a link for accessing the web-based commenting service.

To the extent that Eurex Clearing decides to implement any comments received during the Consultation, the so-amended version of the Clearing Conditions will be published after the Consultation.

The currently envisaged effective date of the changes is **24 October 2022**. However, after the Consultation Period, Eurex Clearing will issue a separate circular to announce the concrete date on which the proposed changes (as the case may be, implementing comments received during the Consultation) will come into effect.

This announcement will be made with at least 15 Business Days' notice (Regular Notification Period). However, if Eurex Clearing should receive a request for a Prolonged Notification Period from more than two Affected Customers during the Consultation Period, a Prolonged Notification Period as set out in the Clearing Conditions will be applied and Eurex Clearing will notify all affected parties accordingly.

Publication of amendments to the Clearing Conditions and other related documents

As of the effective date, the full version of the amended documents will be available for download on the Eurex Clearing website www.eurex.com/ec-en/ under the following link:

Rules & Regs > Eurex Clearing Rules & Regulations

The 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 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.

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.

Attachments:

- ◆ 1 – Chapter I - General Provisions
- ◆ 2 – Chapter IV - Clearing of Repo Transactions
- ◆ 3 – Appendix 5 - Clearing Agreement for the Clearing of GC Pooling Repo Transactions with the holder of an ISA Direct Light License
- ◆ 4 – Appendix 7 - Pledge Agreement relating to pledges of Eligible Margin Assets in the form of Securities

- ◆ 5 – Appendix 11 - Pledge Agreement relating to pledges of Eligible Margin Assets in order to provide ISA Direct Margin in the form of Securities
- ◆ 6 – Appendix 14 - Title Transfer Agreement relating to the transfer of ownership of Securities to Eurex Clearing AG by using securities accounts of a third party and/or certain securities accounts of the Clearing Member
- ◆ 7 – Pledge Agreement relating to pledges by an ISA Direct Light License Holder in relation to GC Pooling Repo Transactions in accordance with Chapter IV Part 3 Number 3.4 of the Clearing Conditions
- ◆ 8 – Price List of Eurex Clearing AG

Further information

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

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

Contact: client.services@eurex.com

Web: www.eurex.com/ec-en/

Authorized by: Jens Janka

Further information

[↓ Attachment 1 to Eurex Clearing circular 053/22](#)

[↓ Attachment 2 to Eurex Clearing circular 053/22](#)

[↓ Attachment 3 to Eurex Clearing circular 053/22](#)

[↓ Attachment 4 to Eurex Clearing circular 053/22](#)

[↓ Attachment 5 to Eurex Clearing circular 053/22](#)

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[!\[\]\(082f818d99f166a3ba574d9284d73064_img.jpg\) Attachment 6 to Eurex Clearing circular 053/22](#)

[!\[\]\(d263118e0bfd47dc6bc704167d936b83_img.jpg\) Attachment 7 to Eurex Clearing circular 053/22](#)

[!\[\]\(34b4f260a8587d2e97eeaee361cc357b_img.jpg\) Attachment 8 to Eurex Clearing circular 053/22](#)

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