

clear to trade



Eurex Clearing - C7 SCS

**C7 SCS - Release Notes (preliminary version)
valid from May 2020 onwards**

Eurex Clearing AG

May 2020

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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 Deutschland¹ (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 are still in place, remain in the existing CCP system and will not be amended with the introduction of C7 SCS Release 1.0.

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

Start of Simulation: February 2021

Start of Production: 28 June 2021

¹ CREST (UK & Ireland) will still be processed via CCP.

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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](#) and “Settlement” related topics like partial settlement or cross-border, etc. are described in [chapter 7](#). “Reporting” headlines are 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:

www.eurexclearing.com => Technology => Eurex Clearing's C7 SCS=> System Documentation => Overview & Functionality

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.
- The selection must be made per: Clearing Member, Settlement account, Trading Member, Trading location and Account Type.
- At the end of the trading day, Netting, Aggregation and Gross Processing is performed combining Single Trades to Net Position Trades depending on the selected Processing Method.
- For every Net Position Trade, a Delivery Instruction is sent to the respective settlement location (CBF/T2S, CBL and SIX SIS) at the end of the trading day.
- The Delivery Instructions can be sent out with status “Released” (default) or with status “on Hold” based on the settings defined on the same level of netting parameters.
- Instead of today’s Gross Delivery Management on Single Trades, participants can modify hold/release status on Delivery Instructions at the (I)CSD². At CBF/T2S participants can use partial release³.
- ECAG offers a Routing Service for change of hold/release status and partial release of pending Delivery Instructions. Participants can send requests via SWIFT interface to C7 SCS. ECAG will forward these requests to the respective (I)CSDs.

² (International) Central Securities Depository

³ Actual processing and implementation is subject to specification with Clearstream

- 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 Reports.

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 participants (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 trading day after Net Processing containing Single Trades, resulting Net Position Trades and Delivery Instructions.
- 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

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

Technical Connection

- For usage of the Routing Service via SWIFT 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. As the Figure 1 shows, all the transactions processed in the CCP will stay there until completion, while the new trades incoming after the migration date will be processed in the C7 SCS.

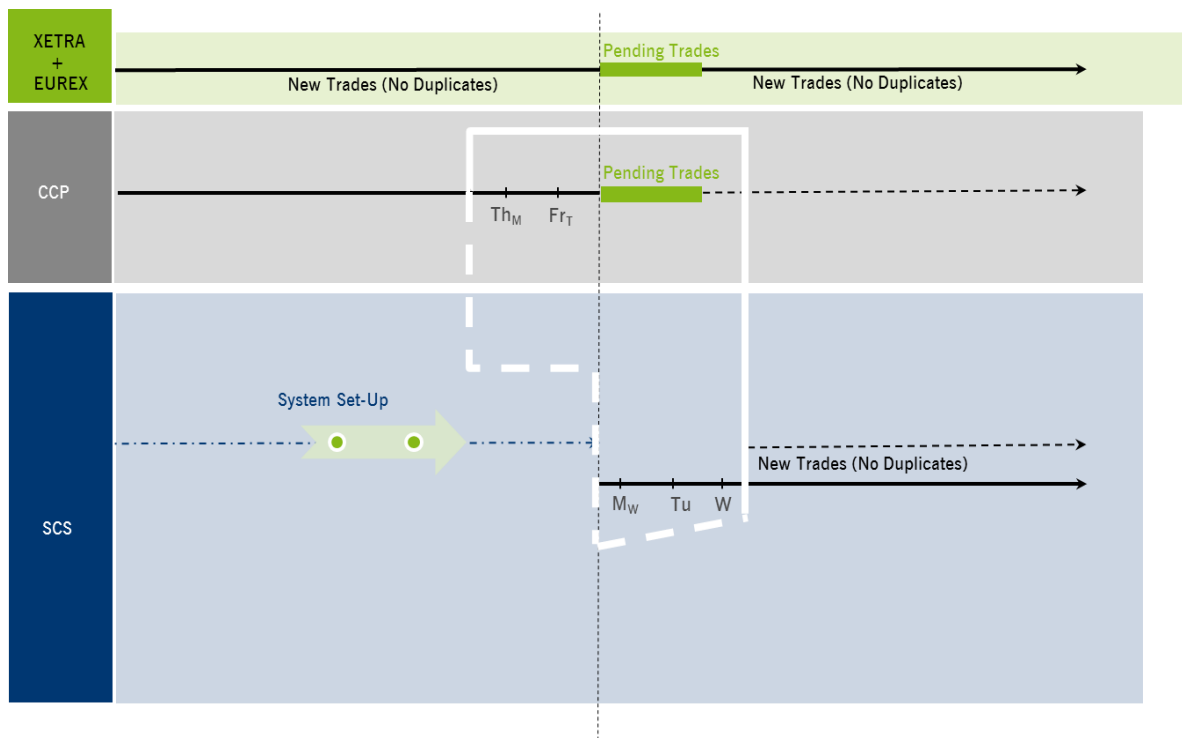


Figure 1: C7 SCS Migration⁴

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, 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.

⁴ The white box demonstrates the migration time period.

2 Functional Scope

2.1 C7 SCS transaction lifecycle

The following diagram gives a high-level overview on the future TDN process.

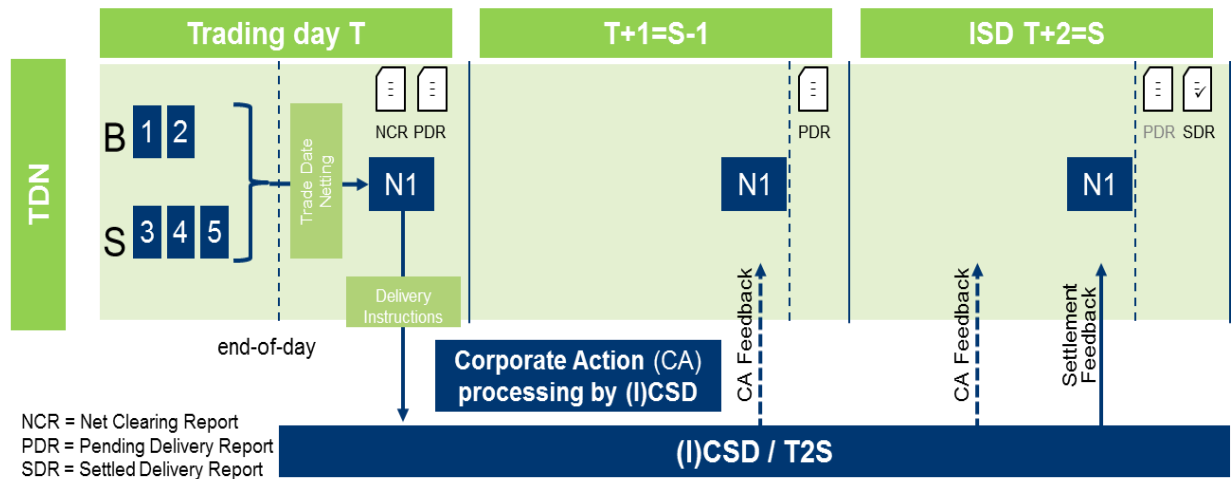


Figure 2: C7 SCS transaction lifecycle across business days

T – Processing on the trading 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 2 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. Participants have the possibility to release Delivery Instructions for settlement, which were created with status “on-Hold”, either for the complete pending quantity or partially. Participants can do this either directly at the (I)CSDs (as long as the (I)CSD supports this functionality) or via 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 intended 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 Instruction to participants and to C7 SCS. The settlement status of the Delivery Instruction 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 intended settlement day

The processing on pending Delivery Instructions continues.

If required, Clearing Operations will initiate a buy-in/cash settlement/disclosure, considering upcoming regulatory requirements with Central Security Deposit Regulation (CSDR) Settlement Discipline Regime (SDR) which is envisaged to enter into force before introduction of C7 SCS.

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.

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 ⁵ | |
| Trading + Settlement | X | | X |
| Trading + Clearing + Settlement | | X ⁵ | X |
| Clearing | | X | |
| Clearing + Settlement | | X | X |
| Settlement | | | X |

Figure 3: Participant roles within C7 SCS

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.

⁵ In C7 SCS, the CM role includes the TM role.

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 | $\geq 1^6$ |
| SI | ≥ 1 | n/a | --- | ≥ 1 |
| Settlement Account | ≥ 1 | ≥ 1 | 1 | $\leq 1^7$ |

Figure 4: 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 account⁸ 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.

2.3 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:
 - Notifications / Allocations from Eurex Derivatives
 - Exercises / Assignments from Eurex Derivatives
(for more details refer to C7 Derivatives Clearing Functional Reference on Eurex clearing website)
- This includes transactions in
 - Equity, equity-style and bond products
 - EUR and non-EUR (same currencies as today)

⁶ 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.

⁷ 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 (same for CBLs SMA and GMA accounts).

⁸ 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.eurexclearing.com/clearing-en/risk-management/client-asset-protection-emir/position-account-structure-and-transaction-accounts-group>

- Collective Safe Custody (CSC)⁹, Non-Collective Safe Custody (NCSC)¹⁰

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 Wertpapier Börse (FWB): Xetra (MIC: XETR) and Börse Frankfurt (MIC: XFRA). 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.

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/Exercises/Assignments” 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.

2.5 Custody types

The following custody types¹¹ are supported:

- CSC – instruments tagged as Collective Safe Custody with settlement possible via CBF and SIS in T2S¹²
- NCSC¹⁰ – instruments tagged as Non-Collective Safe Custody with settlement possible via CBF(I)/CBL and SIS

⁹ In German; Girosammelverwahrung (GS)

¹⁰ In German: Wertpapierrechnung/Auslandskassenverein (AKV); Remark: NCSC instruments, where T2S settlement is considered as feasible, is 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.

¹¹ For the detailed explanation of the custody types refer to Clearstream Customer Handbook chapter 1.3 Types of custody.

¹² For Bonds with custody type CSC it is also possible that settlement does not take place in T2S.

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
- CBL - Clearstream Banking Luxembourg including Clearstream Banking Frankfurt (International)
- SIS - SIX SegalIntersettle Zürich

Securities settlement will take place in the following combinations of securities and settlement locations respectively CSDs and T2S:

- Equity and bond deliveries in EUR and in foreign currencies with custody type CSC (or NCSC-T) at the settlement location CBF using T2S for EUR or CBF-I for foreign currencies.
- Equity and bond deliveries in EUR and in foreign currencies with custody type NCSC at the settlement location CBF(I) or CBL.
- Eurex equity and bond deliveries in EUR of German securities with custody type CSC (or NCSC-T) at the settlement locations CBF and SIS using T2S.
- Eurex equity and bond deliveries in EUR of German securities with custody type NCSC at the settlement location CBF(I) or CBL.
- Eurex equity and bond deliveries in CHF at the settlement location SIS and at CBF/T2S in case of cross-border-settlement.

With the introduction of C7 SCS, cross-border settlement can only occur between CBF and SIS.

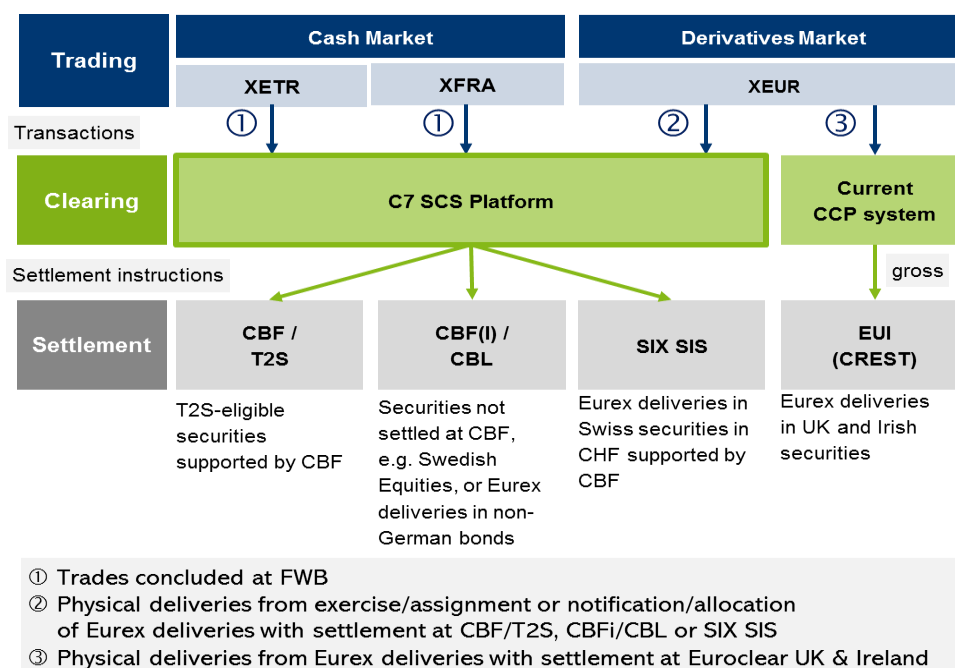


Figure 5: Trading, Clearing and Settlement Locations

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).
- 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.
- 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.
- 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-Venue Netting (XETR/XFRA)
Member can choose if netting across the cash market trading locations of FWB, i.e. MIC: XETR and 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.
- Routing Service for Hold/Release status changes¹³ (see [chapter 5.2](#))
Participants can change the hold/release status of pending Delivery Instructions at (I)CSD (incl. partial release) via C7 SCS.

¹³ Actual processing and implementation is subject to specification with Clearstream

- Reports in printable format (Pending and Settled Deliveries) (see [chapter 8](#))
- Handle Strange Nets “as is” (announcement)¹⁴
Instead of unwinding of Strange Nets, a member can choose to handle Strange Nets as they occur , i.e. as cash-only transaction and/or Free-of-Payment delivery instruction.
- Linking before Aggregation (indicative announcement)¹⁵
Participants can link trades to each other (n:m) to form an individual netting unit. All trades within such unit are netted before netting results and unlinked trades are aggregated. 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 participants setup flexibility. The delivery positions created by the system can be set on a highly granular level allowing specific treatments of customers 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:

www.eurexclearing.com => Resources => Forms => C7 SCS

3.3.1 Members’ account settings

Participants can also request different parameters for trades and/or exercises/assignments and/or notification/allocation 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

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.

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”)

¹⁴ Details on Strange Nets “as is” will be provided in an updated version of C7 SCS 1.0 Release Notes.

¹⁵ Linking before Aggregation is under analysis, details are planned to be provided in an updated version of C7 SCS 1.0 Release Notes.

4 Trade Date Netting Concept

Clearing Members will have the choice in C7 SCS to define on settlement-account x trading location 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 trading 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).

| Trade Source | 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 | 99994 | Buy | 200.00 | 108.93 € | 21,786.00 € | 10:00:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMBAM | EFGHI | A1 | 99984 | Sell | 55.00 | 108.93 € | 5,991.15 € | 10:00:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMDDU | ABCDE | PP | 99983 | Sell | 145.00 | 108.93 € | 15,794.85 € | 10:00:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMAFR | CMAFR | PP | 99995 | Sell | 12.00 | 108.22 € | 1,298.64 € | 10:01:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMDDU | ABCDE | PP | 99985 | Buy | 12.00 | 108.22 € | 1,298.64 € | 10:01:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMAFR | CMAFR | PP | 99996 | Buy | 22.00 | 108.23 € | 2,381.06 € | 10:02:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMDDU | ABCDE | PP | 99986 | Sell | 22.00 | 108.23 € | 2,381.06 € | 10:02:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMAFR | CMAFR | A1 | 99997 | Buy | 72.00 | 108.11 € | 7,783.92 € | 10:03:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMBAM | EFGHI | A1 | 99987 | Sell | 72.00 | 108.11 € | 7,783.92 € | 10:03:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMAFR | CMAFR | A1 | 99998 | Sell | 38.00 | 107.73 € | 4,093.74 € | 10:04:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMBAM | EFGHI | A1 | 99988 | Buy | 38.00 | 107.73 € | 4,093.74 € | 10:04:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMAFR | CMAFR | A1 | 99999 | Sell | 155.00 | 107.19 € | 16,614.45 € | 10:05:00 |
| XETR | 11.02.2019 | DE0006048432 | EUR | 13.02.2019 | CMDDU | ABCDE | PP | 99989 | Buy | 155.00 | 107.19 € | 16,614.45 € | 10:05:00 |

Figure 6: Trade Load Example

4.2 Net Processing Methods

At the end of the trading 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 with net quantity and net cash amount.

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:

- Trading venue

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

Cross-Venue 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 withing 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 7: Net Processing methods

4.2.1 Netting as Net Processing Method

When a 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 quantity¹⁶ and a net cash amount¹⁷.

¹⁶ The term 'net quantity' denotes the resulting surplus quantity after netting all Single Trades of the NPU.

¹⁷ As above, the term 'net cash amount' denotes the resulting cash amount after netting all Single Trades of the NPU.

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 price¹⁸. 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=NP0403.
- One Buy Net Position with quantity 210 is created with 'Net Position Trade ID=NP0403' substituting the Single Trades 99994, 99995 and 99996. A related Delivery Instruction with Delivery ID=D44003 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 (=210-22) 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 | Surplus Flag |
|-----------------|----------------|-------------|-----------------------|--------------|---------------|----------|--------------------|--------------|------------------|------------|-----------------|----------|-------------|-------------|-------------|--------------|
| CMARF | CMARF | SGL | NP0403 | 99994 | DE00060048432 | EUR | B | PP | XETR | 11.02.2019 | 13.02.2019 | 12.00 | 108.93 € | 1,307.16 € | | No |
| CMARF | CMARF | SGL | NP0403 | 99994 | DE00060048432 | EUR | B | PP | XETR | 11.02.2019 | 13.02.2019 | 188.00 | 108.93 € | 20,478.84 € | | Yes |
| CMARF | CMARF | SGL | NP0403 | 99995 | DE00060048432 | EUR | S | PP | XETR | 11.02.2019 | 13.02.2019 | 12.00 | 108.22 € | 1,298.64 € | | No |
| CMARF | CMARF | SGL | NP0403 | 99996 | DE00060048432 | EUR | B | PP | XETR | 11.02.2019 | 13.02.2019 | 22.00 | 108.23 € | 2,381.06 € | | Yes |
| CMARF | CMARF | NET | NP0403 | NP0403 | DE00060048432 | EUR | B | PP | XETR | 11.02.2019 | 13.02.2019 | 210.00 | 108.90 € | 22,868.42 € | D44003 | Yes |

Figure 8: 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.

Example for Aggregation:

The following example shows the Single Trades of the trade load example 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 Net Sell Position with 'Net Position Trade ID=NP0401' sent to the (I)CSD with 'Delivery ID=D44001'. The related Single Sell Trades 99998 and 99999 carry the same 'Net Position Trade ID =NP0401' as reference.

¹⁸ Sell trades with highest price and buy trades with lowest price have the highest priority to belong to the surplus.

- One Net Buy Position with Net Position Trade ID='NP0402' sent to the (I)CSD with 'Delivery ID=D44002'. The related Single Buy Trade 99997 carries the same 'Net Position Trade ID=NP0402' 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 | Surplus Flag |
|-----------------|----------------|-------------|-----------------------|--------------|---------------|----------|--------------------|--------------|------------------|------------|-----------------|----------|-------------|-------------|-------------|--------------|
| CMARF | CMARF | SGL | NP0401 | 99998 | DE00060048432 | EUR | S | A1 | XETR | 11.02.2019 | 13.02.2019 | 38.00 | 107.73 € | 4,093.74 € | | Yes |
| CMARF | CMARF | SGL | NP0401 | 99999 | DE00060048432 | EUR | S | A1 | XETR | 11.02.2019 | 13.02.2019 | 155.00 | 107.19 € | 16,614.45 € | | Yes |
| CMARF | CMARF | NET | NP0401 | NP0401 | DE00060048432 | EUR | S | A1 | XETR | 11.02.2019 | 13.02.2019 | 193.00 | 107.30 € | 20,708.19 € | D44001 | Yes |
| CMARF | CMARF | SGL | NP0402 | 99997 | DE00060048432 | EUR | B | A1 | XETR | 11.02.2019 | 13.02.2019 | 72.00 | 108.11 € | 7,783.92 € | | Yes |
| CMARF | CMARF | NET | NP0402 | NP0402 | DE00060048432 | EUR | B | A1 | XETR | 11.02.2019 | 13.02.2019 | 72.00 | 108.11 € | 7,783.92 € | D44002 | Yes |

Figure 9: 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.

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', and the Net Position Trade ID corresponds to the Trade Number of the Single Trade.

| 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 | Surplus Flag |
|-----------------|----------------|-------------|-----------------------|--------------|---------------|----------|--------------------|--------------|------------------|------------|-----------------|----------|-------------|------------|-------------|--------------|
| CMBAM | EFGHI | GROSS | NP0601 | 99988 | DE00060048432 | EUR | B | A1 | XETR | 11.02.2019 | 13.02.2019 | 38.00 | 107.73 € | 4,093.74 € | D44004 | Yes |
| CMBAM | EFGHI | GROSS | NP0602 | 99987 | DE00060048432 | EUR | S | A1 | XETR | 11.02.2019 | 13.02.2019 | 72.00 | 108.11 € | 7,783.92 € | D44005 | Yes |
| CMBAM | EFGHI | GROSS | NP0603 | 99984 | DE00060048432 | EUR | S | A1 | XETR | 11.02.2019 | 13.02.2019 | 55.00 | 108.93 € | 5,991.15 € | D44006 | Yes |

Figure 10: Example of Gross

4.3 Strange Net Handling

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:

- Net quantity = 0 and net cash amount = 0
- Net quantity ≠ 0 and net cash amount = 0
- Net quantity = 0 and net cash amount ≠ 0
- Net quantity ≠ 0 and net cash amount ≠ 0 in the same direction as the security quantity

The handling of the Strange Nets will proceed with “unwinding” of Strange Nets.

“Unwinding” of Strange Nets

For every non-standard netting result the already aggregated sell and buy obligations will not be netted and will remain as one Net Buy Position Trade and one Net Sell Position Trade. As a result, two separate Delivery Instructions will be created.

Example for “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’:

- The aggregated buy obligation and the one separate aggregated sell obligation both add up to quantity=167.00. 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
 - one Net Buy Position with ‘Net Position Trade ID=NP0407’ sent to the (I)CSD with ‘Delivery ID=D44007’. The related Single Buy Trades carry the same ‘Net Position Trade ID=NP0407’ as reference.
 - one Net Sell Position with ‘Net Position Trade ID=NP0408’ sent to the (I)CSD with ‘Delivery ID=D44008’. The related Single Sell Trades carry the same ‘Net Position Trade ID=NP0408’ as reference.
 - 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 | Cash ID | Surplus Flag |
|-----------------|----------------|-------------|-----------------------|--------------|---------------|----------|--------------------|--------------|------------------|------------|-----------------|----------|-------------|-------------|-------------|---------|--------------|
| CMDDU | ABCDE | SGL | NP0407 | 99989 | DE00060048432 | EUR | B | PP | XETR | 11.02.2019 | 13.02.2019 | 155.00 | 107.19 € | 16,614.45 € | | | Yes |
| CMDDU | ABCDE | SGL | NP0407 | 99985 | DE00060048432 | EUR | B | PP | XETR | 11.02.2019 | 13.02.2019 | 12.00 | 108.22 € | 1,298.64 € | | | Yes |
| CMDDU | ABCDE | NET | NP0407 | NP0407 | DE00060048432 | EUR | B | PP | XETR | 11.02.2019 | 13.02.2019 | 167.00 | 107.26 € | 17,913.09 € | D44007 | | Yes |
| CMDDU | ABCDE | SGL | NP0408 | 99986 | DE00060048432 | EUR | S | PP | XETR | 11.02.2019 | 13.02.2019 | 22.00 | 108.23 € | 2,381.06 € | | | Yes |
| CMDDU | ABCDE | SGL | NP0408 | 99983 | DE00060048432 | EUR | S | PP | XETR | 11.02.2019 | 13.02.2019 | 145.00 | 108.93 € | 15,794.85 € | | | Yes |
| CMDDU | ABCDE | NET | NP0408 | NP0408 | DE00060048432 | EUR | S | PP | XETR | 11.02.2019 | 13.02.2019 | 167.00 | 108.84 € | 18,175.91 € | D44008 | | Yes |

Figure 11: Example of Unwinding

4.4 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 Instructions¹⁹

Directly after the Net Position trades are generated as a result of Net Processing, the novated transactions (provided that the quantity in securities is $\neq 0$) are considered for delivery management. C7 SCS generates a Delivery Instruction with unique dedicated Delivery ID for every new Net Position Trades 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 by the participants via Eurex Clearing's Routing Service, directly at (I)CSD or for DCP at T2S. 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.
- two Delivery Instructions (own and customer leg, to be matched at (I)CSDs), otherwise functionality is not available.

The participants can find the relation between Delivery ID 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 not need to be cancelled by Eurex Clearing at the end of each settlement day (as done in current Securities Clearing CCP 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.

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.

5.2 Hold/Release (Full/Partial) of Delivery Instructions¹⁹

Hold/Release status

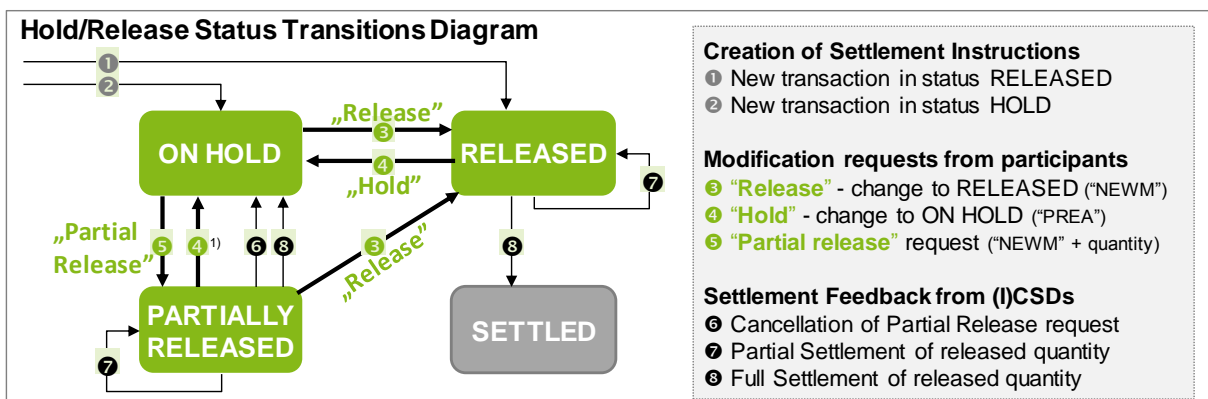
A default setting for the initial status of newly created Delivery Instructions is included in the member's account setup. Delivery Instructions are then created and sent out to the (I)CSDs in either "Released" or "on-Hold" status based on the setting of this flag.

Change of Hold/Release status

¹⁹ Actual processing and implementation is still subject to specification with Clearstream

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. C7 SCS processes the related update message from the (I)CSD and reflects the recent (I)CSD Hold/Release status and released quantity.
- 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.

Figure 12: Hold/Release Status Transition

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, independent of the (I)CSD.

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 messages. The pending Net Position Trades 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

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 (I)CSDs that do not support partial release, 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 release status at the end of the business day and the quantity on hold are shown in the daily Pending Delivery Report.

5.3 Cash Bookings

Cash payments related to Eurex Clearing security 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 to be settled.
- Cash-only bookings outside C7 SCS for fees and fines are booked on the respective cash accounts.

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.

Participants can identify that a pending Net Position Trades was impacted by a Corporate Action via a dedicated Corporate Action identifier in C7 SCS.

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.

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 trading 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:

- 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)

Moreover, C7 SCS will support the fines resulting from the upcoming CSDR penalty-regime²⁰.

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 Regulation²¹ 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

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

²⁰ Currently it is planned to be valid from February 2021.

²¹ 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

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 full description of reports refer to C7 SCS Description of Reports (Formatted layout and XML data) document which will be published in the course of 2020.

| 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+1(+x) | Yes | Yes | CE260/ CE261/ CE262 | Net Position Trades that have not yet settled (on value date) Corporate Action feedback and released/on-hold quantity are considered |
| CE870/ CE871/ CE872 | Settled Delivery Report | EoD, T+2(+x) | Yes | Yes | CE270/ CE271/ CE272 | Net Position Trades that been settled (on value date) |
| CE890/ CE891/ CE892 | Net Clearing Report (XEUR) | EoD ²² , T | Yes | | CE290 | 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 | | CE395/ CE396/ CE397 | Single Trades from FWB and Net Position Trades (resulting from Netting/ Aggregation/ Gross processing) incl. quantity, cash amount, Delivery ID |

²² Net Clearing Report are provided after Net Processing.

| | | | | | | |
|-----------------|---------------------|-----------------|-----|-----|-----------------|---|
| CB830/ CB831 | Trade Action Report | EoD, T+1(+x) | Yes | Yes | CB230/ CB231 | Manually inserted, deleted, buy-in Blocked/Released transactions |
|-----------------|---------------------|-----------------|-----|-----|-----------------|---|

Figure 13: Available Reports

9 Abbreviations and Glossary of Terms

| Abbreviations | Description |
|---------------|---|
| (I)CSD | (International) Central Securities Depository |
| 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 |
| CSC | Collective Safe Custody |
| CSDR | Central Securities Depositories Regulation |
| DvP | Delivery vs Payment |
| EoD | End of the Day |
| FoP | Free of Payment |
| FWB | Frankfurter Wertpapierbörse |
| NCSC | Non-Collective Safe Custody |
| NCSC-T | Non-Collective Safe Custody on T2S |
| NPU | Net Processing Unit |
| PoA | Power of Attorney |
| RvP | Receive vs Payment |
| SI | Settlement Institution |
| SIS | SIX SegalInterSettle Zürich |
| T2S | Target 2 Securities |
| TDN | Trade Date Netting |
| TM | Trading Member |