



CCP 13.0

Release Notes

Abstract

This document describes the functional changes to Eurex Clearing's Central Counterparty (CCP) services for securities clearing related to the introduction of CCP Release 13.0 and the impact of the migration of the Trading Venue XETRA to T7 for the Clearing Member.

The document is primarily addressed to functional and operational staff of the Members' middle and back offices. For a full description of the functionality of Eurex Clearing's CCP clearing platform, please refer to previous CCP Release Notes available at the Eurex Clearing website www.eurexclearing.com.

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1 Functional Scope and Overview

CCP Release 13.0 focuses mainly on the extension of the existing Lending CCP solution by introducing a clearing solution for the securities lending and borrowing market in UK.

The changes are part of Eurex Clearing's CCP Release 13.0 and will be offered starting Monday, 19 June 2017.

This document is primarily addressed to functional and operational staff of the Members' middle and back offices.

The structure of this document is as follows:

Chapter 2 describes the introduction of clearing solution for the securities lending and borrowing market in the UK for Eurex Clearing's Lending CCP service with CCP Release 13.0.

Chapter 3 gives an overview of the impact resulting from the migration of the Trading Venue XETRA to T7 for the Clearing Member.

Chapter 4 'Abbreviations and Glossary of Terms' describes the abbreviations used throughout this document.

CCP Release 13.0 is scheduled to be launched on 19 June 2017.

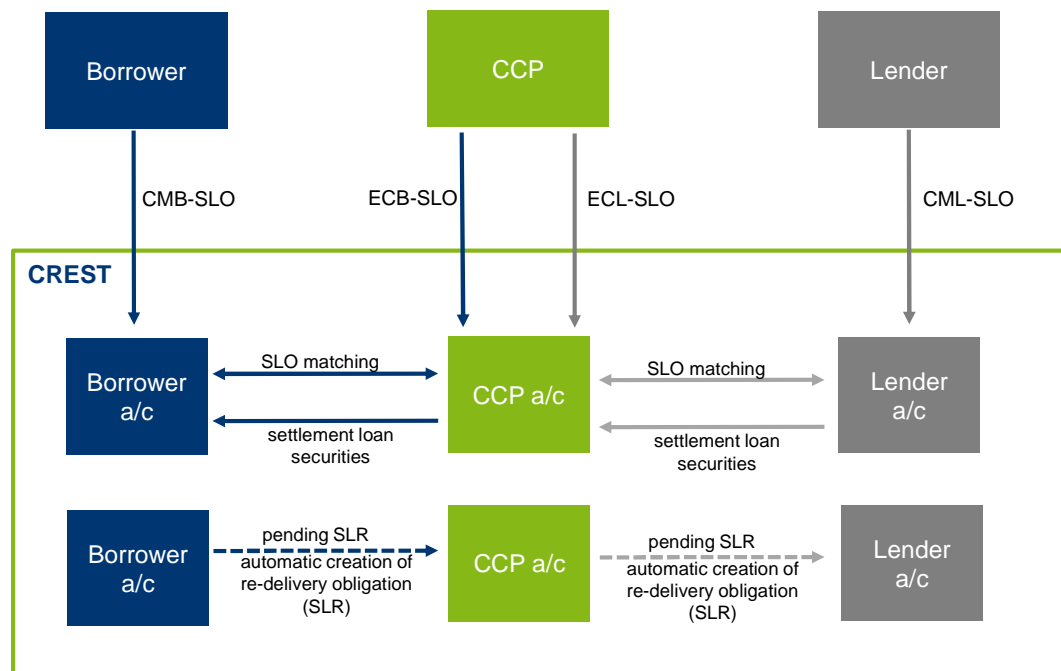
2 Enhancement of Lending CCP - Introduction of Clearing Solution for the UK Securities Lending and Borrowing Market

Eurex Clearing has introduced a bilateral Central Counterparty ('CCP') solution for the Securities Lending and Borrowing market in Europe. The settlement for equities takes place via the home-market. For bonds the settlement is achieved via the two international central securities depositories ('ICSDs').

As there's a strong market demand to offer a solution for clearing of securities lending and borrowing in UK instruments via the CCP, Eurex Clearing will introduce this offering with CCP Release 13.0.

Eurex Clearing's CCP Service for Securities Lending will connect to Euroclear UK & Ireland ('EUI') which operates the CREST settlement system. Eurex Clearing will use the dedicated 'SLO' ('stock loan opening') / 'SLR' ('stock loan return') transaction types at EUI/CREST for settlements of loans. The SLO processing will create an automatic re-delivery (SLR) by the CREST system.

CREST stock lending functionality enables participants to borrow and lend securities using transaction type SLO. An essential feature of the SLO transaction is that title to all securities passes from one party to the other. The party acquiring title is obliged to redeliver equivalent securities. A SLO transaction in CREST therefore results in a movement of securities between the accounts of two CREST members. Where a loan is intermediated by Eurex Clearing CREST regards this as being two distinct loans, i.e. two separate movements of stock, first from the Lender to Eurex Clearing and then from Eurex Clearing to the Borrower. These settle independently and CREST does not link them in any respect.

**Legend:**

- CMB-SLO: SLO leg instructed by the CM Borrower for the Borrower half-loan
- CML-SLO: SLO leg instructed by the CM Lender for the Lender half-loan
- ECL-SLO: SLO leg instructed by CCP for the Lender half-loan
- ECB-SLO: SLO leg instructed by CCP for the Borrower half-loan

Figure 1: Overview of CCP cleared Loans in EUI

2.1 Delivery Management

2.1.1 Loan Opening

Eurex Clearing AG will instruct on settlement day. The CM Borrower and the CM Lender have to match the SLOs of Eurex Clearing AG.

The following steps are necessary on settlement day to achieve a successful loan opening:

1. Eurex Clearing AG sends its own side of the SLO instruction to EUI/CREST to match the CM Lender SLO.
2. Eurex Clearing AG will start the distribution phase as soon as the settlement of the loan securities from the CM Lender is confirmed. This triggers the generation of the SLR towards the CM Lender in CREST which is reported to Eurex Clearing AG.
3. Eurex Clearing AG lifts the priority of the matched SLO instruction towards the CM Borrower to EUI/ CREST to deliver the loan securities to Borrower
4. When the loan is opened, the SLR towards the CM Borrower is created automatically by CREST and reported to Eurex Clearing.

2.1.2 Loan Closing

The borrower has to initiate the closing of the SLR:

- A valid return request must be provided to Eurex Clearing AG
- The priority of the SLR request must be lifted by the borrower

The following steps are necessary on settlement day to achieve a successful loan closing at EUI/Crest:

1. CM Borrower unilaterally lifts the priority SLR towards him and transfers the loan securities to Eurex Clearing.
2. Eurex Clearing lifts the priority of the pending SLR instruction towards the CM Lender.
3. Eurex Clearing receives a settlement confirmation for the SLR towards the CM Lender

2.2 Corporate Actions

2.2.1 Mandatory Corporate Actions

2.2.1.1 Cash Distribution

CREST creates income claims for SLR transactions and they settle in the CREST environment and will always transfer these income claims on a payment rate of 100% gross.

2.2.1.2 Securities Distribution

CREST processing applies for securities distributions: Non-Income Claims are generated on record date by CREST.

The following types of corporate actions are considered for securities distributions by the Lending CCP:

SWIFT ID	Event Name	Event Description
BONU	Bonus Issue	Security holders are awarded additional assets free of payment from the issuer in proportion to their holdings. A bonus issue is typically represented by shares, rights, or warrants. Nominal value does not change. Holder may be offered choice of form.
DVSE	Stock Dividend	Dividend paid to shareholders in the form of shares of stock in the issuing company or in another company. Shareholder must take stock and is not offered a choice in the form of distribution.

SWIFT ID	Event Name	Event Description
SOFF	Spin Off	A distribution of subsidiary stock to the shareholders of the parent company without a surrender of shares. Spin-off represents a form of divestiture resulting in an independent company. Normally this is without cost to the parent issue shareholder.
RHTS	Issue of Subscription RHTS	Privilege granted to existing shareholders of a company to subscribe to shares of a new issue against payment. Generally, before securities are offered to the general public. Rights are often tradable in a secondary market.
RHTS (DVSC)	Scrip Dividend	Dividend paid in the form of scrip (temporary certificate) which represents the company's promise to pay a cash dividend. Occurs when earnings are sufficient but issuer wishes to conserve cash holdings. Shareholder is not offered a choice.
RHTS (RHDI + EXRI)	Distribution + Exercise of RHTS	The distribution of (intermediate) rights to shareholders, in proportion to their equity holding in combination with the execution of these rights.

Table 1: Securities Distribution

2.2.1.3 Mandatory Reorganizations

CREST transformation processing applies for mandatory reorganizations.

The following types of corporate actions are considered for mandatory reorganizations by the Lending CCP:

SWIFT ID	Event Name	Event Description
SPLF	Stock Split	Increase in company's number of outstanding shares of stock without any change in the shareholder's equity or the aggregate market value at the time of the split. Stock price and nominal value are reduced accordingly.
SPLR	Reverse Stock Split	Decrease in company's number of outstanding shares of stock without any change in the shareholder's equity or the aggregate market value at the time of the split. Price and nominal value are increased accordingly.
DECR	Capital Decrease	Reduction of the face value of a single share. Number of circulating shares remains unchanged.

SWIFT ID	Event Name	Event Description
MRGR	Merger	Mandatory exchange of outstanding securities as the result of two or more companies combining assets. Cash payments may accompany share exchange
PARI	Pari Passu	Occurs when securities with different characteristics, e.g., shares with different entitlements to dividend or voting rights, become identical in all respects.
TEND	Squeeze Out	Compulsory exclusion of a small group of shareholders from a company by means of an automatic transfer of their shares to the majority shareholder by operation of law in return for a cash settlement.
LIQU	Liquidation	Liquidation consists of a distribution of cash, assets, or both. Debt may be paid in order of priority based on preferred claims to assets specified by the security.

Table 2: Mandatory Reorganizations

2.2.1.4 Distributions with Options

The existing CREST processing applies. If the CM Lender wishes to choose an option that differs from the default option, he is required to enter an ACON (Transaction CA Option Input) message in the CREST system¹. Eurex Clearing processes the ACON messages for Distributions with Options of CREST as submitted by Clearing Members.

The following types of corporate actions are considered for Distributions with Options by the Lending CCP:

SWIFT ID	Event Name	Event Description
DVOP	Dividend Option	Distribution of a dividend to shareholder with the choice of payment method. Shareholder must choose the form of payment - stock, cash, or both. To be distinguished from DRIP as the company creates new share capital in exchange for the dividend rather than investing the dividend in the market

¹ The Eurex Clearing deadline also applies for the ACON instructions.

SWIFT ID	Event Name	Event Description
DVOP (DRIP)	Dividend Reinvestment	Dividend payment where holders can keep cash or have the cash reinvested in the market by the issuer into additional shares in the issuing company
RHTS	Issue of Subscription RHTS	Privilege granted to existing shareholders of a company to subscribe to shares of a new issue against payment. Generally, before securities are offered to the general public. Rights are often tradable in a secondary market.

Table 3: Distributions with Options

2.2.2 Voluntary Corporate Actions

Please note that for the processing of Voluntary Reorganizations for UK equities within CREST, ACON messages are used². The Election and Outturn process via the CCP is not available for UK equities.

Eurex Clearing then processes the ACON messages for voluntary corporate actions of CREST as submitted by Clearing Members.

2.3 Additional Participation Requirements for the UK Securities Lending and Borrowing Market

The following additional participation requirements need to be fulfilled in addition to the existing participation requirements:

- Access to a settlement account in EUI
- Access to a GBP cash account.

² The Eurex Clearing deadline also applies for the ACON instructions.

3 Impact of Migration of Trading Venue Xetra to T7

Trading venue Xetra® is migrating to T7 and as a part of this migration, the CCP will receive trades from T7, with the introduction of CCP Release 13.0.

Compared to the Xetra® system, the trade number in the T7 system is unique per trading venue (MIC) and ISIN per business date. Therefore, with the introduction of CCP Release 13.0, the unique trade identification is assured on the trading venue (MIC) and ISIN level per business date. It will be assured that this does not affect any processes within the CCP system.

The 20 digits system order ID of the T7 system will be converted automatically since the field length in the CCP system is limited to 13 alphanumerical digits. The conversion is done by using the Horner scheme to recalculate the system order ID, which is expressed as a decimal number (basis 10), to the basis 36.

Detailed information about the Xetra® migration to the Eurex T7 trading architecture is available in Xetra circular 029/16 or the Eurex T7 publication "Cash Market Migration - Customer Slides" on the Xetra website www.xetra.com under the link:

Technology > T7 trading architecture

4 Member Reporting

With the introduction of CCP Release 13.0, the structure of existing formatted, RAW and Pipe Separated reports will stay unchanged compared to CCP 12.5. Nevertheless, new valid values as well as a new report are introduced. For further details on this topic, please see documents "Description of Reports – Formatted Layout", for CCP Release 13.0.

The following table summarizes the changes in specific existing CCP reports:

Report ID	Report Name	Impact
RPTCL300	Rebate Lending Fee	Field 21 – SETTLEMENT LOCATION New settlement location 'CCO' for loans in UK.
RPTTL100	Loan Confirmations	Field 25 – SETTLEMENT LOCATION New settlement location 'CCO' for loans in UK.
RPTCL260	Loan Obligations	Field 25 – SETTLEMENT LOCATION New settlement location 'CCO' for loans in UK.
RPTTL760	Loan Maintenance	Field 25 – SETTLEMENT LOCATION New settlement location 'CCO' for loans in UK.

Table 4: Securities Lending specific reports

4.1 Additional Report for Eurex Clearing's CCP Service for Securities Lending

Additional report "RPTCL790 – LOAN CREST TRANSACTIONS" was created with CCP 13.0 for Clearing Members of the Lending CCP and will only be provided via the Common Report Engine (CRE):

The detailed description of the new report can be found in the following document on the Member section of the Eurex Clearing website³:

- **Print format**

CCP 13.0 Description of Reports Formatted Layout

Newly Created Report:

RPTCL790 – LOAN CREST TRANSACTIONS

³ www.eurexclearing.com

Format	Print
Timing	EOD
Availability	CM

This report contains information of delivery instructions respectively CREST transactions that have been sent out by CCP and requires matching from Clearing Members. Further it also shows other action requirements from Clearing Members, e.g. when Clearing Members needs to raise priority for a transaction in CREST. Other records are also given only for information purposes.

Records for information are reported only once. Other records where the Clearing Members need actively to perform an action are reported until the action has been completed (e.g. matching took place) or when this requirement does not exist any longer (e.g. Matching Deadline or Collections Deadline is passed).

5 Abbreviations and Glossary of Terms

Term	Description
ACON	Transaction Corporate Action Option Input
CBF	Clearstream Banking Frankfurt
CM	Clearing Member
CCP	Central Counterparty
CET	Central European Time
CSD	Central Securities Depository
EUI	Euroclear UK & Ireland
FOP	Free of Payment
PoA	Power of Attorney
SLO	Stock Loan Opening
SLR	Stock Loan Return
T7	New trading architecture
TPCA	Tri-Party Collateral Agent