

1. Commodity Derivatives

The regulatory changes of the revised Markets in Financial Instruments Directive (MiFID II) entering into force on 3 January 2018 introduce position limits and position reporting for commodity derivatives and emission allowances and derivatives thereof. In this document, the reporting obligations for exchange participants as well as the structure and scope of position limits are described.

The Deutsche Börse Regulatory Reporting Hub ("RRH") will act as the central hub to receive position reports from exchange participants admitted to trading at Eurex Deutschland and to distribute reports to the competent authorities. Position limits will be imposed and enforced by the German national competent authority Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) in cooperation with ESMA and other European authorities. In addition, the Trading Surveillance Office of Eurex Deutschland, in cooperation with the Management Board of Eurex Deutschland, will introduce position management controls as additional safeguards.

1.1 Product Scope

All commodity derivatives in scope for the position limit and position reporting regulations that are tradable on Eurex Deutschland will be grouped in a newly created, separate product group "Eurex Commodity Derivatives MiFID2" that exclusively contains the relevant products, with effective date January 3, 2018. This will not only allow us to have all products that are subject to a position limit and to the reporting obligation in one place, but also to separate customers that are subject to the reporting obligation from other customers who are not. Customers shall only be entitled to trade products from the new product group if they have a valid connection agreement with the Deutsche Börse Regulatory Reporting Hub or if they have appointed a service provider with a valid connection agreement who carries out the position reporting on behalf of the exchange participant. All other customers will not be subject to reporting obligations (but they cannot trade the products either).

We recommend that all customers who have open positions (proprietary and client positions) in the relevant products who will not be ready for the new MiFID II commodity derivatives position reporting close these positions before end of trading on January 2, 2018. All open positions that exist end of day on January 3, 2018 and thereafter are subject to the regulatory reporting obligation. Breaches of the reporting obligation will be subject to disciplinary proceedings by the Disciplinary Committee of Eurex Deutschland.

Products in scope are:

- FCAG - Bloomberg Agriculture Subindex Futures
- FCCO - Bloomberg Commodity Index Futures
- FCEN - Bloomberg Energy Subindex Futures
- FCIN - Bloomberg Industrial Metals Subindex Futures
- FCLI - Bloomberg Livestock Subindex Futures
- FCPE - Bloomberg Petroleum Subindex Futures

- FCPR - Bloomberg Precious Metals Subindex Futures
- FCSO - Bloomberg Softs Subindex Futures
- FCXA - Bloomberg ex-Agriculture Subindex Futures
- FCXB - Bloomberg ex-Agriculture & Livestock Subindex Futures
- FCXE - Bloomberg ex-Energy Subindex Futures
- FCXI - Bloomberg ex-Industrial Metals Subindex Futures
- FCXP - Bloomberg ex-Precious Metals Subindex Futures
- FCXR - Bloomberg ex-Grains Subindex Futures
- FCXS - Bloomberg ex-Softs Subindex Futures
- OCCO - Bloomberg Commodity Index Options
- FCXL - Bloomberg ex-Livestock Subindex Futures
- FCXT - Bloomberg ex-Petroleum Subindex Futures
- FCGR - Bloomberg Grains Subindex Futures

The prerequisites for the assignment to the new product group are as follows:

- a) Signed Connectivity Agreement (final agreement will be made available soon);
- b) Established technical connectivity to RRH (direct or indirect via designated service provider who provides the position reports on behalf of the customer to RRH);
- c) Filled application form for assignment to product group;
- d) For Non-Clearing Members (NCMs): Readiness of the Clearing Member (CM) with whom the NCM has a valid NCM-CM-Agreement to offer clearing services in the abovementioned products.

All exchange participants that are admitted to trade commodity derivatives on the Eurex Exchanges must have access (direct or indirect) to the RRH position reporting interface to provide data and must confirm in written that they will comply with the regulatory requirements, in particular to meet the obligation to provide daily position reports on end customer level.

1.2 Position Limits

Art. 57(1) MiFID II sets the legal basis for competent authorities to establish and apply position limits for commodity derivatives.

Art. 57(8) MiFID II foresees that market operators apply position management controls, which shall include at least the powers for the trading venue to:

- Monitor the open interest of persons;
- Access information from persons about relevant positions;
- Require a person to terminate or reduce a position and to take appropriate actions if the person does not comply;
- Require a person to provide liquidity back to the market.

The Trading Surveillance Office (TSO) will monitor positions in commodity derivatives traded on the Eurex Exchanges in real time, and if there is an indication that, based on the observed position sizes, a position limit has been breached, it will initiate further investigations. The Management Boards of the Eurex Exchanges have the power to reduce

relevant positions by entering the respective transactions if an exchange participant fails to fulfil the obligation to reduce such positions according to the applicable limits.

Commission Delegated Regulation (EU) 2017/591 (formerly designated as RTS 21) sets out the calculation method for net positions and position limits. The position limits are imposed by the competent authorities. A list with the position limits will be published on the authorities' (ESMA or BaFin) websites later this year.

Based on the individual position reports that BaFin receives, the resulting net positions are calculated by BaFin on a daily basis. Position limits apply for net positions held by end clients in relevant products, separately for positions in the "spot month" (the respective next contract month) and aggregated positions in all other contract months. Positions in different contracts (i.e. with different maturities) that are classified as "other" months will be aggregated and netted to calculate one single "other months" position. Note that the netting and aggregation principles that will be applied by BaFin to calculate positions are different from the reporting method that exchange participants are expected to apply when submitting position data to RRH (see section 1.3.2 Reporting Guidelines for details).

1.3 Position Reporting

Under Art. 58(1) MiFID II Eurex Deutschland as a regulated market is required to provide BaFin with daily reports on the positions held by their clients (and the clients of the clients up to the end client) in listed commodity derivatives, emission allowances and derivatives thereof.

To enable Eurex Deutschland to fulfil its reporting obligation, exchange participants have to comply with Art. 58(3) MiFID II and provide breakdowns of their positions and positions of their clients (on end-customer level) in listed commodity derivatives to that trading venue (i.e. Eurex Deutschland) on a daily basis (t+1) until 3pm CET/CEST the latest.

Deutsche Börse Group has bundled its solutions for regulatory reporting and compliance onto one platform - the Regulatory Reporting Hub (RRH). The RRH will implement an interface that allows exchange participants to provide position data for the commodity derivatives traded on Eurex Deutschland, inter alia. RRH will perform validity checks and forward the information to BaFin as required under Art. 58(1)b MiFID II. Furthermore, Eurex Deutschland will have access to the information provided to be able to comply with its duties according to Art. 57(8) MiFID II.

Additionally, Art. 58(2) MiFID II requires investment firms to provide the competent authority at least daily reports on the positions of commodity derivatives traded outside a Regulated Market, MTF or OTF, until the end client is reached. Deutsche Börse's RRH will establish a reporting interface to several national competent authorities in the European Union for investment firms who have direct reporting obligations of such OTC positions on a commercial basis. Further information will be provided on Deutsche Börse Regulatory Services Website: <http://www.mds.deutsche-boerse.com/mds-en/regulatory-services/mifid-ii-solutions> and can alternatively be inquired under regulatory.services@deutsche-boerse.com.

For the OTC position reporting, the receiving national competent authority is the authority of the country in which an economically equivalent listed derivative is traded on a trading venue. If economically equivalent products are traded in multiple countries, the receiving national competent authority is the one in the jurisdiction of the trading venue where the on-exchange equivalent is traded with the highest volume. For the rollout, RRH will offer connectivity to BaFin (Germany), FCA (Great Britain) and AMF (France) for OTC position reporting services.

Note that positions in commodity derivatives traded on Eurex Deutschland must not be reported via the OTC position reporting service and vice versa. It is not required to include positions in exchange traded commodity derivatives in the OTC reporting of positions in economically equivalent OTC contracts, i.e. positions in exchange traded commodity derivatives are not to be reported twice if a position holder holds both, on-exchange and OTC positions.

1.3.1 Reporting Interface

For the specification of the inbound reporting interface that exchange participants will have to use to submit position reports to RRH we will follow the FIA standard:

FIA XSD for MIFiD Commodity Position Reporting (Venue/Participant Transfer);
Issuer: EFET; Date: 22 September 2017; Version: 2.1.0; Status: Definitive

Trading participants will receive for each report a response file with the validation results. For these files we have created an own XSD-structure which is available via the RRH-Portal. For the setup, please contact your Key Account Manager or regulatory.services@deutsche-boerse.com.

1.3.2 Reporting Guidelines

RRH Clients / Eurex Exchange trading participants shall take note of the various guidelines and Q&As documents published by ESMA and NCAs (in particular FCA) on position reporting in commodity derivatives, detailing the requirements on reportable contracts, content of the records and how the position reporting needs to be structured by clients for the respective NCA or Trading Venue. The reporting principles of Eurex are in line with these guidelines:

- Net Positions, not transactions must be reported.
- Net positions are to be reported on end-client level (per position holder).
- Netting of long and short positions is done on the level of tradable instruments, i.e. for one tradable instrument, no long and short position can be submitted for the same position holder on the same day to RRH for positions held at the Eurex Exchanges.
- Complex instruments (e.g. calendar spreads) have to be broken down into their single legs, whereas each leg corresponds to a long or short position in an existing simple tradeable instrument and has to be reported accordingly; i.e. the ISIN codes of the simple instruments must be used in the reports; such "leg positions" must be netted with (or added to) corresponding positions in the respective simple instruments.
- The "Spot Month" is always the next contract to expire, all other contracts to be reported as "Other Months" position, no netting of positions across multiple instruments that fall into the "other months" category.
- Position is end-of day position on trading day t; to be reported per t+1, i.e. no intraday activities to be reported. T+1 is the next exchange trading day.
- Deadline for reporting is at 3.00pm CET/CEST on t+1.
- For each position, a position report has to be delivered for each trading day, even if the position has not changed.

1.3.3 Regulatory Reporting Hub

The full set of specifications and guidelines for Art. 58 MiFID II Commodity Derivatives Position Reporting Service by RRH is now available. This service by the RRH will be available for testing by mid-November. If your company is trading those products (Commodity Derivatives), we kindly ask you to connect to the RRH. For the setup, please contact your Key Account Manager or regulatory.services@deutsche-boerse.com.