



Eurex Buy-Side Trading Disclosure

Q&As

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1. Q&A General

1.1 Concept

1. What is the Eurex Buy-Side Trading Disclosure?

The Eurex Buy-Side Trading Disclosure is a buy side incentive program launched by Eurex.

2. What is Eurex' motivation reg. the Eurex Buy-Side Trading Disclosure initiative?

The goals are to further break down Eurex' A-account statistics into different types of A-Account flow and make this information available to participating members. This information will allow buy side firms to benchmark their performance against each other and generally increase transparency.

A similar approach is the CFTCs commitment of trader reports. Whereas the CFTC report is based on open interest, the Eurex Disclosure targets trades and traded volume.

Eurex will gain insights in its product and execution service usage by Buy-Side firms to improve product and market development discussions.

3. Who is Eurex targeting with the Eurex Buy-Side Trading Disclosure?

This program will be targeted to non-member Buy-Side customers accessing Eurex exchange via a DMA / ORS set-up. Participating clients must have a Legal Entity Identifier (LEI).

The program is open for firms based in selected countries. Currently, the countries in scope of participation are: The EU & European Economic Area (EEA), Hong Kong, Singapore, Switzerland, UK, USA, Andorra, Australia, Bahamas, Bermuda, British Virgin Islands, Canada, Cayman Islands, Guernsey, Hong Kong, Jersey, Mauritius, Puerto Rico (treating them as US clients), Singapore, South Korea, Switzerland, Taiwan, Turkey, United Arab Emirates (UAE).

- The Eurex Buy-Side Client must be in possession of all relevant licenses and regulatory approvals to trade. This is independent from the fact if they are Buy-Side Clients or not.

4. What are the participation restrictions?

Excluded from participation are:

- Retail clients
- Trading participants of Eurex Deutschland (except if they trade exclusively on-behalf of their own funds in the A-account and have no Eurex Deutschland trading activity in the P- or M-account)
- Disclosed Clients of Eurex Clearing (except if they trade exclusively on-behalf of their own funds in the A-account and have no Eurex Deutschland trading activity in the P- or M-account).
- Affiliates of Eurex Deutschland trading participants, if they are a credit institution (except if they trade exclusively on their own account).
- Affiliates of Eurex Clearing, if they are a credit institution (except if they trade exclusively on their own account).

5. What is the product scope?

Initially, in scope of the fee differentiation will be the most actively traded Eurex products (futures and options). Specifically, all products in Liquidity Classes 1 and 2, with a few additions.

In the midterm, it is envisaged to extend the fee differentiation to other Eurex products.

6. What transactions are eligible for disclosed fees?

Eligible for disclosed A-account fee are only transactions that are

- submitted via Direct Market Access (DMA) or Order Routing Systems (ORS) and
- submitted via a registered Eurex Buy-Side Broker (a trading participant of Eurex Deutschland who participates in the program) and the registration of the Eurex Buy-Side Client must be active and valid and
- the transaction must be finally settled in the A-Account of a Clearing Member.

7. What kind of incentives are offered?

The incentive will be a reduced A-Account fee according to the Eurex Clearing price list for products in scope of the fee differentiation.

8. On what level does the disclosure take place?

The disclosing entity should be the investment manager level, not the individual fund level.

9. What do Buy Side firms need to disclose?

Disclosing Eurex Buy-Side Clients will disclose their identity towards Eurex Frankfurt AG.

The disclosure will be in the form of either

- a 5-character Client ID (provided by Eurex during registration) or
- the clients' Legal Entity Identifier (LEI)

as part of the T7 transaction message.

While a reduced fee is applied to the above-mentioned product scope, participating Eurex Buy-Side Client firms are expected to disclose their entire Eurex business, meaning also in products in which no lower fee will be applied.

10. Are block trades excluded?

Block trading business is not by definition excluded, the decisive factor is whether the transaction is characterized as DMA or ORS. While this type of access is more commonly used in the order book, it is generally available for blocking as well.

11. How will the disclosure look like?

The disclosure of A-Account trades towards Eurex will happen via population of a newly introduced field in the trading system T7; after the buy side firm has registered with Eurex through a web-based process, Eurex will generate a unique buy side ID for the relevant buy side firm and share this ID with the buy side firm and the Execution brokers, which the buy side firm has selected during its registration; the Execution Broker may decide to use this ID to populate the T7 field or the LEI of the buy side firm, whatever suits its internal process best.

12. How is the disclosed fee charged?

The Eurex Buy-Side Trading Disclosure will facilitate the Fee Identification Code.

Upon reception of the trade, T7 will determine whether the transaction is eligible for the disclosed fee. If so, T7 will set the Fee Identification Code's fee qualifier "Buy-Side Trading Disclosure Qualifier" to "Disclosed". This information will be included in the transaction message flow, and in reports, i.e. the T7 report TE810 Daily Trade Confirmation, and the C7 reports CB165 Eurex Fee Statement and the new Product and Price Report CB002.

Charging of disclosed and non-disclosed fees will take place in the usual billing process.

13. Will the trading data of individual firms be published?

Eurex will not disclose individual firm's trading behavior. Data publication will only happen in an aggregated and anonymized way, and only if a critical mass per buy side firm category will be reached.

14. What client categories will be available?

During registration, each Eurex Buy-Side Client firm will have to self-categorize themselves into one of the following ten client categories:

- Corporate / Treasury,
- Insurance,
- Pension Fund,
- Private Wealth Manager,
- Traditional Asset (Money) Manager or Mutual Fund,
- Alternative Investment Fund Manager or Hedge Fund,
- CTA (Commodity Trading Advisor),
- Prop Trading / Algo Trading,
- Bank,
- Other.

15. Will clearing members see the name of the disclosed Eurex Buy-Side Client in C7?

No, the name is only visible by the trading member in T7.

C7 will only hold the Fee Identification Code “disclosed” or “non disclosed” for each relevant transaction – not the actual client identity.

16. What is the difference to the existing DC model?

Eurex Clearing offers to become a Disclosed Client (DC). Disclosed clients are known to the Clearing Member (CM) and disclosed to Eurex Clearing but are not required to enter into a tripartite clearing agreement between them.

This type of Disclosed Client relates to the *clearing* layer, where different segregation models are available. This model also allows DC Market Participants (trading participants of Eurex Deutschland who do not hold a clearing license) to execute their own transactions on the exchange and enjoy the P- and M-account fees.

In contrast to this, the Eurex Buy-Side Trading Disclosure program is aimed exclusively at the *trading* layer. It addresses non-trading participants who disclose their trading behavior to Eurex Frankfurt AG in the A-Account of a trading member. The client information will not be passed to Eurex Clearing, and thus will not be used to further integrate the two existing Disclosure models.

1.2 Onboarding Requirements

1. What are the onboarding requirements for those parties wanting to register in the Eurex Buy-Side Trading Disclosure?

Interested Buy-Side firms will register via a dedicated website provided by Eurex in the Eurex Member Section to become “**Eurex Buy-Side Clients**”. During this registration, the buy side firms will provide Eurex with their LEI, will need to accept our GTCs, will categorize themselves into pre-defined client categories and will need to select the participating executing brokers (Eurex participants) who will route their flow to Eurex. The Buy-Side registration page may be available towards the end of Q4 2023.

The participating Execution Broker (“Eurex Buy-Side Broker”) must be a trading participant of Eurex Deutschland. They will follow a simple registration process in the member section, where they will confirm the Terms and Conditions. This will make the Eurex Buy-Side Brokers selectable via drop-down field for Buy-Side Clients during their registration; in this dedicated part of the member section, Eurex Buy-Side Brokers will also have the possibility to decide if they will use the LEI or the 5-character Client ID for tagging purposes; this can also be defined later on individually for all different buy side firms participating in the program.

The dedicated part of the member section in which Execution Brokers can confirm their support will be available from Q4 2023.

The new T7 field for Buy-Side disclosure needs to be populated by Eurex Buy-Side Brokers with either the 5-character or the LEI of the Eurex Buy-Side Client. The Eurex Buy-Side Broker decides which of the two they will use. The default selection can be overwritten on a client-by-client basis.

A fully flexible T7 field, allowing for either entering the 5-character Client ID or the LEI, will be delivered with T7 release 12.0 in November 2023.

Clearing Members (CMs) need to be able to identify if a transaction was disclosed and, if so, consequently, a disclosed A-Account fee has to be applied. In order to do so, CMs need to support the newly introduced Fee Identification Code.

2. What is the Fee Identification Code?

The Fee Identification Code is an initiative which is independent from the buy side disclosure.

The goal of the Fee Identification Code is to ensure that the complete set of fee relevant information is provided in a transparent and comprehensive way in real time to the members so that this information is manageable and can be used for the transaction-based fee calculation at Eurex.

In combination with the newly introduced Product and Price Report – Fee Identification Code (CB002), the fee level information can be derived using the Fee Identification Code, the respective product id, and the respective fee information in the new report (including threshold information for reduced fees). The report will be available via the Common Report Engine (CRE).

3. Which jurisdictions are covered by the Buy Side Disclosure?

Only clients from allowed jurisdictions can register to participate in the Eurex Buy-Side Trading Disclosure program. Currently, the allowed jurisdictions are: The EU & European Economic Area (EEA), Hong Kong, Singapore, Switzerland, UK, USA, Andorra, Australia, Bahamas, Bermuda, British Virgin Islands, Canada, Cayman Islands, Guernsey, Hong Kong, Jersey, Mauritius, Puerto Rico (treating them as US clients), Singapore, South Korea, Switzerland, Taiwan, Turkey, United Arab Emirates (UAE).

US persons and persons from Puerto Rico can trade on Eurex under the consideration of the known regulatory requirements. This is independent from the fact if they are Eurex Buy-Side Clients or not

2. Q&A Focus Call – Fee Code & Buy Side Trading Disclosure

2.1 Eurex Buy-Side Trading Disclosure

1. In case funds are managed externally by external asset managers, it is still us as investment company to register and not the external asset manager?

The entity that we expect to register is the one who does the trading and is operationally involved with trading and dealing activities and that speaks directly with the execution broker. Only investment manager level needs registering, not the individual funds underneath.

2. What is expected from us as a non-member? Are our clearing brokers registering us?

No. The end client is invited to register themselves via Member section. A registration functionality will be available by the end of 2023. During registration, you will have to select one or more participating Brokers (Eurex Members) who will ID-tag your orders towards Eurex.

3. Is the disclosed ID, once signed up, mandatory for all products, or only for products where we received a rebate?

The Eurex Buy-Side Client is expected to tag their complete Eurex order flow, even for products which are currently not in scope of the disclosed fee. In the mid-term, it is expected to introduce fee differentiation for most Eurex products.

4. If a non-member client does not implement the disclosure, will he by default pay higher fees for the same service?

With the introduction of the fee differentiation, disclosed trades will pay a lower fee than today, and non-disclosed trades will pay a higher fee.

5. Is the new Buy Side participant able to use Multiple Brokers (Clearers)?

Yes. On the Execution Broker level, the globally unique Client ID (LEI) ensure that the Eurex Buy-Side Client is identifiable to Eurex, regardless which Broker the order arrives through.

On the Clearing Broker level, the fees will be charged based on the Fee Code. Therefore, regardless of the Execution Broker and the Clearing Broker, if the transaction is disclosed, finally settled on the A-Account (and if the other requirements apply), the disclosed fee will be charged.

6. If Executing Broker misses the client ID on the trade, and the clearing broker accepts the trade, how will the clearing broker disclose the client ID post trade?

It is the Executing Broker's responsibility to flag the trade correctly ex-ante. If the trade is not correctly flagged, Eurex will take it as a non-disclosed trade and charge as such.

7. When the fee differentiation levels for the disclosed non members firms trades will be published by Eurex?

The new fee levels will be published as soon as they have been approved by our management. We envisage this to be somewhen after the summer break.

8. Are the affiliates of an Eurex member that are executing client business required to register with Eurex themselves in order to participate in the monetary incentive program or does every end clients of each affiliate need to register with Eurex?

As we are interested in the identity of the end client, it should be the end clients to register, not the affiliates of the Eurex member. We also plan to introduce a provision in our Terms & Conditions that should prohibit affiliates of Eurex trading members to become Buy-Side Clients.

2.2. Fee Code

1. Should we see difference in fees with new fee identification code compared to current fee values/ trade types?

No, there will be no differentiation in fees.

2. How many different fees are you expecting to charge for any given product?

The same as now.

3. When will the Fee Identification code field become mandatory?

When Eurex decommissions the current billing infrastructure (ETA Q4 2024).

4. Will we see any impact on the FeeCode values in historical transactions?

Yes, the correct value will be sent also for historical transactions after 5 June when the new fee report CB002 kicks in.

5. Will the CB002 be available as a restAPI and not just as a Report?

With C7 Release 9.1 CB002 will be provided in the usual report format. There are currently no plans to publish CB002 via API. RestAPI will not be supported by Eurex, instead any API development will be based on GraphQL API.

6. Does this change have an impact on ETI sessions?

New field FeeDntCode to be implemented if applicable.