Deutsche Börse

Processing of Bilateral Trades

Bilateral Aggregation and Routing to Settlement System – Service Description

Version 1

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1 Introduction

Bilateral trades on T7 (MICs XFRA, XETR[1], XHAM, XHAN, XDUS and XMUN[2]) are processed in the service called Bilateral Routing Service (BRS).

Bilateral trades are settled directly between two trading participants without a Central Counterparty being involved in the trade. Therefore, these trades are routed directly to the respective settlement systems. Because the trading system T7 has no direct connection to settlement systems, the routing is facilitated by BRS.

Trading Participants can opt to aggregate bilateral trades for settlement. Non-aggregated bilateral trades result in individual settlement instructions per trade, while aggregated trades are instructed in one settlement instruction for all trades within an aggregation unit (see chapter 2.1).

Aggregation is done against counterparties with the same settlement account in the same ISIN only and it is executed separately for the buy- and the sell side of the trades. Aggregation can be selected separately for the A and P account. All non-CCP ISINs are aggregated in the same way without differentiation by instrument type.

Bilateral aggregation is conducted on a trade date basis and is optional at the trading participant level. The aggregation is done if both parties have opted for bilateral aggregation only[3]. After the orders have been matched, bilateral trades are aggregated before routing them to Clearstream for settlement: The aggregated result plus the trades not marked for aggregation are forwarded to SETI at the end of each trading day. SETI is the Clearstream interface system that receives the bilateral trades and submits the corresponding settlement instruction into the respective settlement system. Further lifecycle management, e.g., delivery management, corporate action processing, blocking / unblocking etc. is processed by respective related systems of Clearstream. Therefore, the settlement and the corporate action reports from Clearstream contain the aggregated position, if aggregation is active for the trading participant. The benefit is that the number of settlement instructions can be significantly reduced due to settlement of the aggregated position instead of single trades.

The document is structured as follows:

- Chapter 2 gives a short overview of the details for bilateral aggregation
- Chapter 3 lists further contact information.

Following the migration from the XONTRO system to Deutsche Börse’s T7 trading architecture (expected in 2026), the German stock exchanges Hamburg (MIC XHAM), Hannover (MIC XHAN) and Düsseldorf (MIC XDUS) were integrated into the T7 system for on-exchange trading. Additionally, trading participants of these exchanges – including München (MIC XMUN) and Deutsche Börse Frankfurt (XFRA) – are able to submit off-exchange trades via the OTC Trade Upload functionality in T7. Unlike the other exchanges,

[1] Please note that bilateral trades on XETR are currently not supported.
[2] XMUN refers to Börse München, which is not integrated into T7 for on-exchange trading. However, its participants can submit off-exchange trades via the OTC Trade Upload functionality in T7.
[3] Please note that in case the trading participant has opted for both Settlement Internalisation and Bilateral Aggregation, and the counterparty is the same trading participant then the trades are internalized. There will be no bilateral aggregation afterwards.

Börse München was not integrated for on-exchange trading but participates exclusively in off-exchange (OTC) trading. These trades may occur between participants of the same exchange or across different exchanges (PUEV[4]).

[4] PUEV (Platzüberschreitender Effektenverkehr) refers to OTC trades between participants of different German bilateral stock exchange trading venues. In the context of the OTC Trade Upload functionality, such trades are flagged with MIC XFRA, processed identically to other bilateral XFRA trades and included in respective reports.

2 Setup and Functionality of Bilateral Aggregation

2.1 Aggregation

When trades are aggregated, the buy and the sell trades are summed up separately. In contrast to netting, no offset is calculated and the full buy and sell sides are instructed.

All bilateral trades (including TES[5] trades, OTC Trade Uploads and PUEV trades) that are received on the current business day and that are flagged for bilateral aggregation (see chapter 2.2 for details) are considered for the bilateral aggregation process.

For OTC trades submitted via the OTC Trade Upload functionality with a deviating trade date (see chapter 2.5), the actual trade date is used for aggregation purposes and may refer to a date prior to the current business day.

The aggregation unit (AU) is defined by the following criteria:

- ISIN
- Settlement currency
- Contractual settlement date
- Trade date (for OTC Trade Uploads with a deviating trade date, the actual trade date is used, which may refer to a date prior to the current business day; see chapter 2.5)
- MIC[6]
- Settlement account
- Settlement account of counterparty
- Member KV number
- Member KV number of counterparty
- Buy / Sell

The quantity of shares and the amount of cash is summed up for all bilateral trades of the same aggregation unit. In this process one aggregated position for the sell side and one aggregated position for the buy side is created. In case of trades notated in per cent the accrued interests of the single trades are summed up (no rounding takes place).

For trades to be aggregated, both trading participants need to have the aggregation flag activated for the respective account types, A (agent) or P (proprietary), relevant for the trade as shown below.

[5] TES (Trade Entry Services) is the off-book trading functionality in T7 for Deutsche Börse Xetra and Deutsche Börse Frankfurt. It allows participants to manually enter trades into the system for on-exchange execution of large-in-scale orders (LIS) or for the settlement of off-exchange transactions (OTC).

[6] Please note chapter 2.5

Party		Trading Participant Two			
		A account = no	P account = no	A account = yes	P account = yes
Trading Participant One	A account = no	no	no	no	no
	P account = no	no	no	no	no
	A account = yes	no	no	yes	yes
	P account = yes	no	no	yes	yes

The picture reads like this: If "Trading Participant One" trades on his A account and has set the bilateral aggregation flag on his account to "yes", and his counterpart, "Trading Participant Two", trades on his P account and has set the bilateral aggregation flag to "yes" for his P account, then the trade will be aggregated with other trades between these two trading participants. If bilateral aggregation is set to "yes" for A and P account of a trading participant, then A and P are aggregated together. It is not possible to aggregate trades on the A and P account separately. The account type of the aggregated position is the same as the one of the contained bilateral trades if all bilateral trades have the same account type. If the account types of the contained bilateral trades are different, the aggregated position gets the proprietary account type "PP".

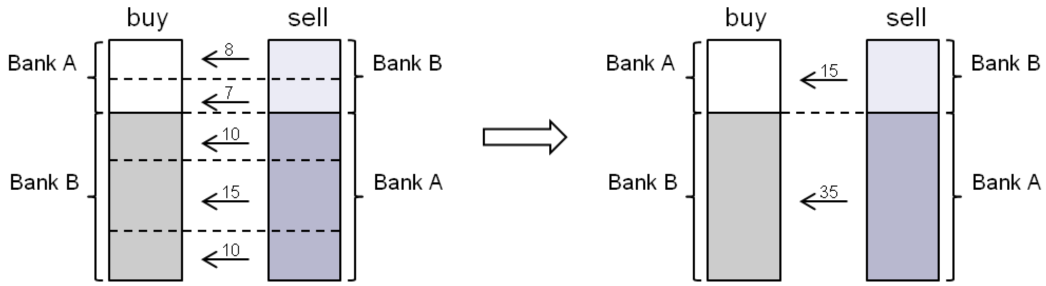
Each aggregated position receives a new trade ID by BRS. This trade ID is unique for the business day and is used in the same way as the trade ID for single trades (i.e., it can also be used as settlement reference at SETI). The key word "BILAGG" is added before the new trade ID (i.e., in tag 21 and tag 70e of bilateral aggregation reports, see chapter 2.6) and the original trade IDs created in T7 are reported for each aggregated position to allow mapping to the aggregated position.

The aggregated position is created after the T7 Trade Notification message in the Enhanced Trading Interface (ETI) or after the Trade Capture Report message in FIX has already been sent, so no additional trade confirmation message is provided for the aggregated position in T7. Instead, the aggregated position is reported via the Common Report Engine (CRE) or z/OS File transfer (SNA) in the bilateral aggregation reports as described in chapter 2.6.

2.1.1 Examples of Aggregation

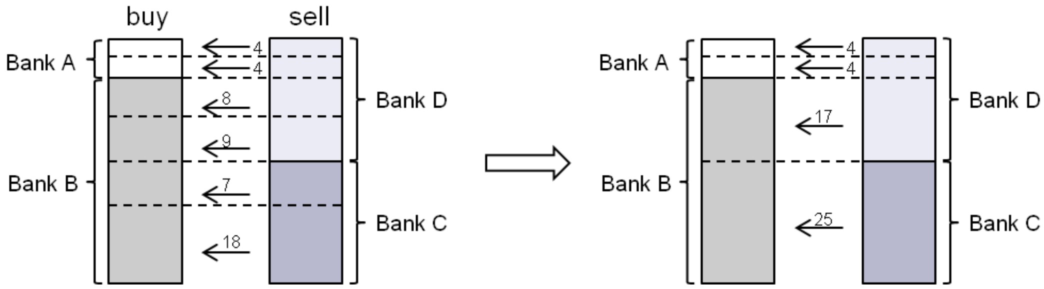
Example 1)

Bank A sold shares of an ISIN to Bank B, but also bought shares from Bank B in the same ISIN. After aggregation, each counterparty has up to one buy and one sell side, provided that both parties fulfil the respective aggregation prerequisites:



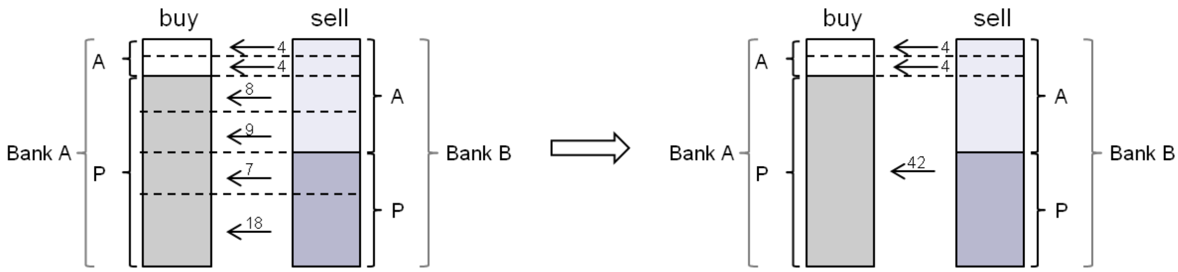
Example 2)

Bank B, Bank C and Bank D changed the account setting to aggregation. Bank A does not do aggregation.



Example 3)

Bank A does aggregation only for P trades. Bank B does aggregation for all trades.



2.2 Prerequisite

Before applying for bilateral aggregation, the trading participant has to ensure that the settlement infrastructure used, e.g., his settlement agent, is capable of processing the aggregated positions. The respective agreements and declarations for trading participants and settlement institutes need to be in place. Also, the trading participant might need to be able to reconcile single trade information with aggregated positions.

With their will to bilaterally aggregate trades, the trading participants instruct DBAG to aggregate obligations between two counterparts bilaterally on their behalf and in their name. The role of DBAG is purely technical.

A trading participant can choose to aggregate on his A account and on his P account (see chapter 2.1 for further details).

2.3 ETI Trade Notification / FIX Trade Capture Report

The T7 ETI Trade Notification message and the T7 FIX Trade Capture Report message indicate if a trade will be aggregated or not. If both trading participants of a bilateral trade opted for bilateral aggregation the field ClearingInstruction (Tag 577) is filled with ‘2’ (Bilateral netting only).

There will be no messages for aggregated positions which are performed in BRS. The aggregated positions can be seen in the bilateral aggregation reports, offered via the CRE and z/OS File transfer (see chapter 2.6. for details).

2.4 TES Trades

Trade Entry Service (TES) trades of type OTC or LIS with the same contractual settlement date are aggregated. I.e., if on the same trade date TES trades with different settlement dates were entered, an aggregation position is built for each settlement date (more than one aggregation position is possible depending on the other aggregation unit criteria).

2.5 OTC Trade Uploads and PUEV trades

For OTC trades submitted via the OTC Trade Upload functionality by participants of the German bilateral stock exchange trading venues (i.e., XFRA, XDUS, XHAM, XHAN, XMUN), the MIC flagged in the trade may differ depending on the counterparties involved. If both counterparties belong to the same exchange, the MIC of that exchange is used (e.g. XDUS). If the trade is between participants of different exchanges (PUEV), the MIC XFRA is used and reflected in respective reports. With T7 release 15.0, a deviating trade date field is introduced in T7 for non-CCP OTC trades submitted via the OTC Trade Upload functionality. When populated, this field contains the actual trade date of the transaction, which may differ from the current T7 business day. In such cases, the actual trade date is used as the trade date criterion for bilateral aggregation (see chapter 2.1) and is reflected as the trade date in the bilateral aggregation reports (see chapter 2.6). The current business day remains the processing date on which the trade is received and aggregated by BRS.

2.6 Reports

Aggregation Unit Reports

Two report types are offered to report bilateral trades to trading participants. The first one is offered to report the aggregated positions plus those trades not marked for aggregation (if wanted by the trading participant), the second one to report the aggregated positions and the corresponding single trades used to create the aggregated positions but not containing gross processed trades. Both report types are offered as raw report in SWIFT format (MT512 and MT518). Each report is offered per MIC (i.e., XETR[7], XFRA, XHAM, XHAN, XDUS and XMUN). The following report names and IDs are used:

- BA100 "AGGR. POS. CONFIRMATION XETR" (MT512)
- BA200 "AGGR. POS. CONFIRMATION XFRA" (MT512)
- BA300 "AGGR. POS. CONFIRMATION XHAM" (MT512)
- BA400 "AGGR. POS. CONFIRMATION XHAN" (MT512)
- BA500 "AGGR. POS. CONFIRMATION XDUS" (MT512)
- BA600 "AGGR. POS. CONFIRMATION XMUN" (MT512)
- BA105 "AGGR. PROCESSING REPORT XETR" (MT518)
- BA205 "AGGR. PROCESSING REPORT XFRA" (MT518)
- BA305 "AGGR. PROCESSING REPORT XHAM" (MT518)
- BA405 "AGGR. PROCESSING REPORT XHAN" (MT518)
- BA505 "AGGR. PROCESSING REPORT XDUS" (MT518)
- BA605 "AGGR. PROCESSING REPORT XMUN" (MT518)

The reports BAX00 contain all aggregated positions of a trading participant of the current business day. For OTC Trade Uploads with a deviating trade date, the trade date reflected in the report may refer to a date prior to the current business day (see chapter 2.5). Additionally, the trading participant can choose to add those trades to the report that have not been aggregated. With this the report can be used for reconciliation because it reflects the instructions to the CSD. The selection if non-aggregated trades are included can be done by the trading participant via report selection form.

The reports BAX05 contain all aggregated positions and corresponding single trades of a trading participant of the current business day. For OTC Trade Uploads with a deviating trade date, the trade date reflected in the report may refer to a date prior to the current business day (see chapter 2.5). The reporting is done on trading participant level. Depending on the admission role of the trading participant, different aggregated positions are reported. Trading participants receive all aggregated positions of their trades. Settlement institutes receive all aggregated positions of their trading participants, applying bilateral aggregation. In case a

[7] XETR reports are currently empty as non-CCP trades are not supported.

trading participant is acting in both roles only one report is provided containing his own aggregated positions and the aggregated positions of his trading participants.

The reports are available via CRE or z/OS File transfer. A detailed description of all reports is provided via a separate document.

T7 Trade Reports

All trades that are considered for bilateral aggregation contain value “2” (Bilateral netting only) in the field ClearingInstruction in the T7 Trade Notification (in ETI) or the Trade Capture Report (in FIX LF) message. This is also reflected in field clgInstr in the daily report “TC810 – T7 Daily Trade Confirmation”.

2.7 Trade Reversal

If a trade is identified on T+0 to be a mispriced trade, and the trade is reversed on the same day, it is not instructed at all. No special processing is required for bilateral processing.

If the trade is not deleted on T+0 then an instruction is sent to the CSD in the evening and a counter trade needs to be entered on T+1. The counter trade is settled on the same day as the mispriced trade so that neither shares nor money are transferred.

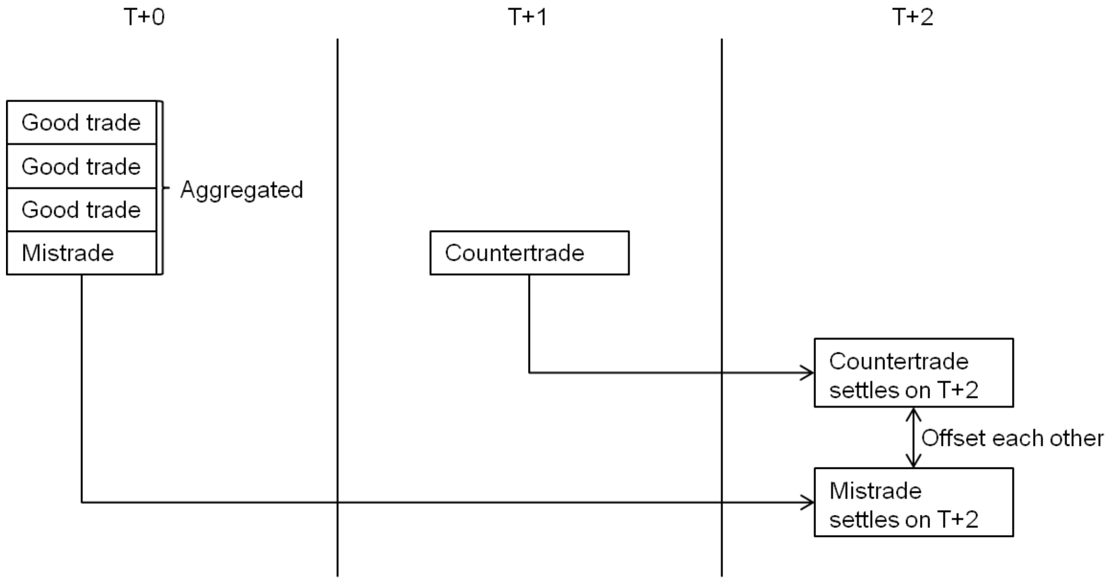


Figure 1: Mispriced trades and countertrades on T+1

If a corporate action is processed on T + 0 on the mispriced trade, the countertrade has to reflect this corporate action already when the countertrade is entered.

Because aggregation is done per trading day and per settlement day, the countertrade is not aggregated with other trades that settle two days after the trade was done.

3 Contact

Should you have any further questions or require additional information, please call your Key Account Manager. For technical support, please contact Customer Technical Services. For mistrade handling, please call Cash Market Operations.

Hotlines: https://www.cashmarket.deutsche-boerse.com/cash-en/your-contacts

4 Change Log

Date	Changes
17 May 2013	Initial Release Version
21 August 2023	Bilateral Routing Service - Migration of post-trade processing of bilateral trades to a new technical infrastructure (no functional changes)
25 July 2024	Editorial changes
7 March 2025	Editorial changes
18 August 2025	Including Bilateral Aggregation for TES trades (new chapter 2.4), change to new Cash Market URL, references to the XONTRO to T7 migration (scheduled for early 2026), minor editorial improvements
9 March 2026	Editorial changes due to Deutsche Börse rebranding, change to new URL and other minor adjustments
17 August 2026	Support for OTC Trade Uploads with a deviating trade date and related updates to aggregation and reporting logic