



**CCP Release 12.0  
Buy-in User Guide – FSE, Eurex Bonds, Eurex Repo  
and Eurex Exchanges (Update)**

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## 1 Introduction

This Buy-in User Guide describes the buy-in functionality provided with Eurex Clearing's CCP Release 12.0. The document contains the buy-in process including specific procedures, and the Cash Settlement Process in case of an unsuccessful buy-in process.

The buy-in process is initiated by Eurex Clearing AG in case of failed trades from the FSE (Frankfurt Stock Exchange) in equity style products, or in fixed income products from the FSE, Eurex Bonds and Eurex Repo, or in subscription rights<sup>1</sup>, or is initiated in case of failed deliveries out of the physical fulfillment of derivative contracts from Eurex Deutschland and Eurex Zürich AG (hereinafter referred to "Eurex Exchanges").

Buy-in process for Eurex/ISE Link as well as for Eurex Clearing's securities lending service is described in separate documents.

According to process requirements, the Eurex Clearing AG, acting as buy-in counterpart, involves the Clearing Member (CM) signing responsible for the late sell trade, buy-in auction participants selling to Eurex Clearing AG, and the buyer(s) of the securities.

Chapter 2 gives an overview to the buy-in process.

Chapter 3 details the buy-in processing.

Chapter 4 details the cash settlement procedure.

Chapter 5 describes the display of buy-in related trade information on the Eurex Clearing's Securities Clearing GUI.

Chapter 6 describes the display of buy-in related trade information in the CCP print reports and raw data files.

This document was updated. Chapter 2.5 was deleted all other changes are marked yellow.

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<sup>1</sup> The term "equity style products" covers equities, all depository receipts (GDRs, ADRs, etc.) and also ETCs/ETNs, the term "subscription rights" covers traded subscription rights and additional rights resulting from corporate actions. Therefore in the following descriptions it is only necessary to distinguish between equities and subscription rights where essential.

## 2 Buy-in Process Overview

In this chapter an overview of the CCP buy-in process related to buy-in auction for failed equity or fixed income trades, to a disclosure for late subscription rights, and cash settlement for aforementioned products is given. Thereby the buy-in auctions are supported by a multi-markets platform, the Buy-in Tool.

The buy-in process consists of transactions within the CCP system, as well as of transactions outside of the CCP system via the Buy-in Tool and via the Central Security Depositories' settlement applications: CASCADE and Creation at Clearstream,<sup>2</sup> SECOM at SegalInterSettle (SIS) and CREST at Euroclear UK & Ireland (EUI).

The CCP buy-in process is designed in accordance with the product per market and in accordance to the EU Short Selling regulation. The general buy-in process is related to the CSDs CBF, CBL and SIS and consists of buy-in auctions or cash settlement. The special buy-in process is related to Euroclear UK & Ireland and consists as well of buy-in auctions or cash settlement but based on a special schedule. Additionally, a disclosure process (not a buy-in) for subscription rights takes place.

The following table shows the buy-in applicability to the several products in scope:

Product per Market		Buy-in Process	Settlement Currencies	Auction & Cash Settlement	Disclosure & Cash Settlement	Remark
<b>Equities</b>						
Custody Type	CSC	Eqt. via CBF (incl. XTF, ADR)	EUR, USD	x		
		Eqt. via SIX SIS	CHF	x		
	NCSC	Eqt. via CBL	EUR	x		
		Eqt.(incl. ETC) via EUI	GBP, EUR, USD	x		Special schedule and process
<b>Subscription Rights</b>						
Custody Type	CSC	Sbscr. via CBF	EUR (if applicable)		x	
		Sbscr. via SIX SIS	CHF (if applicable)		x	
	NCSC	Sbscr. via CBL	EUR (if applicable)		x	
		Sbscr. via EUI	GBP, EUR (if applicable)		x	
<b>Bonds</b>						
Custody Type	CSC	Bonds via CBF	EUR	x		
	NCSC	Bonds via CBL, EB, VPD	EUR, DKK	x		

### 2.1 Buy-in Participants

Every Trading Member wishing to go in for auctions to make a bid in the respective product can apply for an authorized Buy-in Member status, hereinafter referred to as "buy-in seller". For the admission a buy-in contract with Eurex Clearing AG must be signed, which can be downloaded from the Eurex website [www.eurexclearing.com](http://www.eurexclearing.com) > Resources > Forms. The Buy-in Members have access to the web-based Buy-in Tool and are invited to bid in every announced buy-in attempt<sup>3</sup>. The Buy-in Member is not allowed to participate in the buy-in auction, if he has got failed trades in the security to be stocked up.

<sup>2</sup> Depending on the custody type, CASCADE is the settlement system for trades in instruments held in German or foreign "Collective-Safe-Custody (CSC)", while Creation is used for trades in "Non-CSC (NCSC)" instruments.

<sup>3</sup> Admission procedure and user information are described in the separately published Buy-in Tool Guide on the EUREX website [www.eurexclearing.com](http://www.eurexclearing.com) > Technology > Eurex Clearing's Securities CCP > System documentation > Release 10.0 / T2S wave 2 > Functional Manuals; the operating rules are described in the Auction Terms of Eurex, available under > Resources > Rules & Regulations > Clearing Conditions.

## 2.2 Buy-in Schedules

### 2.2.1 General Buy-in Schedule for ISINs that fall under the EU Short Selling regulation

The buy-in process is initiated to settle outstanding failed equity trades in ISINs that fall under the EU Short Selling regulation of a Clearing Member that are to be settled at the CSDs CBF, CBL, SIS and Euroclear UK & Ireland.

The Clearing Member signing responsible for the late sell trade, hereinafter referred to as the “original seller”, has the opportunity of delivering the securities until the buy-in attempt, and in-between the buy-in and the cash settlement attempt in case the buy-in attempt is unsuccessful.

A cash settlement for the remaining quantity will be initiated on S+8.

The general buy-in process for ISINs that fall under the EU Short Selling regulation is as follows:

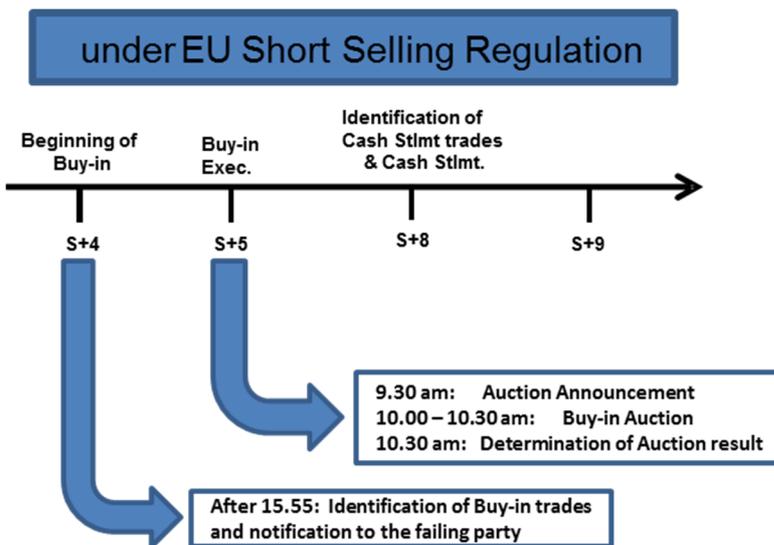


Figure 1a: Buy-in for ISINs that fall under the EU Short Selling regulation and to be settled at the CSDs CBF, CBL, SIS as well as Euroclear UK & Ireland.

For late subscription rights the specific processing described in chapters 2.4 and 3.4 applies<sup>4</sup>.

### 2.2.2 General Buy-in Schedule for ISINs that do not fall under the EU Short Selling regulation

The buy-in process is initiated to settle outstanding failed equity trades in ISINs that do not fall under the EU Short Selling regulation or bond trades of a Clearing Member that are to be settled at the CSDs CBF, CBL, Euroclear Bank (EB) or SIS. It consists of a regular and an additional

<sup>4</sup> Throughout the document the term “subscription rights” comprises additional rights (additional trades due to corporate actions) as well as traded rights (trades imported from the trading locations Xetra and Xetra Frankfurt Specialist). While traded rights result from shares securitized and held in CSC, additional rights resulting from corporate actions may be rights or partial rights held in NCSC/CSC. Pursuant to the Clearing Conditions for Eurex Clearing AG the special processing applies to both similarly.

buy-in initiation schedule. While the regular process comprises a sequence of three buy-in attempts<sup>5</sup> and a cash settlement, in the additional process a buy-in auction and a subsequent cash settlement are performed as long as the preceding attempts have been successful.

The Clearing Member signing responsible for the late sell trade, hereinafter referred to as the “original seller”, has the opportunity of delivering the securities until the first buy-in attempt, and in-between the proceeding buy-in and cash settlement attempts in case the buy-in or cash settlement attempt is unsuccessful.

A cash settlement for the remaining quantity will be initiated for the first time on S+30, if the assigned buy trade(s) is (are) at least 30 days late. The cash settlement can then be attempted for the first time during a time period of six days from S+30 till S+36.

With the extended buy-in process the auction and cash settlement sequence can be repeated with an open end until the delivery obligation of a late trade has been (completely) fulfilled. Each specific buy-in attempt must have been performed before a cash settlement can potentially take place.<sup>6</sup>

The general buy-in process is as follows:

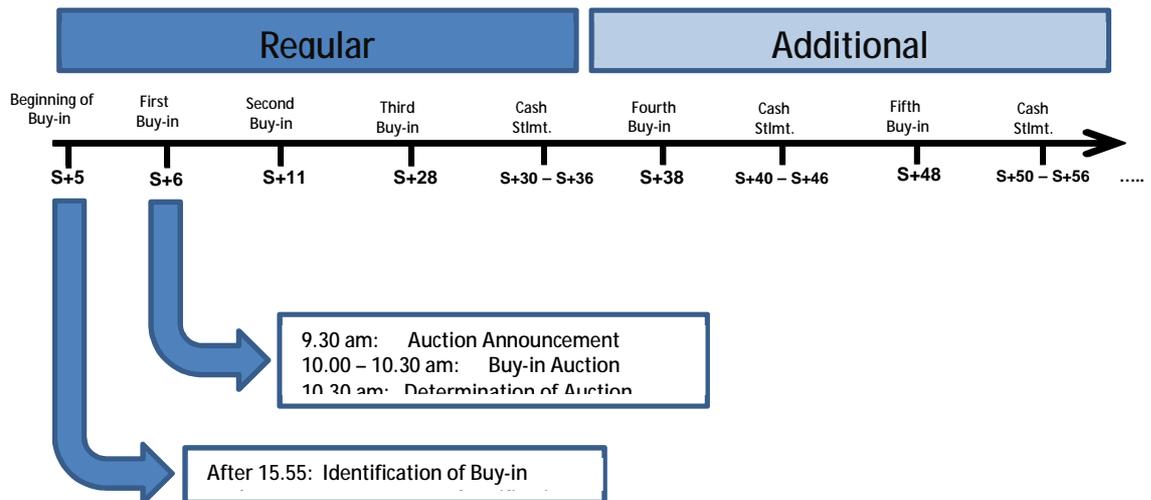


Figure 2: General Buy-in Schedule for ISINs that do not fall under the EU Short Selling regulation

This schedule is only valid for buy-in and cash settlement of late equity trades in ISINs that do not fall under the EU Short Selling regulation and bond trades.

For late trades in United Kingdom (UK) and Irish equities in ISINs that do not fall under the EU Short Selling regulation and in Exchange-Traded Commodities Securities to be settled at the CSD Euroclear UK & Ireland, the schedule is modified, as described below. The applicable buy-in process and specifics are described in chapter 2.3 and 3.2.

For late subscription rights the specific processing described in chapters 2.4 and 3.4 applies<sup>7</sup>.

<sup>5</sup> The number of days late as basis for first and second buy-in auction attempts is defined in the Clearing Conditions for Eurex Clearing AG, *ibid*.

<sup>6</sup> For details in the context of delay in delivery or payment please refer to the Clearing Conditions for Eurex Clearing AG, available [www.eurexclearing.com](http://www.eurexclearing.com) > Resources > Rules & Regulations > Clearing Conditions at the Eurex website.

<sup>7</sup> Throughout the document the term “subscription rights” comprises additional rights (additional trades due to corporate actions) as well as traded rights (trades imported from the trading locations Xetra and Xetra Frankfurt Specialist).

### 2.2.3 Extraordinary Buy-in Schedule

In exceptional cases Eurex Clearing AG has the right to initiate a buy-in outside of the above mentioned schedules. An extraordinary buy-in applies not only in case a scheduled corporate action event for the respective security takes place on a regular buy-in announcement day but in general.<sup>8</sup>

Hence, Eurex Clearing AG will initiate a buy-in auction outside of the general schedule as follows:

- If the buy-in auction coincides with a corporate action entitlement day of an instrument, it will be postponed for one business day. Hence, a buy-in auction on the entitlement day of a corporate action would be avoided according to this business procedure.
- As subscription rights are in general available for trading and delivery during a restricted period, a special schedule is required to ensure the settlement before the subscription right's expiration date, i.e. at the end of the subscription period or 20 business days after the contractual settlement day (whichever date is earlier).

### 2.2.4 Special Buy-in Schedule for Options Contracts of Group ID GB11 and IE11

For late trades from options contracts with the assigned group IDs GB11 and IE11 the buy-in process schedule is limited to a regular schedule as follows:

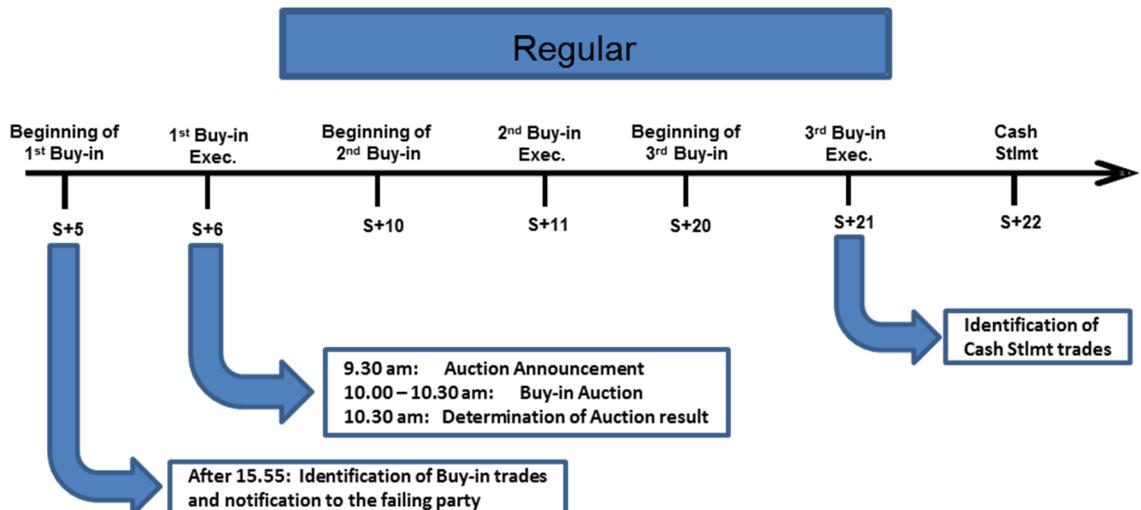


Figure 3: Special Buy-in Schedule for options contracts of Group GB11 and IE11

It comprises a sequence of three buy-in attempts. If the third buy-in auction has still not completely fulfilled the delivery obligation of the late sell trade, a cash settlement with value date S+22 is finally initiated for the remaining quantity. The three buy-in auctions must have been

While traded rights result from shares securitized and held in CSC, additional rights resulting from corporate actions may be rights or partial rights held in NCSC/CSC. Pursuant to the Clearing Conditions for Eurex Clearing AG the special processing applies to both similarly.

<sup>8</sup> The details regarding this extraordinary procedure are contained in the Clearing Conditions for Eurex Clearing AG, *ibid.*

performed before the cash settlement can potentially take place.

The original seller has the opportunity of delivering the securities after the contractual settlement date until the first buy-in attempt and in-between the proceeding buy-in attempts, until the cash settlement.

If a buy-trade is 21 business days late, a sell-out would be processed, as detailed in chapter 2.3.<sup>9</sup>

When a buy-in attempt has been (partially) successful, the original seller and the Eurex Clearing AG have to delete their pending instruction in CREST. If he has not met the obligation to match the cancellation in CREST and thus transfers securities to the Eurex Clearing AG, the original seller will be in charge: He has to match a reverse instruction from Eurex Clearing AG, and for the significant effort to turn the settlement back, he is liable to pay buy-in fines to Eurex Clearing AG.<sup>10</sup> The fines processing is described in chapter 3.5.

### 2.2.5 General Buy-in schedule for UK and Irish products traded via ISE which are not ESMA regulated

For late trades in UK and Irish products traded via ISE which are not ESMA regulated the buy-in process schedule is follows:

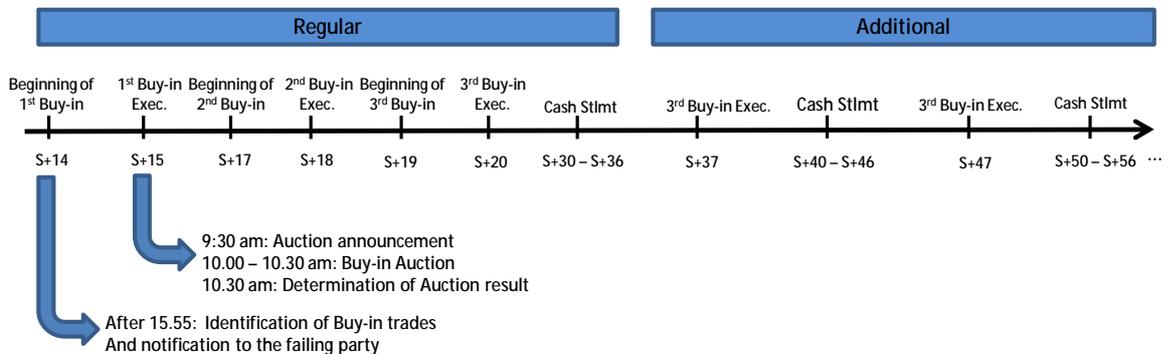


Figure 4: Buy-in schedule for UK and Irish products traded via ISE which are not ESMA regulated

The buy-in process is initiated to settle outstanding failed equity trades of UK and Irish products traded via ISE which are not ESMA regulated. It consists of a regular and an additional buy-in initiation schedule. While the regular process comprises a sequence of three buy-in attempts and a cash settlement, in the additional process a buy-in auction and a subsequent cash settlement are performed as long as the preceding attempts have been successful.

The “original seller”, has the opportunity of delivering the securities until the first buy-in attempt, and in-between the proceeding buy-in and cash settlement attempts in case the buy-in or cash settlement attempt is unsuccessful.

<sup>9</sup> Because this is an exceptional case, the sell-out is considered here as a subordinate procedure and not given an own chapter like cash settlement.

<sup>10</sup> For further details please refer to the Clearing Conditions for Eurex Clearing AG, available under [www.eurexclearing.com](http://www.eurexclearing.com) > Resources > Rules & Regulations > Clearing Conditions at the Eurex website.

A cash settlement for the remaining quantity will be initiated for the first time on S+30, if the assigned buy trade(s) is (are) at least 30 days late. The cash settlement can then be attempted for the first time during a time period of six days from S+30 till S+36.

With the extended buy-in process the auction and cash settlement sequence can be repeated with an open end until the delivery obligation of a late trade has been (completely) fulfilled. Each specific buy-in attempt must have been performed before a cash settlement can potentially take place.

### 2.2.6 Buy-in Auction Schedule

A buy-in auction is performed according to this timeline<sup>11</sup>:

Timeline for ISINs that are to be settled at CBF, CBL, SIS and Euroclear UK & Ireland:

#### Current Day:

After 03:55 p.m.: Identification of Buy-in trades and notification to the failing party

#### Next Day:

09.30 a.m.: Announcement of buy-in auction

10.00 a.m. – 10.30 a.m.: Buy-in auction

10.30 a.m.: Determination of auction result

In the event of a (partially) unsuccessful buy-in attempt in an ISIN that does not fall under the EU Short Selling regulation, the next buy-in attempt follows again this timeline.

## 2.3 Buy-in Process for UK and Irish Instruments for ISINs that do not fall under the EU Short Selling regulation and for Exchange-Traded Commodities Securities

The buy-in process for UK and Irish trades in ISINs that do not fall under the EU Short Selling regulation and trades in Exchange-Traded Commodities Securities takes the match status of the trades' buy and sell side into account:

If both sides of a late trade – the sell side of the member and the buy side of the CCP – are matched, the late trade will be considered in the regular schedule for CREST trades depicted above. In case of unsuccessful buy-in attempts, the cash settlement for a late sell trade will be processed on S+21. Further details of the cash settlement procedure can be found in chapter 4.

If the sell side of the member is unmatched, the buy-in process consisting of three buy-in attempts or a cash settlement for the late sell trade is conducted nevertheless, according to the regular schedule.

If the buy side of the member is late and unmatched, buy-in attempts and cash settlement are not applicable. Instead, a sell-out will be conducted in the way that Eurex Clearing AG sells the stock holdings in the market, which have accrued due to settled sell trades. The late buy trade

<sup>11</sup> The auction timelines may slightly vary due to individual settlement time frames in the CSDs' settlement systems. The time measurement is always referring to Central European Time (CET).

will be cancelled by Eurex Clearing AG. In the CCP the failed buy trade will be earmarked as “cash settled”. The defaulting Clearing Member will be excused from the buy obligation and liable to pay to Eurex Clearing AG an allowance of expenditures caused by the sell-out activities.

## **2.4 Buy-in Process for Subscription Rights**

Within the CCP two types of subscription rights are processed:

1. Traded rights are received from the trading locations Xetra and Xetra Frankfurt Specialist.
2. Additional rights are not imported from a trading location but added as trades to the CCP due to corporate action event processing based on pending equity trades.

Both additional and traded rights can occur in the same Instrument Security Identification Number (ISIN).

The custody type “CSC” or “NCSC” of the instrument is not important for the buy-in processing of subscription rights, which is detailed in chapter 3.3.

With the buy-in process for subscription rights a specific procedure is in place considering a disclosure period, and if the disclosure was not successful a cash settlement. This procedure applies for additional and for traded rights.

Please note: Partial rights are cash settled by Eurex Clearing AG, no disclosure is conducted.

### 3 Buy-in Processing

#### 3.1 General Principles

A buy-in or cash settlement is performed by Eurex Clearing AG for a failed sell trade from Xetra or Xetra Frankfurt 2 (FSE), EUREX Bonds, EUREX Repo or for a physical fulfillment of a derivative contract at Eurex Exchanges<sup>12</sup> not settled within a specified number of days after its contractual settlement date.

Furthermore, a failed trade may arise from the obligation to deliver a specified number of subscription rights not settled within the specified number of late days during the subscription period. This implies a disclosure or a cash settlement.

Quantities contained in an offsetting block resulting from the CCP settlement netting processing are not subject to buy-in processing at all, as here the obligation to deliver securities is offset against the right to receive the same amount of securities. Hence the buy-in processing applies only to net surplus or gross trades to be physically delivered at the respective CSD.

On the basis of the specified number of late days, Eurex Clearing AG takes the following measures regarding failed equity and bond trades:

Eurex Clearing AG initiates buy-in auctions in order to find buy-in sellers to deliver the securities in place of the late original seller. Trades resulting from a buy-in auction are hereinafter referred to as "buy-in trades". The buy-in seller has the obligation to deliver the buy-in securities to the CCP, whereas the originally selling Clearing Member legally retains the obligation to deliver until the buy-in trade is settled. This implies that both, the original seller and the buy-in seller, have a delivery obligation until the settlement of the buy-in trade is verified. As a consequence the failed trade has to be considered as pending within the CCP system up to the settlement of the buy-in trade.

Where it is not possible to receive the total quantity of the failed trade with one buy-in trade, several buy-in trades can be necessary to receive the corresponding quantity of the failed trade. The (several) buy-in trade(s) will be instructed via the CSD's settlement application, depending on the custody type or the settlement currency, as already depicted in the overview table in chapter 2. I.e., while CSC trades are instructed as OTC instructions in CASCADE, CHF trades are instructed via SIS in the SECOM system. NCSC trades are instructed in Creation, and all UK and Irish trades and trades in Exchange-Traded Commodities Securities are instructed in CREST.

Where the buy-in auctions do not lead to a delivery of the required securities, the trade is still regarded as failed and subject to further processing. Eurex Clearing AG performs a cash settlement whereby the obligation to deliver the securities is replaced by a cash payment. Eurex Clearing AG determines the affected buy and sell trades, calculates the cash settlement price, creates the corresponding cash transactions and then marks the trades as "cash settled".

Where the buy-in trade is settled, the delivery obligation of the failed original seller is set to "buy-in settled" in the CCP system for the corresponding quantity of the failed trade. The failed trade remains existent until its total quantity is settled by buy-in trades or by delivery from the original

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<sup>12</sup> Derivative contracts are limited to those contracts, which are to be fulfilled physically. However, failed deliveries resulting from notifications/allocations of fixed income futures are not subject to the buy-in processing outlined in this document.

seller himself, or by cash settlement. The defaulting original seller will be debited via the CCP system with the price difference between failed sell trade and the buy-in trade.<sup>13</sup>

Late delivery fines will be charged for equities falling under the EU Short Selling regulation per clearing member and business day from the first day of non-delivery onwards. Late delivery fines and interest of delay for ISINs that do not fall under the EU Short Selling regulation are calculated for any pending part of a failed equity trade but are currently not charged. Both figures are calculated and charged for bond trades at Eurex resulting from notifications/allocations.

Eurex Clearing AG takes specific measures for UK and Irish trades and for subscription rights, which are described separately in the next chapters.

### **3.2 Buy-in Processing of Trades in UK and Irish Instruments that do not fall under the EU Short Selling regulation and in Exchange-Traded Commodities Securities with Settlement in EUI**

For trades in UK and Irish instruments and in Exchange-Traded Commodities Securities, the processing method "Gross" and the release method "Negative" are applied per default in the CCP. A buy-in for failed sell trades is performed by Eurex Clearing AG according to the schedule already specified in chapter 2.2.4.

If the buy-auction was not successful, the failed trade keeps the default release status "released" and is again subject to regular CCP processing.

The release status "buy-in blocked" refers to the failed sell trade subject to a buy-in auction that has at least partially been successful. Thus it is ensured that the trade is excluded from Gross Delivery Management transactions (except for trade inquiry in the *Trade Overview*).<sup>14</sup> The successfully stocked up quantity of the pending transaction in CREST has to be deleted by Eurex Clearing AG and the Clearing Member; a duplicate settlement due to omission on defaulting member-side will be fined.

According to the successfully stocked up quantity, an instruction will be entered into the CREST system by Eurex Clearing AG and the buy-in seller; the procedure is described in detail in section 3.4.5.

In case the buy-in trade could not be settled in CREST, the respective trade is buy-in released and receives then the release status "released".

The buy-in block and buy-in release activities are recorded in the Daily Gross Delivery Management report (CB230). A buy-in blocked trade is marked accordingly on the member GUI and in the Pending Delivery report (CE260).

For details regarding the status display on the member GUI in the *Trade Overview* and the *Detailed Trade Information* window see chapters 5.1 and 5.2. Regarding the impacts on the CCP print reports and raw data files see the descriptions in chapters 6.1 and 6.2.

<sup>13</sup> For deliveries of FSE bonds, EUREX Bonds and EUREX Repo the accrued interest will be displayed in the trade confirmation mail of the auction.

<sup>14</sup> For further details regarding the usage of Eurex Clearing's "Securities Clearing GUI", please refer to the separately published CCP User Guide.

### 3.3 Buy-in Processing of Subscription Rights

Eurex Clearing AG will not initiate a buy-in auction in order to find counterparties to deliver subscription rights in place of the original seller of the failed subscription rights position in CSC or NCSC. Eurex Clearing AG will rather perform a disclosure on the last day of the subscription period or 20 business days after the contractual settlement day (whichever date is earlier).

The buy-in processing of subscription rights as a specific CCP procedure is conducted by the following two step approach:

1. Last day of subscription period or 20 business days after the contractual settlement day (whichever date is earlier):  
CCP discloses original seller and buyer. A maximum of 10 business days is allowed for a bilateral settlement between both counterparties.
2. After disclosures period:  
If no agreement between the respective Clearing Members has been reached, Eurex Clearing AG determines a cash settlement in the settlement currency of the instrument.

This buy-in processing does not differentiate between traded rights and additional rights, but they are distinguishable by having a counter-value or not.

#### 3.3.1 Last Day of Subscription Period

On the last day of the subscription period, Eurex Clearing AG identifies all surplus and gross trades that are late on level CCP-CM. Traded subscription rights held in CSC are set to "ISIN block" on that day. Then Eurex Clearing AG discloses the respective counterparties of these remaining buy and sell trades to the affected Clearing Member.

The trades with release status "ISIN Block (IB)" are displayed on the *Trade Overview* and the *Detailed Trade Information* window. In the Pending Delivery report (CE260) the respective trades are marked accordingly on CCP-CM. For late trades in United Kingdom (UK) and Irish equities that do not fall under the EU Short Selling regulation as well as in Exchange-Traded Commodities Securities there exists a special schedule as described in 2.2.4 "Special Buy-in Schedule for ". The ISIN block action is recorded in the Daily Gross Delivery Management report (CB230). For details regarding the status display on the member GUI in the *Trade Overview* and the *Detailed Trade Information* window see chapters 5.1 and 5.2. Regarding the impacts on the CCP print reports and raw data files see the descriptions in chapters 6.1 and 6.2.

#### 3.3.2 Disclosure Period

During the following disclosure period of ten business days the counterparties have the opportunity to bilaterally agree on a regulation of the deliverable part of the original transaction. Whenever the Clearing Members have confirmed in writing to Eurex Clearing AG a positive settlement feedback, the respective trades receive the settlement status "externally settled". In the Settled Delivery report (CE270) the trades are marked with "EXTE" on the level CCP-CM and "SETTLED" on level CM-customer.

The cash part of the original transaction, typically not equal to 0 for traded rights, is still regulated between the respective Clearing Members and Eurex Clearing AG, as described in chapter 4.2.2. The cash amount is entered by Eurex Clearing AG with cash transaction type 452 CASH SETTLEMENT RCV used to credit the original seller, and with cash transaction type 454 CASH SETTLEMENT PAID used to debit the buyer. Value date for these cash transaction is the following business day.

If the members cannot agree on a bilateral regulation, or, if this agreement is not indicated by both parties to Eurex Clearing AG during the disclosure period until latest until 10:00 a.m. on the business day after the tenth day, the trades will keep their release status "ISIN Block". They are considered within the cash settlement process, as described in chapter 4.

### **3.4 Buy-in Auction**

A buy-in is performed on an aggregated level, i.e., per ISIN code for each defaulting Clearing Member for the accumulated quantity of its failed sell trades due for the buy-in attempt, but not based on single failed trade. Hence, multiple failed trades can be subject to one buy-in auction. For the successfully stocked up quantity a buy-in delivery instruction is entered in the CSD settlement system.

The settlement of the instruction will be reflected in the settlement status of the single failed trade indeed.

#### **3.4.1 Identification of Buy-in Trades**

Before a buy-in announcement, Eurex Clearing AG identifies the failed trades to be covered by buy-in trades, so called "buy-in candidates", according to the following criteria:

- The sell trade is a certain number of days late, according to the respective settlement schedule outlined above.
- The sell trade is not fully settled on level CCP-CM.
- The remaining quantity of the sell trade is either part of the surplus or is marked for gross processing.

In case the original buy-in quantity consists of more than one failed trade, the oldest failed trade will be replaced first by the buy-in quantity; one partial trade is possible.

Eurex Clearing AG differentiates between "regular" and "irregular" buy-in candidates: Regular buy-in candidates are failed trades relevant for a regularly scheduled buy-in. Irregular buy-in candidates are failed trades that are one additional day late related to a regularly scheduled buy-in due to a corporate action event. Thereby the number of business days is determined based on the CCP calendar and the calendars of the settlement location CBF and SIS, i.e., a business day in this context is defined as a business day in the CCP and at the respective CSD.

The named CCP back office staff of the Clearing Member of the original seller will be informed about the buy-in auction per fax and/or telephone.

#### **3.4.2 Buy-in Initialization**

For the failed trades or deliveries a buy-in is initialized by Eurex Clearing AG via the Buy-in Auction Tool. The auction announcement comprises the following data:

- Auction ID

- ISIN, long name and currency of the instrument
- Market (CBF, CBL, SIS, EUI)<sup>15</sup>
- Start and end time of the auction
- Quantity/Nominal of the buy-in auction
- Reference price, i.e., last official settlement price from the previous day<sup>16</sup>
- Minimum bid quantity (equal to 5% of the original late quantity)
- Maximum bid price
  - (For equities: equal to reference price plus 100%
  - for fixed income: equal to 103% of the reference price)

Each registered user of the Buy-in Member receives a buy-in auction announcement via e-mail. Orders can be submitted to participate in the buy-in by using the auction platform.

In exceptional cases Eurex Clearing AG can cancel a scheduled buy-in auction. The Buy-in Members' central coordinators as well as the users who entered orders are automatically informed about the auction cancellation via e-mail.

### 3.4.3 Buy-in Auction Result Notification

A buy-in auction ends after 30 minutes and orders cannot be entered anymore into the Buy-in Tool. Eurex Clearing AG confirms the auction result, which can consist of one, multiple, or no trades.

Each participant will be informed via e-mail about the auction's outcome by a trade confirmation that contains either a receipt notice about the sold quantity or a notice that the participant was not involved into the auction result. The trade confirmation will be enhanced by Eurex Clearings applicable BIC11 which is necessary for members that are directly connected participants of the T2S platform and like to instruct directly to T2S.

The named CCP back office staff of the Clearing Member of the original seller will be informed about the buy-in auction result per fax and/or telephone.

### 3.4.4 Buy-in Block / Buy-in Release

A failed trade for which a buy-in auction has been performed successfully; the release status "Buy-in Block" is set. The buy-in block becomes effective for the available buy-in quantity of a failed trade. Any quantity of a buy-in blocked trade that was previously assigned to an offsetting block keeps the original release status. In case a trade is partially released, the buy-in block is applied first to the released quantity, then to the blocked quantity.

The buy-in block is set after the end of the same-day settlement processing and before the settlement processing for the next business day. This ensures that the trade at that time is not considered in settlement netting. The available buy-in quantity is excluded from settlement on the level CCP-CM and on the level CM-customer. Moreover, it is ensured that no open delivery instruction for this trade exists.<sup>17</sup> I.e., the whole trade is excluded from Gross Delivery

<sup>15</sup> CBF, CBL, SIS, EUI are synonymously used for the settlement applications CASCADE, Creation, SECOM, CREST.

<sup>16</sup> Please note: for bonds, the Buy-in auction is based on clean prices. However, the settlement amount will obviously be calculated considering the accrued interest, i.e., settlement amount is based on the dirty price.

<sup>17</sup> But for trades in UK and Irish instruments this is ensured additionally by deleting the pending instruction in CREST, as already described in chapter 3.2.

Management transactions (except for trade inquiry in the *Trade Overview*).<sup>18</sup>

If the buy-in auction was not successful, the failed trade keeps the original release status and is subject to regular processing.

In the case that the buy-in trade has not been settled it is set to “buy-in released”. Depending on the product, the available buy-in quantity is then displayed with a specific release status: The buy-in quantity in a CSC instrument will receive the release status “Block”. The buy-in quantity in UK and Irish instruments and in Exchange-Traded Commodities Securities is earmarked as “released” as Gross Delivery Management is limited to inquiry. The part of the trade that was not affected by the buy-in block retains its member release status.

The buy-in block and buy-in release activity is recorded in the Daily Gross Delivery Management report (CB230). A buy-in blocked trade is marked accordingly on the member GUI and in the Pending Delivery report (CE260).

For details regarding the status display on the member GUI in the *Trade Overview* and the *Detailed Trade Information* window see chapters 5.1 and 5.2. Regarding the impacts on the CCP print reports and raw data files see the descriptions in chapters 6.1 and 6.2.

### 3.4.5 Settlement of the Buy-in Trade

Subsequent to the completion of a buy-in auction including distribution of trade confirmations via e-mail or fax, one or more buy-in trades are instructed for settlement at the respective CSD. The buy-in trades are settled via Clearstream Banking Frankfurt (CASCADE/CASCADE RTS in case of a German or foreign CSC instrument and Creation in case of a NCSC instrument), or via EUI or SIS.

The buy-in trade instructions are entered in the ways described in the following sections. Thereby the instructions to be settled via Clearstream have to be entered during the time period after the execution of the buy-in trade and prior to the CASCADE deadline for the RTS window (16:00). Another chance to deliver still in time is detailed in section 3.4.5.5.1.

For the SIS settlement processing the settlement instructions have to be entered in SECOM in due course after the end of the auction to allow a settlement at SIS until latest 15:30 a.m. on the same business day the auction took place. For the CREST settlement processing the settlement instructions have to be entered after the buy-in auction but before 16:00 on the same day the buy-in auction took place.

Afterwards the settlement success is verified and the buy-in trades handled accordingly within the CCP.

#### 3.4.5.1 CASCADE

With the introduction of CCP 12.0 / T2S wave 4, the graphical user interface of CASCADE will be amended. Please refer to the “CASCADE Online User Manual” for details about these changes. This document is available on Clearstream’s website: Clearstream > Products & Services > Connectivity > CASCADE > CASCADE Online > CASCADE Online User Manual - Part 1.

<sup>18</sup> For further details regarding the usage of CCP member GUI please refer to the separately published CCP User Guide and Final Release Notes documentation.

The instructions are to be entered **after receiving the buy-in trade confirmation**. The buy-in seller enters the buy-in delivery instruction into CASCADE using the “WP-Übertrag/Einzelerfassung” mask.

#### **3.4.5.1.1 ‘KVEE/WE- Einzelerfassung’**

For entering the instruction, the following requirements have to be met:

- Delivery IDs (“Auftragsnummern”) less than 7000000 have to be used by the buy-in seller for the buy-in instruction entry in CASCADE.
- The settlement day is the current business on which the Buy-in auction took place (same day settlement).
- The trade date equals settlement date.
- As settlement account of the deliverer (“LAST”) the CBF account or the BIC of the Buy-in counterpart has to be entered. As settlement account of the receiver (“GUT”) always the settlement account 8505 of the CCP has to be entered.
- The security related information, ISIN, quantity (“NOMINALE”), payable amount (“GEGENWERT”), settlement day (“SET-DAY”), currency (“WRG”), have to be inserted according to the buy-in auction result.
- The priority of the instruction (DISPO-PRIORITAET) does not have to be adjusted. The correct default value (Blank) is automatically set.
- The field “EMISS-EINF” need to be set to “N”.

For an example of the CASCADE screen used to enter the instruction in CASCADE, please refer to the CASCADE Online User Manual provided by Clearstream Banking Frankfurt (CBF).

### **3.4.5.2 Creation**

The buy-in seller delivers the securities until 16:00 on the same day the auction took place. The buy-in seller enters the buy-in delivery instruction considering the following particularities:

- The trade day is the settlement day which is the same business day the buy-in auction took place. The instruction has to be entered in time so that it can settle before 16:00 on the same business day.
- As settlement account of the deliverer the settlement account of the buy-in seller has to be entered. As settlement account of the receiver the CCP settlement account 68505 as buy-in counterpart has to be used.
- The order number generated by the Buy-in Tool has to be entered as reference.

Eurex Clearing AG enters the buy-in trade as match instruction to the delivery instruction of the buy-in seller. Thereby the CCP is referencing the member's settlement account that is set up in the Buy-in Tool.

### **3.4.5.3 SECOM**

The buy-in seller delivers the securities during the same business day the auction took place until 15:30. The buy-in seller enters the buy-in delivery instruction considering the following particularities:

- The trade day is the settlement day which is the same business day the buy-in auction took place. The instruction has to be entered in time so that it can settle before 15:30 on the same business day.
- As settlement account of the deliverer the settlement account of the buy-in seller at SIS has to be entered. As settlement account of the receiver the SECOM Business Partner ID (BP ID) of the CCP DE119005 with Buy-in Account 20.329.528 has to be used.
- The order number generated by the Buy-in Tool has to be entered as reference.

Eurex Clearing AG enters the buy-in trade as match instruction to the delivery instruction of the buy-in seller. Thereby the CCP is referencing the member's settlement account that is defined and set up in the Buy-in Tool.

### **3.4.5.4 CREST**

The buy-in seller delivers the securities on the same business day during the daytime settlement processing (DTP) via instruction entry in CREST.

The buy-in seller and Eurex Clearing AG enter their buy-in delivery instructions considering the following particularities:

- The settlement day is the same business day of the buy-in auction, whereby the instruction needs to be entered until 16:00 of the business day the Buy-in auction took place.
- As settlement account of the receiver the CCP participant ID "CCPEC" has to be used.

Eurex Clearing AG is referencing the member's Participant ID that is set up as settlement account in the Buy-in Tool.

For an example of the GUI screen used to enter the instruction for CREST, please refer to the applicable documentation provided by Euroclear UK & Ireland.

### 3.4.5.5 CCP Settlement Verification Procedure

After completion of the respective settlement run, Eurex Clearing AG verifies the receipt of the securities resulting from the buy-in auction.

#### 3.4.5.5.1 Unsuccessful Settlement of the Buy-in Trade

If negative, Eurex Clearing AG investigates whether there was a technical problem on the Buy-in Member's side.

For trades in German or foreign CSC instruments to be settled at CBF, another delivery in EUR/USD is allowed for the next NTP. For trades in NCSC instruments another daytime delivery via Creation is still possible. In the further processing these instruments, upon the occurrence of a technical delivery default the buy-in seller must promptly provide Eurex Clearing AG with a written statement as to the reasons for its delinquency. The relevant buy-in seller further has to promptly remedy the causes of its technical delivery default.

In the case that the buy-in seller has not delivered the CSC securities within the deadline mentioned above, the next step at Eurex Clearing AG is to delete the pending delivery instruction in CASCADE. The next possible seller(s) according to the auction list can be asked to step in. Once the next possible buy-in seller has agreed, this participant is obliged to deliver the securities in CASCADE during RTS until 16:00 latest in order to ensure settlement on the same settlement day. Corresponding match and delivery instructions have to be entered again into CASCADE.

A similar further processing applies regarding NCSC instruments: If the buy-in seller has not delivered the securities in Creation during the NTP, the pending delivery instruction for the NTP is deleted by Eurex Clearing AG as well. A delivery instruction by the next possible buy-in seller and a new match instruction by Eurex Clearing AG have to be entered for the DTP. This new instruction must settle until 16:00 p.m., otherwise it is finally deleted.

In contrast to that, another delivery is not allowed for instruments to be settled at SIS SIX AG or Euroclear UK & Ireland. As a settlement on the same settlement day is not possible anymore, Eurex Clearing AG initiates the deletion of the pending matching delivery instructions in SECOM respectively in CREST in case of no settlement until 16:00 p.m. latest.

Thus a buy-in auction is definitely unsuccessful, if no buy-in seller has been found or no buy-in seller has delivered the securities. A buy-in is partially unsuccessful, if the complete buy-in quantity has not been covered. In this case the failed original trades are "buy-in released" and considered within the regular late delivery handling: I.e. processed with release status "Block" the instruments to be settled via CASCADE and in SECOM, with "Release" the CREST instruments, and with "Block" resp. "ISIN Block" the NCSC instruments to be settled in Creation. The original seller's obligation to deliver the corresponding securities is then still valid – until possibly a next buy-in auction<sup>19</sup> resp. cash settlement is initiated.

#### 3.4.5.5.2 Successful Settlement of the Buy-in Trade

Where the receipt of securities on the business day, on which the scheduled buy-in took place, can be confirmed, the original quantity of the failed trade corresponding to the quantity of the buy-in trade is set to "buy-in settled" to eliminate the original seller's delivery obligation. I.e., the

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<sup>19</sup> Please note that in case of ISINs that fall under the EU Short Selling regulation Eurex Clearing will only execute one buy-in auction

buy-in settlement status becomes effective only for the available buy-in quantity of a failed trade. For SECOM and CREST trades the status is set latest after the business day has ended with completion of the same-day settlement processing. Creation and CASCADE trades are buy-in settled latest when the business day has ended with completion of the RTS window before NTP.

The securities the CCP has received via the buy-in are transferred to the buyer.

In the CCP system the corresponding quantity of the failed trade is then treated as “settled” on the levels CCP-CM and CM-customer within the Risk Based Margining calculation, Gross Delivery Management and Net Delivery Management, as well as in the display on the member GUI.

In the reporting referring to the next settlement run the buy-in settled quantity is accordingly displayed in the Settled Delivery report (CE270). For details regarding the status display on the member GUI in the *Trade Overview* and the *Detailed Trade Information* window see chapters 5.1 and 5.2. Regarding the impacts on the CCP print reports and raw data files see the descriptions in chapters 6.1 and 6.2.

#### **3.4.6 Buy-in Trade Related Cash Transactions**

The settlement amount required for the buy-in trade is debited to the Clearing Member of the failed original seller. All payments in EUR and CHF are settled in Central Bank money at German Bundesbank or Swiss National Bank, and payments related to settlement via EUI are settled via payment banks. Payments in USD or other currencies are settled via the linked CBF Creation account in commercial bank money.

The settlement amount is calculated as price difference between the unit prices of the failed trades and the average unit price of the buy-in trade(s), multiplied with the quantity.

Eurex Clearing AG enters the cash transactions into the CCP system as soon as the successful settlement of the buy-in trade is verified. Any surplus resulting from price differences between the buy-in and the original trade remains with Eurex Clearing AG and will be credited to the company’s capital reserves. A unit price of the buy-in trade greater than the unit price of the failed trade indicates that Eurex Clearing has paid a greater cash amount for the buy-in trade as it receives from the buyer. Hence, this amount needs to be debited to the Clearing Member of the failed original seller. This situation is regarded as typical for buy-ins.

The exceptional event that the unit price of the buy-in trade is smaller than the unit price of the failed trade indicates that Eurex Clearing has paid less than it receives from the buyer. In this case Eurex Clearing AG will trigger that the difference amount is credited to the company’s capital reserves of Eurex Clearing AG. No additional cash transaction is required for this case.

The cash transactions are displayed in the Settled Cash Transactions report (CD250). For details regarding impacts on the CCP print reports and raw data files see the descriptions in chapters 6.1 and 6.2.

### 3.5 Buy-in Fees and Fines

#### 3.5.1 Buy-in Fees for Buy-in auction

A buy-in fee is debited from the Clearing Member of the failed original seller. This buy-in fee is designed to compensate the effort caused by a buy-in processing; hence the fees are charged once for every performed buy-in auction.

For every buy-in auction executed, Eurex Clearing is entitled to receive the following fees from the non-delivering Clearing Members:

Trading venue / instrument group	Fees
Frankfurter Wertpapierbörse (Bonds)	0,1% amount owed securities (min, EUR 250, max. EUR 5000)
Frankfurter Wertpapierbörse (Equities)	10% amount owed securities (min EUR 250, max. EUR 5000)
Eurex Repo	0,1% amount owed securities (min EUR 250, max. EUR 5000)
Eurex Bonds	0,1% amount owed securities (min EUR 250, max. EUR 5000)
Eurex Exchanges (ETFs)	10% amount owed securities (min EUR 250, max. EUR 5000)
Eurex Exchanges (Equities)	10% amount owed securities (min EUR 250, max. EUR 5000)
Eurex Exchanges (GB Equities)	10% amount owed securities (min GB 225, max. GB 4500)
Eurex Exchanges (IE Equities)	10% amount owed securities (min EUR 250, max. EUR 5000)
Eurex Exchanges (Bonds)	0,1% amount owed securities (min EUR 250, max. EUR 5000)
Eurex Exchanges (ETC)	10% amount owed securities (min USD 350, max. USD 7000)
Irish Stock Exchange (ESMA regulated)	0,1% amount owed securities (min EUR 250, max. EUR 5000)
Irish Stock Exchange (Non-ESMA reg.)	EUR 250

For all markets a cash settlement handling fee is charged, 0,0025% of the outstanding (sell) cash amount is debited from the late seller, minimum EUR 250 and maximum EUR 1000.

In conjunction with the buy-in processing for Irish and UK instruments and for Exchange-Traded Commodities Securities, additional buy-in fines for delivery after the obligation to deliver has ceased are in place. Because of allowances for special expenditures at Eurex Clearing AG in case that the original seller did not cancel but transferred securities in CREST although his obligation to deliver expired effectively with the buy-in success, he is liable to pay the amount of GBP 350.00/EUR 500.00 /USD 700.00 to Eurex Clearing AG.

In addition to the fees resulting from the buy-in auction, the Clearing Member who failed to deliver the securities will be debited with the price difference of the securities bought in the auction. There is a maximum price for which the owed securities will be bought via auction (see below).

The buy-in auction can only be completed successfully, if there is an auction seller willing to sell the required securities in sufficient quantity and at a price no higher than a fixed ceiling price. The ceiling prices are as follows:

Central Securities Depository in charge of the settlement	Abbr.	Ceiling Price in percent of the last determined settlement price
Clearstream Banking AG Clearstream Banking S.A. Euroclear France Euroclear Belgium Euroclear Nederland SIX SIS AG The Depository Trust Company Euroclear UK & Ireland Limited Euroclear UK & Ireland Limited (Securities from Transactions on Irish Stock Exchange) (Equity and Equity-like Securities in Collective Safe Custody and held on a fiduciary basis)	CBF / CBL / SIC / CIK / NEC / SIS / DTC / EUI / EUI-ISE	200
Clearstream Banking AG Clearstream Banking S.A. VP Securities A/S (VP) Euroclear Bank (Fixed Income Securities in Collective Safe Custody and held on a fiduciary basis)	CBF / CBL / VPD / EB	103

### 3.5.2 Buy-in fines

If a participant fails to assign the securities due from an auction transaction within the performance period agreed upon, he shall be in default without advanced warning. Upon the beginning of default, Eurex Clearing AG is entitled to refuse the assignment of the securities due without providing a reason. Eurex Clearing AG is entitled to receive payment from the defaulting Participant in the amount of 0.04 % of the stock market price or market value of the securities due at the moment of the default's beginning, however, no less than EUR 1,000.00 when converting fees into the invoice currency, Eurex Clearing AG will use a commercially reasonable exchange rate applicable at the relevant point in time<sup>20</sup>. In case of auction transactions regarding fixed income securities, Eurex Clearing AG is merely entitled to receive from the defaulting Participant payment of the minimum amounts as set forth above.

Further details<sup>21</sup> are contained in the current Clearing Conditions for Eurex Clearing AG which are available at [www.eurexclearing.com](http://www.eurexclearing.com) > Resources > Rules & Regulations > Clearing Conditions at the Eurex website.

<sup>20</sup> Please note that Eurex Clearing is entitled to the buy-in fee payment for every buy-in auction executed, even if the buy-in attempt was not successful.

<sup>21</sup> Also regarding contractual penalty for late deliveries on dividend record dates and record dates of other corporate actions.

## 4 Cash Settlement Procedure

The cash settlement process is performed for the failed quantity of a sell trade in an equity, bond, exchange traded fund (ETFs) or subscription right relevant for cash settlement.

The cash settlement will be initiated regularly scheduled in case a failed trade has not been fully settled by the predefined number of days after the contractual settlement date, in case the buy-in auction(s) was (were) not successful, or, subsequent to an unsuccessful disclosure for subscription rights.

Cash settlements are expected to occur only in a highly illiquid market – meaning that the market price for the security has risen significantly and that no market participant is willing to sell the security. In such a situation the member who sold short the security may be unable to acquire the security in order to deliver to the original buyer(s). Therefore the ungratified buyers should obtain compensation for not having received the security they contracted for, as it is likely that they will be unable to re-invest the cash settlement proceeds in the original security.

### 4.1 Identification of Cash Settlement Relevant Trades

On a potential cash settlement day according to the buy-in schedule, Eurex Clearing AG identifies cash settlement candidates, i.e., failed sell trades that have not been successfully covered meantime. In general, a cash settlement will only be initiated, if at least one corresponding buy trade fulfills the criteria listed below. To settle the failed sell trade one or more corresponding buy trades need to be identified.

The following criteria apply:

- The buy trade belongs either to the surplus or is marked for gross processing.
- The buy trade is not fully settled on level CCP-CM.
- The buy trade is the necessary number of days late e.g. S+8 days for buy trades in ISINs that fall under the EU Short Selling regulation<sup>22</sup>

If more than one buy trade fulfills these criteria, the buy trade with the oldest contractual settlement date will be considered first.

Additionally, Eurex Clearing AG identifies cash settlement candidates resulting from a disclosure, i.e., failed sell trades that could not be bilaterally regulated between the two trading participants meanwhile.

To settle the failed sell trade the cash settlement candidates are identified after the same-day settlement processing. Depending on the quantity of the failed sell trade(s), one or several buy trades as well as a fraction of a buy trade can be determined.

Before performing the cash settlement, Eurex Clearing AG always informs the named CCP back office staff of the failed seller's Clearing Member and the selected buyer(s) per fax and/or telephone about the cash settlement.

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<sup>22</sup> More details on the respective buy-in schedules can be found in chapter 2.2 – "Buy-in Schedules"

## 4.2 Cash Settlement Amounts Calculation

The cash amount required for the cash settlement is debited to the Clearing Member of the defaulting original seller. It is calculated as the price difference between the defined cash settlement price and the failed trade price, times quantity. The Clearing Member(s) of the buyer(s) of the identified trade(s) is (are) credited with a compensation amount, which is calculated as the price difference between the defined cash settlement price and the trade price of the respective buy trade, times quantity.

In a first step, for equities, the cash settlement price of the failed trades is determined as the last official settlement price plus an add-on of 100%, whereas the trade prices of the respective buy and sell trades serve as floor:  $P_{CS} = \text{Max}((P_L * 2); P_B; P_S)$

For subscription rights, the cash settlement price of the failed trades is determined as the calculated value of the rights based on the last official settlement price of the related security plus an add-on of 100%, whereas the highest price of sale and the highest purchase price in the relevant FSE transactions respectively deliveries serve as floor.

In a second step, the cash settlement and the cash compensation amount are calculated. The following example is related to equity trades. However, the calculation for subscription rights and for bonds will be analogously.

The debit cash amount is calculated with the formula<sup>23</sup>:  $D_{CS} = (P_{CS} - P_S) * X$

The credit cash amount in favour of the respective buyer(s) is (are) calculated with the formula:  $C_{CS} = (P_{CS} - P_B) * X$

### Example for equities:

Last official settlement price: 150

#### Sell trade

#	Stl-Date	Qty	Price
1	09.05.2012	400	110

#### Buy trades

#	Stl-Date	Qty	Price
1	04.05.2012	200	115
2	08.05.2012	200	105

Two cash settlement amounts can be calculated in this example.

Based on the applied formula  $P_{CS} = \text{Max}(300; 115; 110)$ , the debit amount is calculated as:  
 $D_{CS} = (300 - 110) * 400 = 76,000$ ;

and the credit amounts per buy trade are calculated as:

$C_{CS} = (300 - 115) * 200 = 37,000$  and  $C_{CS} = (300 - 105) * 200 = 39,000$

<sup>23</sup> Bond prices are quoted as percentage of the nominal/quantity; these percentages are to be used in the formula.

Thus, the cash amount required for the cash settlement,  $D_{CS} = 76,000.00$ , is debited to the Clearing Member of the defaulting original seller. The Clearing Member of the buyer of the identified trade #1 is credited with the compensation amount  $C_{SC} = 37,000.00$  and the Clearing Member of the buyer of the identified trade #2 is credited with the compensation amount  $C_{SC} = 39,000.00$ .

The number of cash transactions depends on the number of involved members.

For bonds traded at FSE, the cash settlement price of the failed trades is determined as the last official settlement price plus an add-on of 300 basis points, whereas the trade prices of the respective buy and sell trades serve as floor. Clean prices are used as basis of the calculation, accrued interest is not considered.

For Eurex Bonds / Eurex Repo transactions, the cash settlement amount is determined by the highest of the settlement price of the respective class of securities as determined by Eurex Clearing AG, the selling price and the purchase price of the relevant Eurex Repo transaction plus a premium of 300 basis points, accrued interest and in case of repo the applicable repo rate. Formula:  $P_{CS} = \text{Max}(P_L; P_B; P_S) * 103\% + AI + RR$ .

Legend:

$X$  = Quantity

$D_{CS}$  = Debit amount

$C_{CS}$  = Credit amount

$P_{CS}$  = Cash settlement price

$P_L$  = Last official settlement price

$P_B$  = Clean price of pending buy trade

$P_S$  = Clean Price of late sell trade

AI = Accrued Interest

RR = Repo Rate (in case of Eurex Repo transactions)

### 4.3 Cash Settlement Related Cash Transactions

The required cash amount is entered by Eurex Clearing AG with cash transaction type 452 CASH SETTLEMENT RCV used to credit the buyer, and with cash transaction type 454 CASH SETTLEMENT PAID used to debit the defaulting original seller. Value date for these cash transaction is the next business day.

The settled cash transactions are displayed in the Settled Cash Transactions report (CD250). For details regarding the impacts on the CCP print reports and raw data files see chapters 6.1 and 6.2.

A cash settlement fee is currently not considered.

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#### **4.4 Settlement of Cash Settlement Trades**

On the cash settlement day, in the time frame after completion of the daytime settlement processing at the respective CSD and before the upcoming settlement processing for the next business day, Eurex Clearing AG sets the settlement status of the failed sell trade and the corresponding buy trade(s) to “cash settled”. This eliminates the defaulting original seller’s delivery obligation.

In the CCP system the corresponding quantity of the failed trade is treated as “settled” on the levels CCP-CM and CM-customer within the Risk Based Margining calculation, Gross Delivery Management, Net Delivery Management as well as in the display on the member GUI.

In the reporting for the next settlement run at the CSD the cash settled quantity is displayed with status “CASH” on CCP-CM level in the Settled Delivery report (CE270).

For details regarding the status display on the member GUI in the *Trade Overview* and the *Detailed Trade Information* window see the next chapters 5.1 and 5.2. Regarding the impacts on the CCP print reports and raw data files see the descriptions in chapters 6.1 and 6.2.

## 5 Buy-in Related Information on Securities Clearing GUI

### 5.1 Trade Overview

Where a buy-in auction was successful, Eurex Clearing AG buy-in blocks the original failed trades before the settlement processing for the next business day starts. By means of the buy-in block status the trades are excluded from Gross Delivery Management (except inquiry) and the regular settlement processing. The buy-in block does not impact any quantity of a failed trade not belonging to a surplus and not marked for gross processing, i.e., this trade quantity is still available for Gross Delivery Management as appropriate for the product, as well as considered in the settlement processing.

The release status of a buy-in blocked sell trade is displayed as “BI” on the *Trade Overview*. For buy-in blocked trades the delivery indicator is not applicable and therefore accordingly shown with “NA”.

After the completion of the buy-in auction, in the CCP system the buy-in quantity is set to “buy-in settled” in case of a positive result, or to “buy-in released” in case of an unsuccessful auction. However, no new values will be displayed on the *Trade Overview*: after a buy-in release the release status “BL” for “Blocked”, “R” for “Released” or “IBL” for “ISIN Blocked” is displayed depending on the product as specified above; for buy-in settled, externally settled and cash settled trades the settlement status “S” for “Settled” is displayed. Hence, analogously to regularly settled trades, these trades can be inquired until the end of business day as triggered off at the respective CSD.

At the end of the subscription period the release status “IB” is set for the subscription rights in the affected ISIN code and displayed in the *Trade Overview*. Since the ISIN block has only an impact on trades that are part of the surplus or marked for gross processing, the status is only displayed for a delivery that shows an “external delivery (EX)”, a “trade split (TS)” or a “non-applicability (NA)”.

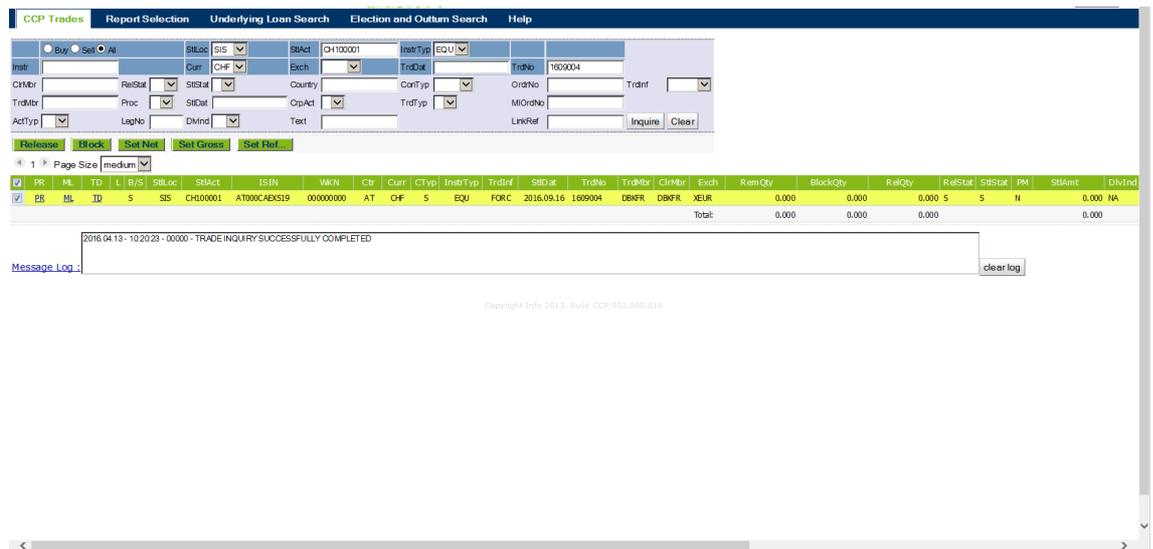


Figure 7: Trade Overview

The general description of the *Trade Overview* can be found in the CCP User Guide.

## 5.2 Detailed Trade Information

The display of the release and settlement status in the context of the Buy-in and Cash Settlement Processing are provided for the *Detailed Trade Information* window in the same way as for the *Trade Overview*.

The release status “BI” for buy-in blocked trades, the settlement status “S” for “Settled”, the release status “BL” for “Blocked”, “R” for “Released” or “IB” for “ISIN Block” after a buy-in release, depending on the product, are displayed in the *Detailed Trade Information* window with delivery indicators as specified above.

**Trade Details**
close

---

**Security**

<b>ISIN</b>	AT000CAEXS19	<b>WKN</b>	000000000	<b>Name</b>	EXS multiple CA test
<b>InstrTyp</b>	EQU	<b>Ctr</b>	AT		

---

**Order**

<b>OrdNo</b>	EXSCA00000061	<b>MIOrdNo</b>		<b>Text</b>	
FE	Y				

---

**Trade**

<b>B/S</b>	S	<b>Qty:</b>	0.998	<b>Exch</b>	XEUR	<b>Curr</b>	CHF
<b>TrdDat</b>	2016.09.12	<b>TrdNo</b>	1609004	<b>Suffix</b>	0	<b>CrpAct</b>	Y
<b>Price</b>	0.00000	<b>Time</b>	09:58:38	<b>CTyp</b>	S	<b>TrdTyp</b>	O
<b>TrdInf</b>	FORC						

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**Bond Specific**

<b>BondCoupCrrRat</b>		<b>BondAccrInt</b>		<b>BondAccrIntDays</b>	
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**Repo Specific**

<b>RepoIntRat</b>		<b>RepointAmnt</b>		<b>RepoIntRatBM</b>		<b>LegNo</b>	0
<b>RepoBasiPnt</b>		<b>RepoRefCod</b>					

---

**Manually Linked Trade**

<b>Exch</b>		<b>TrdDat</b>		<b>TrdNo</b>		<b>OrdNo</b>	
<b>LegNo</b>							

---

**Settlement**

<b>TrdMbr</b>	DBKFR	<b>ClrMbr</b>	DBKFR	<b>PM</b>	N	<b>DivInd</b>	NA
<b>InitQty</b>	0.998	<b>RemQty</b>	0.000	<b>BlockQty</b>	0.000	<b>RelQty</b>	0.000
<b>StIAmt</b>	0.000	<b>StIStat</b>	S	<b>RelStat</b>	S	<b>LinkRef</b>	
<b>StILoc</b>	SIS	<b>StIAct</b>	CH100001	<b>Act</b>	A1	<b>StIDat</b>	2016.09.16

Ok
clear log

2016.04.13 - 10:38:14 - TRADE 1609004 - 00000 - TRADE DETAILS LOADED

2016.04.13 - 10:37:29 - TRADE 1609004 - 00000 - TRADE DETAILS LOADED

Figure 8: Detailed Trade Information

The general description of the *Detailed Trade Information* window can be found in the CCP User Guide.

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## 6 Buy-in Related Information in CCP Reports

The impact of the buy-in process on the reporting concerns the formatted print reports as well as the raw data files, which are described separately in the following two chapters.

### 6.1 Formatted Reports (RPT)

#### 6.1.1 RPTCB230 Daily Gross Delivery Management

This report includes the buy-in block and buy-in release activities on a failed sell trade performed by Eurex Clearing AG. The field TRANS (field 18) is filled with "BIBL" for "Buy-in Block" and "BIRL" for "Buy-in Release".

In the context of the specific buy-in process for subscription rights the block and release of an ISIN code is recorded in this report. The transaction type "TRAN" is filled with the value "IBL" for "ISIN Block" and with "IRL" for "ISIN Release".

The general description of the Daily Gross Delivery Management report (CB230) can be found in the "Description of Reports – Formatted Layout" and "Description of Reports – RAW Data" documents.

#### 6.1.2 RPTCE260 Pending Delivery

This report is generated within the end of business day processing. A failed sell trade, for which the buy-in auction was successful, is set to "buy-in blocked", shown with the status "BIBL" in the report in column "STATUS CM-CUST" (field 31).

Depending on the delivery category a buy-in blocked trade quantity is recorded as follows:

- The buy-in blocked quantity is part of the surplus: In this case the trade with status "BIBL" can be found in the section "NET DELIVERY INFORMATION".
- The buy-in blocked trade is marked for gross processing: In this case the trade with status "BIBL" can be found in the section "DELIVERIES MARKED FOR GROSS PROCESSING" (field 15).

Quantities of buy-in blocked trades belonging to the offsetting block (i.e., belonging to the sections "OFF-SETTING POSITION INFORMATION – CASH SETTLEMENT PENDING ON LEVEL CCP – CLEARING MEMBER" as well as "OFF-SETTING POSITION INFORMATION – SETTLEMENT PENDING ON CLEARING MEMBER – CUSTOMER") will not be affected with respect to the display in this report.

In the context of the specific buy-in process for subscription rights the "ISIN block" is recorded in this report in the "STATUS CCP-CM" field with the value "IBL".

The general description of the Pending Delivery report (CE260) can be found in the "Description of Reports – Formatted Layout" and "Member File Based & SWIFT Interface" documents.

### **6.1.3 RPTCE270 Settled Delivery**

Buy-in and cash settlement performed by Eurex Clearing AG are displayed in this report in column "STATUS CCP-CM" (field 31) after the settlement run following the manual settlements. Buy-in settled sell trades receive the settlement status "BUYI", whereas cash settled buy and sell trades resp. sold-out buy trades, as well as subscription rights receive the settlement status "CASH".

Additionally, in the context of the specific buy-in process for subscription rights the settlement status "externally settled" is shown in this report in the "STATUS CCP-CM" field with the value "EXTE".

The buy-in settled or cash settled quantities are displayed in the section "NET DELIVERY INFORMATION" where the trade is part of the surplus, resp. in the section "DELIVERIES MARKED FOR GROSS PROCESSING" (field 16) where the trade is marked for gross processing.

The general description of the Settled Delivery report (CE270) can be found in the "Description of Reports – Formatted Layout" and "Member File Based & SWIFT Interface" documents.

### **6.1.4 RPTCD250 Settled Cash Transactions**

Late Delivery Fines (LDF) will be charged for equities falling under the EU Short Selling regulation per clearing member and business day from the first day of non-delivery onwards. Late Delivery Fines (LDF) and Interests of Delay (IoD) for ISINs that do not fall under the EU Short Selling regulation are determined currently for information purposes only with respect to equity and subscription rights. LDF are calculated as percentage of the settlement amount for any pending part of a failed trade. LDF and IoD are not charged to the late original seller, and IoD are not credited to the late delivered Clearing Member of the buyer.

Eurex Clearing AG debits the cash amount required for the buy-in trade to the Clearing Member of the defaulting seller using the cash transaction type 450 BUY-IN CASH AMT PAID. Eurex Clearing AG debits the cash amount required for the cash settlement to the Clearing Member of the defaulting seller using the cash transaction type 454 CASH SETTLEMENT PAID. The corresponding compensation amount is credited to the respective Clearing Member of the buyer(s) of the identified trade(s) using the cash transaction type 452 CASH SETTLEMENT RCV.

The general description of the Settled Cash Transactions report (CD250) can be found in the "Description of Reports – Formatted Layout" and "Description of Reports – RAW Data" documents.

### **6.1.5 CB325 Daily Service Fees (XML)**

For each performed buy-in auction in equity trades a buy-in fee is charged to the Clearing Member of the failed original seller.

The respective fees are reported in the report "CB325 Daily Service Fees" (see Eurex "XML Report Reference Manual" available at the Eurex website [www.eurexclearing.com](http://www.eurexclearing.com)).

## **6.2 Raw Data Files (RAW)**

### **6.2.1 RAWCB230 Daily Gross Delivery Management**

The field "Transaction" is filled with "BIBL" for "Buy-in Block" and "BIRL" for "Buy-in Release". Additionally, in the context of the specific buy-in processing for subscription rights, in the field "Transaction" the values "IBL" for "ISIN Block" and "IRL" for "ISIN Release" are displayed.

The general description of the Daily Gross Delivery Management raw data file (CB230) can be found in the "Description of Reports – Formatted Layout" and "Description of Reports – RAW Data" documents.

### **6.2.2 RAWCE260 Pending Delivery**

Within the field 70E Transaction Details Narrative the following subfields are filled in case of buy-in processing:

The label /CCPSTAT for the settlement status on level CCP-CM is filled with "IBL" in case of an "ISIN Block".

The label /CMSTAT for the settlement status on level CM-customer is filled with "BIBL" in case of a "Buy-in Block".

The general description of the Pending Delivery raw data file (CE260) can be found in the "Description of Reports – Formatted Layout" and "Member File Based & SWIFT Interface" documents.

### **6.2.3 RAWCE270 Settled Delivery**

Within the field 70E Transaction Details Narrative the following subfields are filled in case of buy-in and cash settlement:

The label /CCPSTAT for the settlement status on level CCP-CM is filled with "EXTE" for an "external settlement" of a subscription right. The label /CMSTAT for the settlement status on level CM-customer is then filled with "SETTLED".

The label /CCPSTAT is filled with "BUYI" for a successful settlement of the buy-in trade. It is filled with "CASH" for a cash settled sell and corresponding buy trade resp. for sold-out buy trades, as well as for subscription rights. The label /CMSTAT is then filled on both cases with "SETTLED" as well.

The general description of the Settled Delivery raw data file (CE270) can be found in the "Description of Reports – Formatted Layout" and "Member File Based & SWIFT Interface" documents.

### **6.2.4 RAWCD250 Settled Cash Transactions**

In the field "Transaction Type" the following codes of transaction are recorded for the respective payments:

"450" – Buy-in cash amount paid

"452" – Cash settlement received

"454" – Cash settlement paid

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The general description of the Settled Cash Transactions raw data file (CD250) can be found in the “Description of Reports – Formatted Layout” and “Description of Reports – RAW Data” documents.