

09 Sep 2021  
Eurex Clearing

# C7 Securities Clearing Service (C7 SCS): Introduction of a Pair-Off-Service; Amendments to the legal framework of Eurex Clearing AG

**Eurex Clearing Circular 079/21 C7 Securities Clearing Service (C7 SCS):  
Introduction of a Pair-Off-Service; Amendments to the legal framework of  
Eurex Clearing AG**

## 1. Introduction

This circular contains information with respect to the service offering of Eurex Clearing AG (Eurex Clearing) and introduces amendments to the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) and to the Price List of Eurex Clearing AG (Price List) regarding the following topics:

- A. Introduction of Pair-Off Service for C7 Securities Clearing Service (C7 SCS)
- B. Minor amendments to the Clearing Conditions due to harmonization of wording

The amendments under items A and B will become effective as of **4 October 2021**.

**Production start: 4 October 2021**

Learn more about C7 SCS Release 1.0 on our dedicated initiative page under the following link: Support > Initiatives & Releases > C7 SCS Releases > **C7 SCS**

**Release 1.0.** System documentation, circulars, timeline and much more information will be available there for you.

## 2. Required action

There is no required action.

## 3. Details of the initiative

### A. Introduction of Pair-Off-Service for C7 Securities Clearing Service (C7 SCS)

In response to requirements from our customers in context of the introduction of C7 Securities Clearing Service (C7 SCS) applying Trade Date Netting (TDN), Eurex Clearing is introducing a Pair-Off Service to provide Clearing Members with an opportunity to resolve opposing late securities transactions relating to the same securities and currency and pending at the settlement location on the same settlement account.

In scenarios where settlement instructions with opposing delivery obligations between the Clearing Member and Eurex Clearing stay unsettled at the settlement location for several days, a risk arises that Eurex Clearing initiates a buy-in process in accordance with the Clearing Conditions. The Pair-Off Service allows Clearing Members to set-off such opposing delivery obligations so that sell transactions and buy transactions get cash-settled before Eurex Clearing initiates the buy-in.

The Pair-Off is initiated by submitting the Pair-Off-Request Form on the Pair-Off Date, which is the Business Day on which a buy-in process for a late sell transaction would be initiated after settlement cut-off time for the first time. For shares falling under ESMA Short Selling Regulation (SSR)<sup>1</sup> this is the 4th Business Day after the Contractual Settlement Date, for other securities it is the 5th Business Day after the Contractual Settlement Date.

<sup>1</sup> Article 15 of Regulation (EU) No. 236/2012

The Pair-Off Service is limited to a maximum of 5 Pair-Off Requests per Trading Participant per Pair-Off Day.

A Pair-Off Request will only be processed by Eurex Clearing, if

- ◆ the request has been received during the Pair-Off Request Period from 10:00 – 16:00 CET on the Pair-Off Date,
- ◆ all Pair-Off Eligibility Requirements are met, and
- ◆ Eurex Clearing has notified the Clearing Member by submitting a written acceptance notice (Pair-Off Acceptance Notice) that the request is accepted.

Eurex Clearing will – in its own discretion and using best efforts – only accept a Pair-Off Request, if it deems itself capable of processing the Pair-Off Request. When making this determination, Eurex Clearing particularly considers the point in time when the relevant Pair-Off Request was received. If Eurex Clearing determines that it does not have the capability to process the relevant Pair-Off Request, Eurex Clearing is entitled to reject such Pair-Off Request. Eurex Clearing will inform the Clearing Member about the rejection in writing as soon as practicably possible.

Each accepted Pair-Off Request will be processed within the Pair-Off Processing Time, latest until 08:30 CET of next business day.

The processing of the Pair-Off Request includes the following steps:

- ◆ Settlement of all transactions forming part in the set-off in cash,
- ◆ Cancellation of the pending settlement instructions at the settlement location,
- ◆ Transfer of the cash offset amount on the same cash account of the relevant Clearing Member that is specified for cash compensations in course of the buy-in process, and
- ◆ (If any) re-instruction of surplus quantity in securities for settlement at the settlement's location.

A Pair-Off Procedural Manual with a detailed description of the service and the Pair-Off Request Form will be published with a separate Eurex Clearing circular.

To reflect the introduction of the Pair-Off Service, the following provision will be amended as outlined in Attachment 1 and Attachment 2:

- ◆ Chapter V Part 2 Number 2.2.5 of the Clearing Conditions
- ◆ Number 8.3.8 of the Price List

## **B. Minor amendments to the Clearing Conditions due to harmonization of wording and referencing**

Eurex Clearing proposes further minor amendments to its Clearing Conditions to further streamline its legal framework. For the amendments in detail, please refer to Attachment 1:

- ◆ Chapter V Part 2 Number 2.5.4 of the Clearing Conditions

## **Publication of amendments to the Price List and the Clearing Conditions**

As of the effective date, the full versions of the amended Clearing Conditions and the Price List will be available for download on the Eurex Clearing website [www.eurex.com/ec-en/](http://www.eurex.com/ec-en/) under the following link:

### **Rules & Regs > Rules and Regulations**

The amendments to the legal framework of Eurex Clearing AG published by this circular are deemed accepted by each affected contractual party of Eurex Clearing AG, unless the respective contractual party objects by written notice to Eurex Clearing AG within the first 10 Business Days after publication. Any ordinary right of Eurex Clearing AG to terminate the respective contract (including a Clearing Agreement, if applicable) shall remain unaffected.

Unless the context requires otherwise, terms used and not otherwise defined in this circular shall have the meaning ascribed to them in the Clearing Conditions or FCM Clearing Conditions of Eurex Clearing AG, as applicable.

**Attachments:**

1. Amended sections of Chapter V of the Clearing Conditions
2. Amended sections of Price List

**Further information**

Recipients: All Clearing Members, Basic Clearing Members, Disclosed Direct Clients, FCM Clearing Members, vendors and other affected contractual parties

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Target groups: Front Office/Trading, Middle + Backoffice, IT/System Administration, Auditing/Security Coordination

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Contact: [client.services@eurex.com](mailto:client.services@eurex.com)

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Related circulars: Eurex Clearing Circulars **037/21** and **072/21**

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Web: [Support > Initiatives & Releases > C7 SCS Releases > \*\*C7 SCS Release 1.0\*\*](#)

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Authorized by: Jens Janka

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Chapter V of the Clearing Conditions of Eurex Clearing AG

# Transactions Concluded at the Frankfurter Wertpapierbörse

As of 04.10.2021

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AMENDMENTS ARE MARKED AS FOLLOWS:  
INSERTIONS ARE UNDERLINED,  
DELETIONS ARE CROSSED OUT.

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[...]

## Part 2 Clearing of Transactions concluded at the Frankfurter Wertpapierbörse (FWB)

[...]

### 2.2 Failure to Deliver

[...]

#### 2.2.5 Pair-Off Service

In case of a failure to deliver Shares or Other Securities, a Clearing Member may request a Pair-Off in accordance with this Number 2.2.5 to avoid the initiation of a buy-in process by Eurex Clearing AG pursuant to Number 2.2.1. If

- (i) a Clearing Member is not able to deliver Shares or Other Securities on a Pair-Off Date under one or more FWB Transactions, under which such Clearing Member is acting as the seller (each a "**Sell Transaction**") and
- (ii) the Clearing Member has not received identical Shares or Other Securities on the same Pair-Off Date under one or more FWB Transactions, under which the Clearing Member is acting as a buyer (each a "**Buy Transaction**"),

the Clearing Member may request the set-off of such delivery obligations in accordance with the requirements stipulated under this Number 2.2.5 ("**Pair-Off**").

Eurex Clearing AG publishes a procedures manual on the Eurex Clearing Website} providing further information of this service ("**Pair-Off Procedures Manual**").

#### (1) Pair-Off Request

A Pair-Off is only initiated by Eurex Clearing AG on written request by the Clearing Member ("**Pair-Off Request**") and after written acceptance by Eurex Clearing AG.

A Pair-Off Request must be submitted to Eurex Clearing- AG by using a specific form (available on the Eurex Clearing Website - "**Pair-Off Request Form**").

In the Pair-Off Request Form, the Clearing Member shall specify

(i) all Sell Transactions and Buy Transactions (each a “**Pair-Off Transaction**”), which shall form part of such Pair-Off, and

(ii) the final result of the Pair-Off as calculated by the Clearing Member.

Eurex Clearing AG is entitled to limit the right of a Clearing Member to submit Pair-Off Requests pursuant to this Number 2.2.5 as further specified in the Pair-Off Procedures Manual.

**(2) Timing**

A Pair-Off Request can only be submitted, if each Sell Transaction forming part of a Pair-Off Request is not settled

(i) in case of a Sell Transaction relating to Shares, on the 4<sup>th</sup> -Business Day after the Contractual Settlement Date, or

(ii) in case of a Sell Transaction relating to Other Securities, on the 5<sup>th</sup> Business Day after the Contractual Settlement Date

(each such Business Day under (i) and (ii), a “**Pair-Off Date**”).

The Pair-Off Request Form shall be submitted on the Pair-Off Date within the timeframe as specified by Eurex Clearing- AG in the Pair-Off Procedures Manual (“**Pair-Off Period**”).

**(3) Pair-Off Eligibility Requirements**

A Pair-Off Request may only be accepted by Eurex Clearing- AG pursuant to Paragraph (4) below, if it meets the following requirements (“**Pair-Off Eligibility Requirements**”):

(a) each Sell Transaction included in the relevant Pair-Off Request has not been settled prior to the submission of the Pair-Off Request,

(b) each Buy Transaction combined in the relevant Pair-Off Request has not been settled prior to the submission of the Pair-Off Request,

(c) all Pair-Off Transactions included in the relevant Pair-Off Request relate to shares, securities, rights or other instruments with the same ISIN (or other securities identification number) (“**Pair-Off Securities**”),

(d) all payment obligations under all Pair-Off Transactions included in the relevant Pair-Off Request are denominated in the same currency,

(e) the relevant Pair-Off Securities are not subject to a corporate action from the Trade Date (including) until the Pair-Off Date (including),



- (f) all Pair-Off Transactions included in the relevant Pair-Off Request form part of the same Transaction Account,
- (g) the Clearing Member has designated the same Settlement Location with respect to all Pair-Off Transactions included in the relevant Pair-Off Request,
- (h) the Clearing Member has designated the same securities accounts with the relevant Settlement Location to be used for performing the delivery obligations under all Pair-Off Transactions included in the relevant Pair-Off Request, and
- (i) any other requirement Eurex Clearing- AG stipulates in the Pair-Off Procedures Manual.

For the avoidance of doubt, a FWB Transaction can only form part of a Pair-Off Request once.

**(4) Verification, Acceptance or Rejection of Pair-Off Requests**

A Pair-Off Request will only be exercised, if

- (i) Eurex Clearing- AG received the Pair-Off Request Form on the Pair-Off Date within the Pair-Off- Request Period,
- (ii) the Pair Off-Request meets all Pair-Off Eligibility Requirements, and
- (iii) Eurex Clearing- AG accepted the Pair-Off Request by submitting a written acceptance notice ("**Pair-Off Acceptance Notice**") prior to the acceptance cut-off time as specified in the Pair-Off Procedures Manual ("**Acceptance Cut-Off Time**").

Eurex Clearing- AG will – in its own discretion and using best efforts – accept a Pair-Off Request, if it deems itself capable of processing the Pair-Off Request. When making this determination, Eurex Clearing- AG particularly considers the point in time when the relevant Pair-Off Request was received by Eurex Clearing- AG. For the avoidance of doubt, even in case a Pair-Off Request meets all Pair-Off Eligibility Requirements and is also received within the Pair-Off Request Period, Eurex Clearing- AG is not obliged to accept such Pair-Off Request.

If Eurex Clearing- AG determines that it does not have the capability to process the relevant Pair-Off Request, Eurex Clearing- AG is entitled to reject such Pair-Off Request. Eurex Clearing- AG will inform the Clearing Member about the rejection in writing as soon as practicably possible.

**(5) Consequences of an accepted Pair-Off Request**

Upon acceptance of the Pair-Off Request by Eurex Clearing- AG, Eurex Clearing AG will within the processing time as specified in the Pair-Off Procedures Manual ("**Pair-Off Processing Time**"):

- (i) fully or partially set-off all delivery and payment obligations arising from all Pair-Off Transactions included in the relevant Pair-Off Request with discharging effect,
- (ii) fully or partially settle all Pair-Off Transactions forming part of the set-off under (i) in cash,
- (iii) amend or delete any settlement instruction relating to the relevant Pair-Off Transactions or enter new settlement instructions within the settlement systems of the relevant Settlement Location in accordance with the result of the set-off, and
- (iv) if the delivery obligation arising from the relevant Sell Transaction is not fully set-off, initiate a buy-in process in accordance with Number 2.2.1 with respect to such remaining delivery obligation.

The Pair-Off Acceptance Notice shall constitute the declaration of set-off. Each set-off effected pursuant to this Number 2.2.5 shall become effective upon execution within the Pair-Off Processing Time.

[...]

## 2.5 Transaction Netting

[...]

### 2.5.4 Discharge of the Delivery Obligations to be performed under the FWB Transactions resulting from Netting and Aggregation

[...]

- (2) In addition to the settlement confirmation submitted by the relevant Settlement Location to the holder of the relevant settlement account, Eurex Clearing AG will inform the Clearing Member of the settlement status of each such FWB Transaction at the end of each relevant Settlement Date by submitting a settlement report ("**Settlement Delivery Report**"). If the Transaction Netting has resulted in a Strange Net pursuant to Number 2.5.2 (2) (b) (i) (IV), the Settlement Delivery Report will include such Strange Net and will specify such Strange Net as "settled".
- (3) If the Settlement Delivery Report provides information on the (partial) settlement of the relevant FWB Transaction pursuant to Number 2.5.2 (2) and Number 2.5.2 (3), the delivery obligations arising under such FWB Transactions shall, at the point in time of the submission of the Settlement Delivery Report by Eurex Clearing AG, be deemed to be (partially) discharged. For the avoidance of doubt, the actual (partial) discharge of the delivery obligations arising under such FWB Transactions occurs prior to the submission of the Settlement Delivery Report in accordance with the settlement confirmation submitted by the relevant Settlement Location with respect to such FWB Transactions.

[...]

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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[...]

**8 Service Fees Eurex Clearing, Eurex Deutschland, Frankfurt Stock Exchange (FWB) and Repo Transactions**

[...]

**8.3 General Service Fees**

[...]

**8.3.8 Service Fees for Pair-Off Service under C7 Securities Clearing Service**

<u>Service:</u>	<u>Fee per processed Pair-Off Request</u>
<u>Pair-Off Service</u>	<u>EUR 50.00</u>

[...]

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