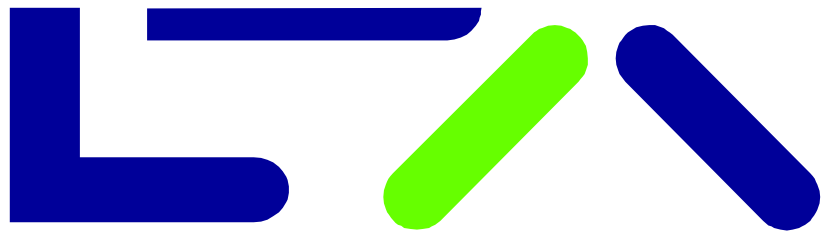


X-pand into the Future



eurex circular 136/17

Date: 5 December 2017
Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Michael Peters

MiFID II/MiFIR: Commodity derivatives position reporting and migration to new product group

Contact: customer.readiness@deutsche.boerse.com

Content may be most important for:

- ➔ Front Office/Trading
- ➔ Middle + Backoffice
- ➔ IT/System Administration

Attachments:

none

Summary:

Under the revised Markets in Financial Instruments Directive (MiFID II) and the accompanying Markets in Financial Instruments Regulation (MiFIR), which will come into effect on 3 January 2018, several ETDs tradable at Eurex Deutschland and Eurex Zürich AG (collectively: the Eurex Exchanges) will be subject to position limits and position reporting obligations for commodity derivatives.

The Eurex Exchanges will therefore adopt in the Exchange Rules that daily position reports have to be submitted to Deutsche Börse Regulatory Reporting Hub (RRH) by all Exchange Participants with open positions, both proprietary and held for clients, in relevant contracts.

Products that fall under these regulations will be migrated to a new product assignment group. Only Exchange Participants with an established connectivity to the RRH position reporting functionality for Eurex ETDs can be assigned to the new product group from **3 January 2018** onwards.

Exchange Participants interested in trading these products from January 2018 onwards are advised to contact their Group Client Key Account Managers Trading immediately to ensure readiness.

The Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG recommend all other Exchange Participants to close open positions before **2 January 2018 at 12:00 CET**.



Eurex Deutschland
Börsenplatz 4
60313 Frankfurt/Main
Mailing address:
60485 Frankfurt/Main
Germany

Internet:
www.eurexexchange.com

Management Board:
Thomas Book,
Mehtap Dinc, Erik Tim Müller,
Michael Peters, Randolph Roth

ARBN: 101 013 361

MiFID II/MiFIR: Commodity derivatives position reporting and migration to new product group

1. Position reporting and position limits for commodity derivatives under MiFID II

The regulatory changes of the revised Markets in Financial Instruments Directive (MiFID II) entering into force on 3 January 2018 will introduce position limits and position reporting for commodity derivatives and emission allowances and derivatives thereof.

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

2. Migration to new product group

All commodity derivatives in scope for the position limit and position reporting regulations that are tradable on the Eurex Exchanges will be migrated to a newly created product group "Eurex Commodity Derivatives MiFID II" (XNCH6U). All Trading Participants who do not fulfill the prerequisites to trade the relevant products will be de-assigned from the new product group with effective date 3 January 2018. This will not only enable our customers to clearly identify all affected products and to distinguish them from the remaining Eurex product range, but it also enables the Eurex Exchanges to distinguish the customers who are subject to the reporting obligations from other customers who are not.

Exchange Participants shall only be entitled to trade products from the new product group if they have catered for all prerequisites to fulfill the position reporting obligations, namely:

- a) Signed Connectivity Agreement between Exchange Member or Technical Connectivity Provider to Exchange Member and Deutsche Börse RRH
- b) Established technical connectivity to RRH Commodity ETD / on-venue position reporting interface (direct or indirect via designated technical connectivity provider)
- c) Filled-in application form for assignment to new product group
- d) For Non-Clearing Members (NCMs): readiness of the Clearing Member (CM) with whom the NCM has a valid NCM-CM Agreement to offer clearing services in the relevant products.

Exchange Participants who are not assigned to the new product group will not be subject to position reporting obligations. However, they cannot trade the products, either.

In order to ensure timely assignment to the new product group to be ready for trading on 3 January 2018, Exchange Participants should contact their Group Client Key Account Managers Trading immediately to receive all required forms and documents and to ensure readiness.

Connectivity to RRH should be requested until **7 December 2017**, at the latest, by returning the applicable signed Connectivity Agreement. The application form for assignment to the new product group should be submitted until **15 December 2017**. Applications submitted at a later point in time will be processed on a best effort basis.

3. Closing of positions

We recommend all Exchange Participants, who have open positions (proprietary and client positions) in the relevant products and who will not be ready for the new MiFID II commodity derivatives position reporting, to close these positions before 12:00 CET on 2 January 2018.

All open positions that exist at the end-of-day on 3 January 2018 are subject to the regulatory reporting obligation. Breaches of the reporting obligation will be subject to disciplinary proceedings by the Disciplinary Committee of Eurex Deutschland.

4. Product scope

Products that will be migrated to the new product group "Eurex Commodity Derivatives MiFID II" (XNCH6U) are:

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

Any new product listed on the Eurex Exchanges in the future, which will be subject to the MiFID II position reporting and position limit regulations, will be added to this product group.

5. Reporting guidelines

Please consider the regulations for position limits and position reporting in MiFID2 (Articles 57 and 58), Commission delegated regulation (EU) 2017/591 (former RTS 21), Commission implementing regulation (EU) 2017/1093 (former ITS 4) and the latest ESMA Q&As on commodity derivatives topics available under the link: <https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir>.

In addition to and for further specification of the general regulations outlined above, the following reporting requirements, in accordance with §71 of the new Exchange Rules of Eurex Deutschland and Eurex Zürich (Exchange Rules) (Position Reporting for Commodity Derivatives) apply for all Exchange Participants that are assigned to the new product group from 3 January 2018 onwards:

- Net positions, not transactions must be reported. Net positions are to be reported on end client level (per position holder).

- RRH only accepts complete position records, i.e. blank mandatory fields cannot be enriched by RRH. Exchange Participants are required to obtain all necessary data from their clients (and their clients until the end-client is reached), if applicable.
- Netting of long and short positions is required per tradable instrument (instrument ISIN), i.e. for one tradable instrument, no long and short position can be submitted for the same position holder on the same day to RRH for positions held at the Eurex Exchanges.
- Positions in complex instruments (e.g. calendar spreads) have to be broken down to single legs, whereas each leg corresponds to a long or short position in an existing simple tradeable instrument and has to be reported accordingly. The instrument ISIN codes of the simple instruments must be used in the reports; such “leg positions” must be netted with (or added to) corresponding positions in the respective simple instruments.
- Net positions in options (currently only OCCO) are, in addition to the standard position quantity in lots, to be reported in delta-equivalent quantity in field PD005, i.e. the number of lots must be multiplied by the option delta value. Exchange Participants and position holders may use whatever delta value they deem appropriate. The Eurex Exchanges do not perform a validation of the applied delta value, but the field PD005 is mandatory for position type “Option”. End-of-day delta values calculated by Eurex Clearing are available in the Theoretical Price Data Files for Eurex products. The files can be downloaded from the Eurex Clearing website www.eurexclearing.com under the link:

Risk management > Risk parameters > File services >

Transparency Enabler Data – End of Day

- The reportable position is the end of day position held on trading day t, to be reported on t+1 at 15:00 CET/CEST, at the latest. T+1 is the next exchange trading day. Intraday changes in positions do not have to be reported.
- For each position, a position report has to be submitted for each trading day, even if the position has not changed.
- End-of-day zero-positions (net) do not have to be reported, unless on the previous day, a position different from zero was reported in the same instrument for the same position holder. In this case, a 0-report has to be submitted once to indicate that the position was closed.
- The interface specification for position reports submitted to RRH equals the FIA Standard (FIA XSD for MiFID Commodity Position Reporting (Venue/Participant Transfer); Issuer: EFET; Date: 22 September 2017; Version: 2.1.0; Status: Definitive)
- The “Spot Month” (to be reported as SPOT in field PD002) is always the next contract to expire, all other contracts to be reported as “Other Months” position (to be reported as OTHR in field PD002), no netting of positions across multiple instruments that fall into the “other months” category.
- To facilitate roll-over transactions into the next maturity before the “SPOT” contract expires, we allow to declare positions held in contracts with the next expiry date on the last trading day of the expiring contract as “SPOT” already.
- In field RD004 (“Venue Product Code”) the ALPHANUM-4 product code of the respective Eurex product shall be entered (see product list above). Regulators will use this field to identify positions in futures and options contracts that fall into a common position limit. Therefore, for positions in options that have a common limit with a futures contract, the venue product code of the futures contract has to be entered. Specifically, for positions in options on the Bloomberg Commodity Index (Eurex-Product code: OCCO), the venue product code **FCCO** has to be entered.
- A detailed User Guide for Position Reporting is available in the Member Section of Deutsche Börse Regulatory Reporting Hub.

6. Contacts and forms

For connectivity to Deutsche Börse Regulatory Reporting Hub, please contact Regulatory.services@deutsche-boerse.com.

For assignment to the new product group Eurex Commodity Derivatives MiFID2 (XNCH6U), please contact your Group Client Key Account Manager Trading.

The form "Application for assignment to the product group Eurex Commodity Derivatives MiFID2" is also available on the Eurex website www.eurexchange.com under the link:

Resources > Forms

5 December 2017