

Preliminary release notes for EEX related changes with T7 10.1

Dear Trading Participant,

EEX will update its Derivatives Trading System Eurex T7 to version 10.1 in June 2022 in line with the Eurex Exchanges' release cycle. We will inform you generally about the relevant details in due course.

In the framework of the 10.1 release preparation, we would like to inform you at an early stage, that Eurex and EEX are going to introduce new and changed features in regards to Transaction Size Limits.

With T7 10.1, EEX will significantly alter the Transaction Size Limits (TSL) functionality.

- Firstly, the maintenance of TSLs will be updated
- Secondly, Clearing Members will be given the ability to define TSLs (member level) for their clearing clients (T7 Trading Participants)

Therefore, three types of stakeholders will be able to configure TSLs in the future:

- Trading Participants covering their own trading activity via T7 Admin GUI
- Clearing Members covering the trading activity of their clearing clients via T7 Clearer GUI
- EEX covering all trading activity

Please note that there will be a migration period (after the production launch of T7 Release 10.1), during which time participants (administrator role) will be able to setup new TSL configurations while the existing TSL regime will remain in place fully functional.

Below you will find a detailed description of the planned functionality.

1. Functional Description

EEX will introduce two new classes of TSLs:

- Standard Transaction Size Limits (STSL)
- Exception Transaction Size Limits (ETSLs)

1.1 Terminology and short Description

TSL Product Groups

TSL Product Groups are a new concept with T7 Release 10.1. EEX will create the TSL Product Groups (please see Annex 1) and will group all products into them. Every product will only belong to one single TSL Product Group. It will not be possible that a product belongs to no TSL Product Group or to more than one TSL Product Group. Some TSL Product Groups may contain only a single product while other may contain multiple products. These TSL Product Groups will then be used by all Trading Participants, Clearing Members and by EEX while defining the STSLs.

TSL User Groups

TSL User Groups are also a new concept with T7 Release 10.1. TSL User Groups are not related to the already existing Trader Groups or Risk Groups for users. Trading Participants will be able to create these TSL User Groups and group all their users into them. A user may belong to no or to only one TSL User Group. If a user of a Trading Participant belongs to a TSL User Group, both STSL and ETSL can be defined while the exchange and Clearing Members can define only STSL without a TSL User Group. If a Trading Participant does not belong to a TSL User Group, only ETSL can be defined. TSL User Groups will be specific to each Trading Participant and they will neither be visible to Clearing Members nor to other Trading Participants.

TSL Type

TSLs will be configured for three different TSL types, namely on-book, TES, and Calendar Spreads. The TSLs types already exist today and will remain unchanged in the new TSL regime.

Standard Transaction Size Limits (STSL)

STSLs will cover the vast majority of the TSL configuration per TSL Type, defining TSLs for a group of products (TSL Product Groups) and/or groups of users (TSL User Groups).

Exception Transaction Size Limits (ETSLS)

ETSLS will allow Trading Participants to define TSLs per user, product and TSL type, up to an exchange-defined maximum number of exceptions to cater for individual needs. The calculation of the maximum number of exceptions is outlined below.

An ETSL can be higher or lower than the respective STSL of a given Trading Participant. However, even if an ETSL set by a Trading Participant is higher than any corresponding STSL value set by the exchange, by the Clearing Member, or by the Trading Participant, the calculated *effective* TSL will not exceed the STSLs defined by the exchange or by the Clearing Member.

1.2 Basic concept

The following table outlines the TSL configuration possibilities per stakeholder:

Stakeholder	TSL Class	Granularity
EEX	STSL	Per TSL Product Group and TSL Type
Clearing Member	STSL	Per TSL Product Group, Clearing Client, and TSL Type
Trading Participant	STSL	Per TSL Product Group, TSL User Group, and TSL Type
Trading Participant	ETSL	Per Product, User, and TSL Type

All above mentioned stakeholders will be able to define STSLs per TSL Product Group and TSL type. EEX will determine the limits for the whole market, the Clearing Members for their clearing clients and the Trading Participants for their TSL User Groups. In addition, only

Trading Participants will be able to define ETSLs per User and Product and TSL Type. ETSL are defined on a more granular level compared to STSL to enable fine tuning, if necessary.

Clearing Members will be able to define STSL for their clearing clients even when the C7 capacity assignment is not enabled. Therefore, STSLs can be defined upfront and will become active once a C7 capacity assignment is performed.

Please note: STSL maintenance for the Clearing Members will be done through the T7 Clearer GUI. There is no access possibility to STSL from the C7 GUI.

It will be possible to define a value for a TSL definition that is equal to or larger than zero (=0). If zero is chosen, no trading will be possible. If the TSL value is not set for a TSL definition, then no restrictions will apply.

Important: This is a change in behaviour compared to the existing functionality. Zero will disable trading as before but having set no entry will act as a “wildcard”. If the limit is set to blank (no entry), this limit will not be considered, contrary to the current behaviour, where this means that no trading is possible.

Trading entitlements for Product Assignment Groups are not impacted by the changes of TSLs. The entitlement for Trading Participants will be adjusted so that a user with the “Service Administrator” role can define the TSL. For Clearing Members, a new role “CM Service Administrator” is created enabling the TSL maintenance. All users of a Clearing Member currently using the “Service Administrator” role will automatically be assigned with this new role (and the existing role will be de-assigned). There is no need for adjustment of entitlement for Trading Participants or Clearing Members.

The definition of TSLs will be done via the T7 Admin and T7 Clearer GUIs, either manually or via the import/export functionality. EEX will publish the TSL Product Groups via the Reference Data Interface (RDI) and via RDF on its Common Report Engine (CRE). New XML reports will be introduced, and existing XML reports will be adjusted, to reflect the new TSL regime.

1.3 Effective TSL Calculation

The effective TSLs will be calculated per product, user, and TSL Type and will aggregate all the different TSL configurations to a single limit that T7 uses for the validation. In general, the

effective TSLs will be taken from the lowest value across all stakeholders (with the exception that an ETSL can overwrite an STSL given to the user by the user's Trading Participant).

An ETSL can be defined higher than the corresponding STSLs. Also, a Clearing Member's STSL can be defined higher than the exchange-defined value. Vice versa, EEX can bring down the limit below the values as defined by Clearing Member or Trading Participant. But the calculation of the *effective* TSL will follow the rules of hierarchy.

For examples outlining the effective TSL calculation in various constellations please see the tables in the annex.

When a Clearing Member performs a capacity de-assignment for a product in C7, all effective TSLs for the clearing client for the affected product(s) will be zero. Please note that the TSL definitions will not be adjusted (after a capacity assignment from C7 they will be used again in the calculation of effective TSLs).

1.4 Maximum Number of ETSLs

The number of ETSLs per Trading Participant will be limited. The maximum number of ETSLs per Trading Participants will be calculated as:

$$N = U * E$$

where:

- *N* is the maximum number of ETSLs per Trading Participant.
- *U* is the number of users enabled for trading per Trading Participant.
- *E* is the ETSL Multiplier defined by EEX. The parameter is planned to set to 150.

The Trading Participant may allocate those ETSLs at their own discretion. For example, a Trading Participant with five users enabled for trading may assign up to 750 ETSLs to a single user, while the other user has none.

Reducing the number of users enabled for trading will have an immediate impact on the maximum number of ETSLs for a given Trading Participant. In a scenario where the Trading Participant will have more ETSLs defined than permitted by the current number of users enabled for trading, the Trading Participant will be prevented from updating existing ETSLs or

creating new ETSLs. The Trading Participant will be expected to delete enough ETSLs before being able to maintain ETSLs again.

2 Migration Process

Simulation

With the launch of the T7 Release 10.1 in Simulation, starting on 2 May 2022, a migration phase will start. During the migration phase, the existing T7 Release 10.0 TSL functionality will remain operational, while stakeholders will be able to configure the new TSL regime via the T7 Admin GUI respectively the T7 Clearer GUI. Stakeholders will be able to upload the new limits, but they will not yet have an operational impact.

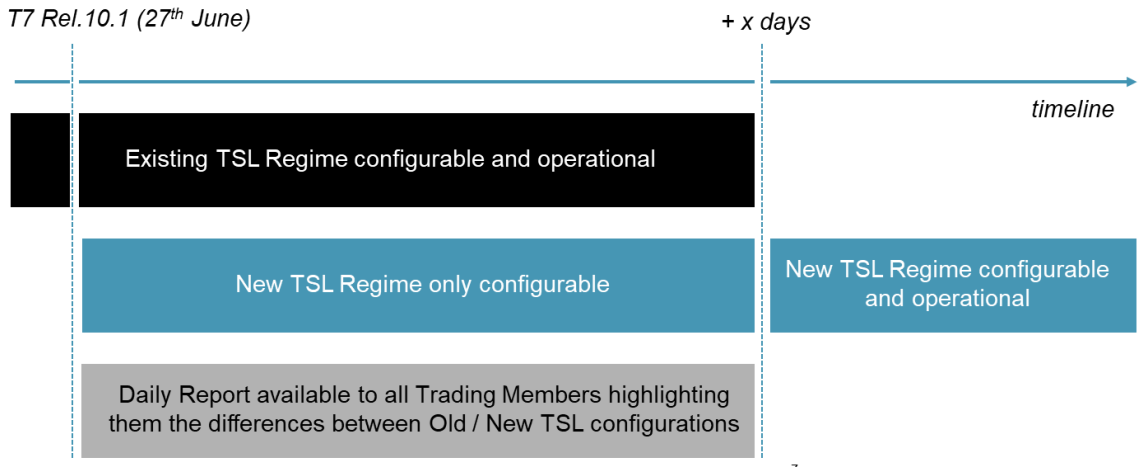
At the end of the migration phase the new TSL configuration will be operationally enabled, while the current TSL configurations will be operationally disabled. The duration of the migration phase will be announced at a later point of time.

At the beginning of the migration phase, the TSL Product Groups will be available in T7 and will be accessible via the Reference Data Interface (RDI) or RDF on CRE. All STSL and ETSL configurations will be blank. Hence, unless stakeholders upload limits, no validation will take place. EEX will set the exchange limit for all TSL Product Groups, ensuring that at least one limit will be available for each order, quote, or TES trade.

Existing reports will be updated immediately with the launch of T7 Release 10.1 in Simulation. Newly introduced reports will be available at the end of the migration phase. Reports that are scheduled to be decommissioned with the TSL enhancements will not be published anymore with the end of the migration phase. Previously published reports will remain available following the standard retention policy. Detailed information about reports will be communicated in the Final Release Notes.

Production

For Production the same Migration Process will be followed as for Simulation.



Further details for production will follow in context to our final release information.

Please do not hesitate to contact us if you should have questions.

Yours sincerely,

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Annex “examples”

Definition of the Data used in the Examples

The following data setup applies to all examples:

- Clearing Member CM1 clears for Trading Participants TP1 and TP2.
- TP1 has two users TP1U1 and TP1U2 which are both in the same TSL User Group TP1UG1.
- TP2 has two users TP2U1 and TP2U2. TP2U1 is in TSL User Group TP2UG1 and TP2U2 is in no TSL User Group.
- TSL Product Group PG1 contains two products called AAAA and BBBB.
- TSL Product Group PG2 contains one product CCCC.

Standard Use Case with decreasing ETSLs

The use case shows effective TSLs for Trading Participant TP1 and Product Group PG1 given a set of STSLs and ETSLs.

	TSL Class	TSL Product Group	TSL User Group	TSL Type	Trading Participant	User	Product	Limit
EEX	STSL	PG1		On-book				9,999
Clearing Member CM1	STSL	PG1		On-book	TP1			8,000
Trading Participant TP1	STSL	PG1	TP1UG1	On-book				7,000
Trading Participant TP1	ETSL			On-book		TP1U2	AAAA	0
Effective TSL				On-book	TP1	TP1U1	AAAA	7,000
Effective TSL				On-book	TP1	TP1U1	BBBB	7,000
Effective TSL				On-book	TP1	TP1U2	AAAA	0
Effective TSL				On-book	TP1	TP1U2	BBBB	7,000

Standard Use Case with increasing ETSLs

The use case shows effective TSLs for Trading Participant TP1 and Product Group PG1 given a set of STSLs and ETSLs.

	TSL Class	TSL Product Group	TSL User Group	TSL Type	Trading Participant	User	Product	Limit
EEX	STSL	PG1		On-book				9,999
Clearing Member CM1	STSL	PG1		On-book	TP1			8,000
Trading Participant TP1	STSL	PG1	TP1UG1	On-book				7,000
Trading Participant TP1	ETSL			On-book		TP1U2	AAAA	7,500
Effective TSL				On-book	TP1	TP1U1	AAAA	7,000
Effective TSL				On-book	TP1	TP1U1	BBBB	7,000
Effective TSL				On-book	TP1	TP1U2	AAAA	7,500
Effective TSL				On-book	TP1	TP1U2	BBBB	7,000

Standard Use Case and User without a TSL User Group

The use case shows effective TSLs for Trading Participant TP2 and Product Group PG1 given a set of STSLs and ETSLs.

	TSL Class	TSL Product Group	TSL User Group	TSL Type	Trading Participant	User	Product	Limit
EEX	STSL	PG1		On-book				9,999
Clearing Member CM1	STSL	PG1		On-book	TP2			8,000
Trading Participant TP2	STSL	PG1	TP2UG1	On-book				7,000
Trading Participant TP2	ETSL			On-book		TP2U2	BBBB	5,000
Effective TSL				On-book	TP2	TP2U1	AAAA	7,000
Effective TSL				On-book	TP2	TP2U1	BBBB	7,000
Effective TSL				On-book	TP2	TP2U2	AAAA	8,000
Effective TSL				On-book	TP2	TP2U2	BBBB	5,000

Standard Use Case and Product BBBB is moved from PG1 to PG2

The use case shows effective TSLs for Trading Participant TP1 and Product Group PG1 given a set of STSLs and ETSLS. This example illustrates the impact of moving a product from TSL Product Group PG1 to TSL Product Group PG2.

	TSL Class	TSL Product Group	TSL User Group	TSL Type	Trading Participant	User	Product	Limit
EEX	STSL	PG1		On-book				9,999
EEX	STSL	PG2		On-book				9,999
Clearing Member CM1	STSL	PG1		On-book	TP1			8,000
Clearing Member CM1	STSL	PG2		On-book	TP1			8,000
Trading Participant TP1	STSL	PG1	TP1UG1	On-book				7,000
Effective TSL (before)				On-book	TP1	TP1U1	AAAA	7,000
Effective TSL (before)				On-book	TP1	TP1U1	BBBB	7,000
Effective TSL (before)				On-book	TP1	TP1U2	AAAA	7,000
Effective TSL (before)				On-book	TP1	TP1U2	BBBB	7,000
Effective TSL (after)				On-book	TP1	TP1U1	AAAA	7,000
Effective TSL (after)				On-book	TP1	TP1U1	BBBB	8,000
Effective TSL (after)				On-book	TP1	TP1U2	AAAA	7,000
Effective TSL (after)				On-book	TP1	TP1U2	BBBB	8,000