

FrontLine SIX x-clear Ltd

Spanish equities

SIX x-clear Ltd to offer CCP clearing services for Spanish equities

1.0 Overview

As an important step in SIX x-clear's effort to continue expanding its venue and market coverage, SIX x-clear Ltd (hereinafter referred to as "x-clear") will offer CCP clearing services on an interoperable basis for Spanish equities in support of the following trading venues:

- Aquis (AQXE)
- Cboe Europe (BATE & CHIX)
- Equiduct (XEQT)
- Sigma-X MTF (SGMX)
- Traiana - Harmony (TRAI)
- Turquoise (TRQX)
- UBS MTF (XUBS)

x-clear will become a direct participant of the Spanish CSD – Iberclear and offer its CCP clearing services, which are designed specifically for Iberclear. The new services cover account updates and ownership reporting, as well as settlement-related services in line with the Spanish Market Reform (SMR) with settlement in T2S.

2.0 Effective date

x-clear plans to offer the new services as of **April 2018**.

3.0 Impact on participants

Clearing Members can use cross-margining and cross-venue settlement netting benefits. Furthermore, they benefit from x-clear's competitive and sustainable fee structure by consolidating their CCP clearing business to x-clear.

Members who will use the new offering have to conduct the necessary testing in advance (see section 4.9 *References* below).

4.0 Details

x-clear will provide the following new services for CCP clearing of Spanish equities.

4.1 Account Update

- The Account Update functionality allows Clearing Members to update the settlement accounts where gross instructions were originally booked.
- In order to update the settlement account, Clearing Members have to send an account update request to x-clear before 14:30 (CET) on the Intended Settlement Date – 1 (ISD-1).
- As part of the SSI (Settlement Standing Instruction) set-up, Clearing Members have to submit the list of the clearing accounts and the linked settlement accounts. The updated SSI form will be published in due time.

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4.2 Ownership Update and Correction

- For x-clear to fulfil the reporting obligations towards Iberclear's Post-Trade Interface (PTI), Clearing Members have to submit the default ownership reference data for all their settlement accounts.
- The Ownership Update/Correction functionality is applicable for Clearing Members using "Third Party Settlement Accounts". The gross instruction with a default ownership reference can be modified to assign with one or multiple new ownership references.

4.3 Hold and Release

- The Hold/Release functionality allows Clearing Members to hold the gross delivery instructions. Members or their settlement agents can "Hold" or "Release" all the gross instructions at trading ID level by default, indicating this in the updated static data form.
- Clearing Members or their settlement agents can update gross delivery instructions to "Hold" until 18:30 (CET) on ISD-1. The held instructions can be "released" until ISD+5. x-clear will instigate the cash-out process for unsettled instructions on ISD+5 after 16:00 (CET).

x-clear will introduce the following netting and reporting services to ease the Hold/Release process.

1. Pseudo Netting

- a. x-clear will introduce multiple intraday Pseudo Netting cycles from ISD until ISD+5, which will be scheduled exactly one hour before every re-netting cycle (see point 2 below).
- b. The purpose of each Pseudo Netting run is to simulate the next immediate re-netting run and report the results to Clearing Members in order to provide an overview of all outstanding held and released net obligations. Based on this, Members or their settlement agents can plan for the further release of instructions based on their positions available for settlement.

2. Re-Netting

- a. x-clear will introduce multiple intraday netting cycles from ISD until ISD+5 to net the gross delivery instructions after processing the release requests from Clearing Members.
- b. As part of Re-Netting process, new settlement instructions will be sent separately for held and released net obligations to Iberclear. Instructions for the held position is only for information purposes and will not be settled, but will be cancelled by x-clear after the next Re-Netting process.

Note: It is possible to request Account Update, Ownership Update/Correction and Hold/Release for either the full quantity or a partial quantity of a gross instruction.

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4.4 Instructing pre-matched settlements

- Iberclear mandates CCPs to instruct on behalf of its Clearing Member or their settlement agent. x-clear will always instruct a single pre-matched settlement instruction to Iberclear. x-clear requires the Clearing Members or its settlement agent to sign a Power of Attorney (POA).
- The Clearing Members or their settlement agents are not expected to provide a bilateral matching instruction. They shall receive the status advice and settlement confirmations directly from Iberclear or T2S as per their communication interface.
- SIX SIS cannot be appointed as a settlement agent because SIX SIS does not allow POA instructions via its omnibus accounts in the local market.

4.5 Overview of various timeline

Day	Time (CET)	Action by Member	Process at x-clear	Reports to Clearing Member or settlement agent
T	Trading phase		Accept and process gross trade	MT548 (real time), RDXO434 (intraday and EoD)
ISD-1	Until 14:30	Send Account Update request to x-clear		
	15:00		Process Account Update request from Members	Response for Account Update request
	Until 15:30	Send Ownership Update request to x-clear		
	16:00		Process Ownership Update request from Members	Response for Ownership Update request
	18:00		Pseudo Netting process and report on Pseudo Netting to Members	RDXO535 (intraday), MT537 (intraday)
	Until 18:30	Send Hold/Release request to x-clear		
	19:00		Process Hold/Release request from Members	Response for Hold/Release request
	07:00 - 19:00		Report current day trades and trades updated on ISD-1 due to updates like Account Update, Ownership Update etc.	RDXO534 (intraday)
	19:00		EoD netting after Hold/Release request processing; Send report on netting results to Members	RDXO435(intraday and EoD), RDXO422 (EoD), MT548, MT54X

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Day	Time (CET)	Action by Member	Process at x-clear	Reports to Clearing Member or settlement agent
	20:00		Send Pre-matched settlement instructions to Iberclear	
ISD to ISD+5	Until 18:00		Cyclical Pseudo Netting process and reporting	RDXO535 (intraday), MT537 (intraday)
	Until 18:30	Send Release request to x-clear		
	Until 19:00		Cyclical process to execute Release request from Members	Response for Release request
	Until 19:00		Cyclic Re-Netting process, reporting and routing pre-matched settlement instructions to Iberclear	RDXO435(intraday and EoD), RDXO422 (EoD), MT537 (intraday), MT548, MT54X
	Until 15:30	Send Ownership Correction request to x-clear		
	16:00		Process Ownership Correction request from Members	Response for Ownership Correction request
ISD+5	16:00		Cash-out process for unsettled settlement instructions Note: Release request expected before 15:00 (CET) on ISD+5	
	Until 15:30	Send Ownership Correction request to x-clear		
ISD+6	16:00		Process Ownership Correction request from Members	Response for Ownership Correction request

4.6 New interface for sFTP file inputs

- Clearing Members or their settlement agents have to establish sFTP connectivity with x-clear for sending Account Update, Ownership Update/Correction as well as Hold/Release requests.
- x-clear will provide a response to Clearing Members or their settlement agents for Account Update, Ownership Update/Correction as well as Hold/Release requests using the same sFTP connectivity interface.

4.7 Member reporting

SIX SIS has published the updated Volume 5 of the BP Specs including all relevant changes for the Spanish market.

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- The details of Spanish market gross trades for the current business day, as well as the gross trades which are updated on the current business day due to an Account Update, Ownership Update, Hold/Release, Re-Netting etc. will be reported in the new intraday report RDXO534.
- All the Pseudo Netted settlement instruction details for Spanish market settlements will be reported intraday in the new message MT537 and new report RDXO535.
- The existing settlement instruction details reports (RDXO435 and RDXO422) shall be enhanced to report the Spanish market-specific trade attributes such as pre-match eligibility, Hold/Release indicator etc.

4.7.1 Changes to RDXO435 (Settlement Instruction Details)

The following changes shall be introduced in the report RDXO435 (Settlement Instruction Details), which mandatorily impacts all Clearing Members **from 5 February 2018**, irrespective of their participation in CCP clearing for the Spanish market equities.

Field	Change details
Clearing_Account	A new field "Clearing_Account" has been introduced in place of the old field "Clearing_Account_Type". This new field reports the complete five-character clearing account used in the settlement instruction.
Xclear_Stlmt_Acct	The length of the field has been changed to thirty-five characters (35!c)
Mem_Stlmt_Acct	The length of the field has been changed to thirty-five characters (35!c)
Pre_Match_Eligibility	A new field "Pre_Match_Eligibility" has been introduced to report the pre-match eligibility of a settlement instruction. For non-Spanish instructions, this field will always be reported as "N".
Hold_Release_Status	A new field "Hold_Release_Status" has been introduced to report the Hold/Release status of a settlement instruction. For non-Spanish instructions, this field will always be reported as "R".

4.8 Member testing

As the Spanish market has its own complexities compared to other markets, x-clear requires mandatory member testing. All Members interested in clearing Spanish equities have to conduct a few test cases successfully with moderate efforts before using the service in production.

x-clear plans to offer a dedicated **member testing support window** for two weeks, between 19 and 30 March 2018. Please note that these dates might shift slightly depending on the progress with other market infrastructure in Spain.

4.9 References

- The latest BP Specs Volume 5 are published at www.six-securities-services.com > Login > Securities Services Private > SECOM > Business Partner Specifications > SIX x-clear Specifications - Volume 5 > Updates > Nov 2017 Release > Updates for Version 2/Updates for Version 1.

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- **It is important to note that the changes mentioned in Volume 5 BP Specs will be effective only as of 5 February 2018.**
- More information on updated documents (e.g. forms, settlement fees for the Spanish market, service description, settlement guide, reporting descriptions), testing details and timelines will be communicated in due time.

5.0 Contact

If you have any further questions, please contact your Relationship Manager. The contact details are mentioned in the list of SIX SIS contacts published at www.six-securities-services.com > Clearing > Contacts.

In this context, SIX x-clear Ltd draws the Members' attention to clauses **7.1 lit. f., chapter 17.0 and 25.3** General Terms and Conditions of SIX x-clear Ltd stipulating that the Member bears responsibility for the tax requirements and consequences of clearing with x-clear pursuant to the Applicable Law and that SIX x-clear Ltd assumes no liability for any charges or other negative consequences arising in conjunction with clearing through SIX x-clear Ltd that are a result of tax laws or ordinances issued by tax authorities pursuant to the Applicable Law.