



ISE-CCP

Buy-in User Guide
For securities traded on ISE Xetra

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1 Introduction

This guide outlines the buy-in process of Eurex Clearing AG in its role as a central counterparty (CCP) for certain securities ('CCP eligible securities') traded on the Xetra trading system of the Irish Stock Exchange, ISE Xetra.

The buy-in process is initiated to settle outstanding failed deliveries of a Clearing Member. A failed delivery is a late sell delivery instruction that is not settled within a specified number of days after its contractual settlement date.

2 Buy-in Initiation

In the event that a Clearing Member fails to deliver the securities sold by a particular date, Eurex Clearing AG will initiate a Buy-in attempt by announcing an auction in accordance to the EU Short Selling Regulation (No. 236/2012). Each registered user (Buy-in participant) receives a Buy-in auction announcement via email. By signing a Buy-in contract with Eurex Clearing AG, a market participant can become an authorised Buy-in participant.

Each Buy-in participant has access to the Buy-in auction tool and is invited to participate in every Buy-in auction announced.

In the event of the auction being successful, the Buy-in participant becomes the new counterparty, taking the place of the seller of the failed delivery, and has to deliver the securities.




2.1 Buy-in and Cash Settlement Schedule

The following Buy-in and cash settlement schedule is in place for all CCP eligible securities, except for rights issues¹, traded on ISE Xetra.

The Buy-in attempt is scheduled to occur 4 business days² after the intended settlement date (ISD+4). If the Buy-in attempt is unsuccessful (or partially unsuccessful), the Clearing Member responsible for the late sell trade, has the opportunity of delivering the securities until 8 business days after the intended settlement date (ISD+8). If the securities have still not been delivered by this date, a cash settlement for the undelivered quantity will be initiated.

Table: Buy-in schedule

ISD4 (T+6)	Buy-in attempt
ISD8(T+10)	Cash settlement

ISD	ISD +1	ISD +2	ISD +3	ISD +4	ISD +5	ISD +6	ISD +7	ISD +8
Intended Settlement Date	 Settlement possible			Buy-in attempt	 Settlement possible			Cash Settlement
	 Daily fine applied until trade settles or there is a successful buy-in attempt or cash settlement							

¹ Due to the limited period during which they are tradable, rights issues are not subject to the Buy-in.

² A day will be considered a business day for the purposes of the Buy-in if settlement is available on that day.

2.2 Buy-in Notification

Buy-in participants, who are eligible to take part in the Buy-in auction, are informed approximately 15 minutes before the start of the auction by way of the Buy-in auction tool, i.e. at the latest the auction is announced at 15.45 CET for a 16.00 CET commencement.

3 Settlement of the Buy-in Trade

After the successful completion of the Buy-in attempt, the auction result will be confirmed by the auction tool. Each participant will either receive a trade confirmation via email on the sold quantity or a notice that he was not involved in the auction result. The committed party has to enter a matching delivery instruction (DEL) into CREST on a T+1 basis. The opposite side of the matching delivery instruction will be input by Eurex Clearing AG. The time period for the entry of the matching instructions is prior to the CREST deadline, latest at 10:30 a.m. UCT also for the settlement of auction trades (input disable diary event).

The failing Clearing Member is informed about the result of the Buy-in auction and is asked to cancel the original delivery instruction.

If the failing Clearing Member does not cancel in time, it is liable for all costs involved in the reversal of the instruction (see paragraph below).

After the Buy-in trade has settled on the morning of the settlement date either the Target 2 account or payment bank account for currencies other than Euro of the failing Clearing Member is debited with the required cash amount that results out of the failing original delivery obligation and the amount of the Buy-In trade. The cash amount is calculated as the price difference between the cash amount (payable amount) of the failed delivery and the cash amount of the Buy-in trade.

For each auction, Eurex Clearing AG shall publish a maximum price for each class of securities, which shall constitute the ceiling for bids. The maximum price for such auction shall be the settlement price determined by Eurex Clearing AG for the corresponding class of securities plus an additional charge of 100% of such settlement price

Additionally, a Buy-in fee of €250 will be charged to the Clearing Member for each failed delivery instruction and performed Buy-in auction.

The Buy-in participant has an obligation to deliver the securities resulting from the Buy-in trade to Eurex Clearing AG. The seller of the failed delivery legally retains the obligation. The failed obligation remains in existence until its total quantity is either settled via Buy-in trades or via delivery by the failed seller.

If a successful Buy-in participant has not delivered the securities according to the settlement deadline a Buy-in fee of 0.04% of the amount, at least €1000 will be charged.

4 Cash Settlement

The cash settlement process is performed for the failed quantity of a sell trade for all CCP eligible securities traded on ISE-Xetra. The cash settlement process will be initiated for a failed trade which was not fully settled within the allotted time of ISD +8 and which was subject to an unsuccessful Buy-in attempt.

It is expected that a cash settlement will occur only in a highly illiquid instrument- meaning that the market price for the security has risen significantly and that no market participant exists that is willing to sell the equities. In such a situation the seller who failed the delivery may be unable to acquire the securities. Therefore, the buyer(s) with the “eldest” buy instruction(s) which was (were) matched on the ISE Xetra orderbook but which have not yet settled, have to be identified and should receive compensation for not having received the securities contracted for. These “eldest” buy instructions have to be at least 8 days overdue for settlement.

The cash settlement price is determined by a comparison between the last official settlement price of the business day prior to the Buy-In auction determined by Eurex Clearing AG for the corresponding class of securities plus an additional charge of 100% and the highest selling price as well as the highest purchase price of the relevant ISE transactions. The highest price determined in this way shall be multiplied with the respective number of the owned securities less the final amount of the original ISE transaction. The resultant sum shall be settled against the respective final amounts of the relevant ISE transactions. The determination of a cash settlement shall be carried out by declaration vis-à-vis the Clearing Member.

All payments in EUR are settled in Central Bank money at Target 2 RTGS account and payments in GBP are settled via payment banks. Eurex Clearing AG will debit the cash account of the selling Clearing Member accordingly.

5 Buy-in Fees and Fines

A Buy-in fee is debited from the Clearing Member of the failed original seller. This Buy-in fee is designed to compensate for the effort caused by a Buy-in Processing, hence the fees are charged each time a Buy-in auction is performed.

If a Buy-in participant has not delivered the securities on the settlement date, a Buy-in fee of €1,000 is charged to the Clearing Member of the original seller per auction in the settlement currency.

In addition to the Buy-in fee, a Buy-in fine will be charged for Irish and UK instruments subject to a Buy-in. The Clearing Member responsible for the late sell trade is liable to pay €250 to Eurex Clearing AG to compensate for its expenditure related to the Buy-in.

5.1 Daily Fine

In compliance with the Short Selling Regulations, a daily late settlement fine will be charged to Clearing Members. The fine will be determined on the basis of the net sell obligation of each Clearing Member taking into account all late buy and sell positions per security per day. The fine will be a variable percentage rate of 0.2 basis points based on the late net sell obligation. The fine will be charged on a daily basis from ISD +1 until the Buy-in has been fully successful or the cash settlement has been performed.

The daily fine regime is applicable for all ISE CCP eligible securities which fall under the EU Short Selling regulation. Thus certain instruments, including Exchange Traded Funds (ETFs) and shares contained on the list of exempted shares³, will not be subject to these fines.

Further details are contained in the current Clearing Conditions for Eurex Clearing AG which are available in the Clearing > Resources > Rules & Regulations section on the Eurex website www.eurexchange.com.

³ This list is maintained on the ESMA website on the following page - <http://www.esma.europa.eu/page/List-exempted-shares>