

Buy-in Agent Service

Eurex Securities Transactions Services GmbH

January 2020



I. Regulatory Background

What?

- Mandatory Buy-Ins for unsettled transactions after a grace period

Why?

- Settlement Risk of pending transactions perceived too high
- Incentive to make settlement in Europe more efficient

Who?

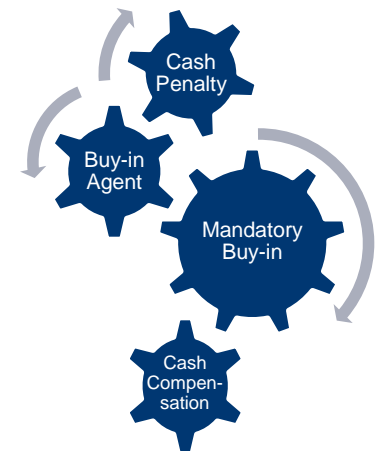
- Buyer to initiate Buy-In
- Potential deviations for „fail chains“

When?

- Officially September 2020
- ESMA proposed change to February 2021

“... the buy-in agent should act according to best execution requirements...” *

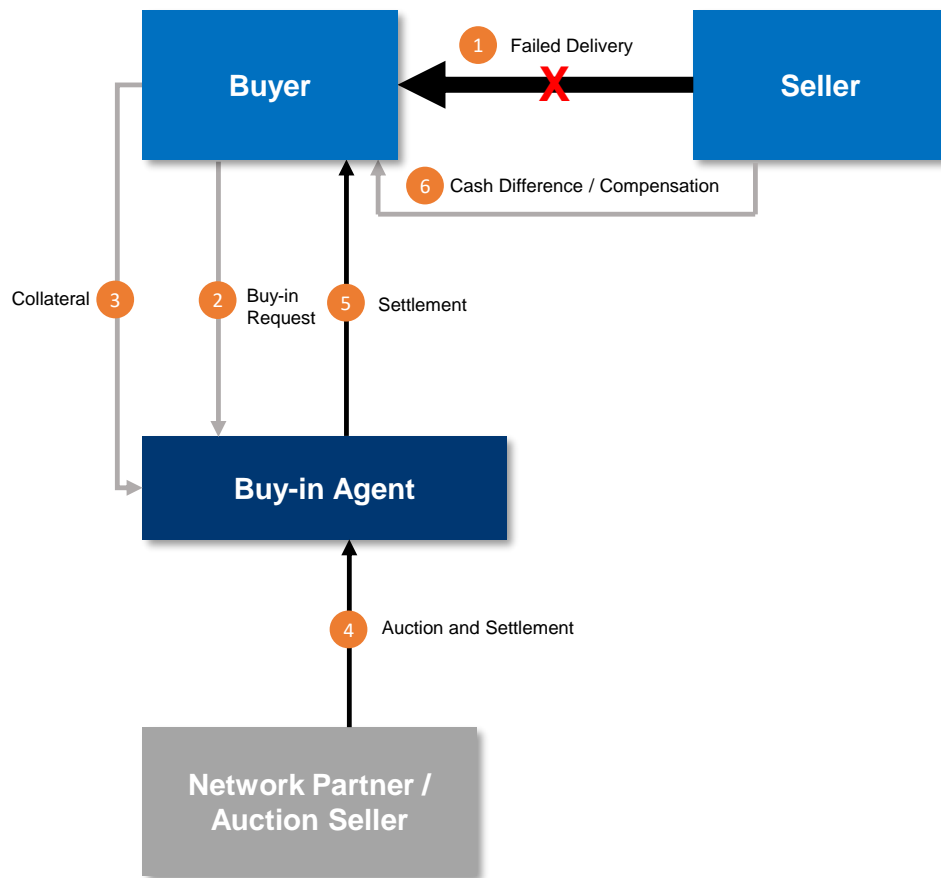
“A buy-in agent shall not have any conflict of interest in the execution of a buy-in...” *



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Buy-in Process

Buy-in Agent process flow & functions



Core functions of the Buy-in Agent

- Buy-in request receipt and validation
- Preparation and execution of auctions
- Delivery of bought-in securities

Optional Services

- Blocking and cancellation of failed deliveries
- Notification management with CSD and Seller
- Calculation and settlement of cash differences and cash compensations
- Settlement instructions for cash and securities with Power of Attorney
- Automatic charge of costs to the Failing Counterparty

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III. Buy-in Request to the Agent

Request submission channels

Manual Request Submission

Buy-in Agent GUI

- 1) Entry in the GUI
 - Manual input of buy-in requests via GUI surface



- 2) Upload of Excel/CSV files
 - Manual file upload of multiple buy-in requests
 - File-Download via GUI



→ Feedback and status updates via GUI

Technical Request Submission



API

- Direct technical connection to the Buy-in Agent core system via API
 - API message for single or multiple buy-in requests with generally same functionalities like GUI
- Feedback and status updates via API and GUI

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IV. Buy-in Auction

Automated Auction

- Price/Quantity offers for guaranteed sameday delivery can be entered or uploaded in the GUI
- Price caps defined per asset class limit the risk/costs for the failing Seller
- Automated selection of best offers after 20 minutes
- Pre-defined SSIs and option for settlement with PoA ensure fast matching and settlement

Benefits for auction participants

- Participation in auctions supports market integrity
- New platform with easy handling and transparent auction rules
- Potential to generate extra revenues due to higher selling prices for auctioned securities
- Price discount for Clients of the Buy-in Agent service who register as auction participants

Asset Class	Sub-Asset Class	Number Of Securities	Auction Date	Auction Start Time	Auction End Time	Settlement Date
Equities	Liquid Equities	10	13.02.2019	11:30:00	12:00:00	13.02.2019
	Illiquid Equities	20				
	SME Growth Market Equities	22				
Sovereign Bonds	AAA-A	20	13.02.2019	11:30:00	12:00:00	13.02.2019
	BB-B	30				
Corporate Bonds	AAA-A	25	13.02.2019	11:30:00	12:00:00	13.02.2019
	BB-B	10				
ETFs	ETF	50	13.02.2019	11:30:00	12:00:00	13.02.2019

Enter Offer

Network Partner Id	COMFRA	Auction Type	First
Auction Ref No	6	Auction End Time	12:00:00
Auction Start Time	11:30:00	Total Auction Quantity	100
ISIN	AT000000STR1	Settlement Date	11.02.2019
ISIN Long Name	STRABAG SE-BR	Min Offer Quantity	10
Max Offer Price/Rate	155	Offer Date	11.02.2019
Currency	EUR	Offer Quantity *	<input type="text"/>
Offer Price *	<input type="text"/>	<input type="checkbox"/> Max Offer Price	<input type="checkbox"/> Total Quantity
Deliver To	CBF	Deliver From	CBF
Asset Class	EQUITY	Second Auction Possible	Yes
		Remarks	<input type="text"/>

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V. Settlement

Settlement of Buy-in securities

- Settlement takes place **immediately** after a successful auction between Network Partner, Buy-in Agent and Client
- Network Partners provide offers for **guaranteed same-day delivery**
- Network Partners and Clients **predefine their SSIs and options** in the Buy-in Agent GUI
- The Buy-in agent receives and delivers securities via its **accounts with Clearstream** (from/to Clearstream internal, T2S, other domestic markets, via Euroclear/Clearstream Bridge)
- **All CSDR in-scope instruments and CSDs** can be used¹
- Settlement of **cash differences and cash compensations** takes place on the next day after **bilateral agreement in the GUI**





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