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## Market Notice

23<sup>rd</sup> April 2018

### **CC&G: introduction of the gross position maintenance for Futures positions in Client account and extension from T+2 to T+5 of the time limit for clearing functions on cleared trades.**

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Dear Clients,

we hereby inform you that, in order to obtain a more accurate open interest accounting and make some post-trading activities easier for Members of Derivatives Sections<sup>1</sup>, the maintenance of Futures positions in Client account within the clearing System of CC&G will be modified from "net" to "gross"<sup>2</sup>.

Therefore, as already provided for Options in Client account, at the moment of the negotiation of a Futures in Client account, it will be necessary to indicate, through the "Open/Close" code, whether the trade will have to open a new position or close a position previously opened with opposite sign<sup>3</sup>.

The indication "Open" or "Close" entered in the trade can be changed on the same trading day, via BCS, using the "Open/Close Change" function in the "Trades" menu<sup>4</sup>. The change of the gross Futures positions in Client account (increase or decrease) may also be carried out in the days following the trading day, via BCS, using the "Rectify" function in the "Position" menu<sup>5</sup>.

The same functionalities are usually already present on the trading and clearing platforms offered by the most common Software Vendors.

It is understood that the calculation of the initial margins will always be made on the net position resulting from the algebraic sum of the long and short positions.

The clearing system behavior using the Open/Close codes in Client account is explained in more detail below:

- 1) By entering the code "Open" on a Buy trade, the system will increase the current long open position of the entire quantity traded.<sup>6</sup>
- 2) By entering the code "Open" on a Sell trade, the system will increase the current short open position of the entire quantity traded.<sup>7</sup>
- 3) By entering the code "Close" on a Buy trade, the system will decrease the current short open positions of the entire quantity traded.<sup>8</sup> If the current short positions opened at the time of the trading are less than the traded lots, the system will automatically change the code "Close" in "Open", consequently increasing the number of long positions of the entire quantity traded (as in case 1);
- 4) By entering the code "Close" on a Sell trade, the system will decrease the current long open positions of the entire quantity traded.<sup>9</sup> If the current long positions opened at the time of the trading are less than the traded lots, the system will automatically change the code "Close" in "Open", consequently increasing the number of short positions of the entire quantity traded (as in case 2).

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<sup>1</sup> In particular the trade transfer and the position transfer.

<sup>2</sup> The current maintenance of Futures positions is "net" for both the House and Client accounts.

<sup>3</sup> In case of no indication of the Open /Close code, the system will apply the predefined value "Open".

<sup>4</sup> The function will be usable until hours 21:00 CET of the trading day, also in mass mode (through "Massive Upload").

<sup>5</sup> The function will be usable every day by hours 21:00 CET, also in mass mode (through "Massive Upload").

<sup>6</sup> Example: initial gross position 17 long and 12 short; following a Buy trade of 5 lots with the code "Open", the final gross position will be: 22 long and 12 short.

<sup>7</sup> Example: initial gross position 17 long and 12 short; following a Sell trade of 5 lots with code "Open", the final gross position will be: 17 long and 17 short.

<sup>8</sup> Example: initial gross position 17 long and 12 short; following a Buy trade of 5 lots with code "Close", the final gross position will be: 17 long and 7 short.

<sup>9</sup> Example: initial gross position 17 long and 12 short; following a Sell trade of 5 lots with code "Close", the final gross position will be: 12 long and 12 short.



In addition to the above, always in the aim to facilitate the post-trading activities of Members of Derivatives Sections, the time limit for managing via BCS the following clearing functions on cleared trades will be extended from T+2 to T+5:

- “Trade Transfer” (that is the transfer of the trade at the trading price<sup>10</sup>);
- “Trade Split” and “Cancel Trade Split” (that is the separation of the trade in several parts and the related revocation);
- “Client Code Change”.

The "Open / Close Change" function will remain active only on the day of execution of the trade as in the current scheme, considering the possibility of adjusting the gross position in Client account, even in the following days, through the "Rectify" function.

## Fees

Fees applied on “Open/Close change” and “Rectify” functions will be the following:

Open/Close change on Client Account	Fee	Administrative Fee
Equity Derivatives Futures and Options	-	€ 4,0
Energy Derivatives Futures	-	€/MWh 0,06
Agricultural Commodity Derivatives Futures	-	€/t 4,0
Rectify positions on Client Account	Fee	Administrative Fee
Equity Derivatives Futures and Options	€ 0,25	€ 4,0
Energy Derivatives Futures	€/MWh 0,004	€/MWh 0,06
Agricultural Commodity Derivatives Futures	€/t 0,20	€/t 4,0

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With regard to the innovations described above, the consultation with the Members has been launched today, which will last until 7<sup>th</sup> May included.

The new features can be tested in the external test environment starting from today until 11<sup>th</sup> May included.

The participation in the tests is optional and does not require the submission of the participation form. For ICWS test users please contact the service address [techsupport-ccg@lseg.com](mailto:techsupport-ccg@lseg.com); for the BCS test users please contact the Technical Account Management Team at the email address [Clients-Services@lseg.com](mailto:Clients-Services@lseg.com).

**Please, note that, this implementation, doesn't require any update of the BCS Client whose latest version is the 5.5.6.**

The start date in production environment is scheduled for 28<sup>th</sup> May, but it is subject to the positive outcome of the consultation and tests. This date will therefore be communicated later through a specific Market Notice.

## Contacts

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### Assistance during the test

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<sup>10</sup> At the end of T+5 it will be available the usual functionality of position transfer that is made at the settlement price of the previous day for Futures and at zero premium for Options.

