

Eurex Clearing AG
ECAG Rule Certification 017/18
February 13, 2018

1. The text of the proposed amendments to the Clearing Conditions of Eurex Clearing (“Clearing Conditions”) is appended as Attachment A. Any additions are underlined and any deletions are struck through.
2. The date of intended implementation is March 5, 2018.
3. Attached please find a certification that: (1) these amendments comply with the Commodity Exchange Act (the “Act”), and the Commission’s regulations thereunder; and (2) concurrent with the filing of this submission, Eurex Clearing is posting a copy of this filing to its website at: <http://www.eurexclearing.com/clearing-en/resources/cftc-dco-filing>.
4. A concise explanation and analysis of the operation, purpose, and effect of the amended rule appears below.
5. There were no opposing views expressed regarding these amended rules.
6. Confidential treatment is not requested.

CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND EFFECT OF THE PROPOSED RULE AND ITS COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE COMMISSION’S REGULATIONS THEREUNDER

Eurex Clearing is proposing the following amendments to the Clearing Conditions:

1. Eurex Clearing previously announced and submitted a CFTC Rule 40.6 filing to state that Eurex Clearing was terminating clearing services for products traded on Eurex Bonds GmbH as of December 31, 2018. The amendments remove the option to select clearing services for these transactions in the clearing agreements in Appendices 1-4 of the Clearing Conditions, as well as one reference in Chapter I (General Provisions) of the Clearing Conditions.
2. Eurex Clearing is proposing editorial amendments to correct obsolete explanations of the final settlement price for Bloomberg Commodity Index futures and options contracts in Chapter II (Transactions Concluded at Eurex Deutschland and Eurex Zürich) of the Clearing Conditions.
3. Eurex Clearing is proposing amendments to Chapter I to change the minimum number of days to redemption for acceptance of debt securities as margin collateral. Currently, debt securities that have a remaining term of 15 calendar days or less will not be accepted as eligible margin collateral. The amendments change this to 30 calendar days or less. Because the list of eligible instruments is updated daily and published on Eurex Clearing’s website, the amendments remove the specific definition for the “minimum days to redemption.”

4. In response to regulatory guidance published by the CFTC in October 2017, Eurex Clearing is amending Chapters I and VIII to provide that all OTC Interest Rate Derivative Transactions cleared by US Clearing Members and FCM clients must be cleared under the Settled-to-Market model. Under this model, variation margin is treated as settlement of outstanding exposures and not collateral against it.
5. Eurex Clearing is proposing amendments to Chapters I and II to amend the process for the charging of mistrade fees. Currently, order book and Eurex T7 Entry Service (the service for off-book trades) mistrade fees are processed via the regular Eurex Clearing transaction fee invoice and stated on the daily fee report CB165 as well as on the monthly fee statement CB192. The amendments amend this process as both mistrade fee types are regulated by the Fee Regulations for Eurex Deutschland. The attached circular provides further details.
6. Eurex Clearing is proposing amendments to Chapter IX (Clearing of Securities Lending Transactions) relating to the mark-to-market of pledge-back principal collateral in securities lending transactions. In case of a default of the holder of a Specific Lender License with which Eurex Clearing has entered into a Fixed Term Loan and agreed on a “title transfer/pledge-back” collateralization, there could be a potential risk that the pledge-back to Eurex Clearing of additional Principal Collateral assets provided to the holder of a Specific Lender License by way of a title transfer following a mark-to-market process would not be valid without the consent of the relevant administrator. The proposed amendments provide that in such cases additional Principal Collateral is not title transferred to the defaulting lender but provided by way of pledge to a collateral account opened in the name of Eurex Clearing.
7. Eurex Clearing is proposing amendments to Chapter IX relating to the cash infrastructure requirements for holders of a Specific Lender License. Chapter IX defines the need for a certain cash account for a holder of a Specific Lender License. Specifically, a multicurrency account for cash payments in Swiss franc (CHF) and British pound (GBP) is accepted, but for cash payment in euro (EUR), the provisions appear to stipulate a TARGET2 account (see Chapter IX Part 2 Paragraph 1.1.3 (5)(c)). The amendments clarify that for cash payments in Euro, the provision of a multicurrency account is sufficient for the granting of a Specific Lender License, i.e. there is no need to provide a TARGET2 account.
8. Eurex Clearing is proposing amendments to Chapter IX relating to corporate action handling where Euroclear UK & Ireland Limited (EUI) is the settlement location. In June 2017, Euroclear UK & Ireland Limited (EUI) were introduced as settlement locations for Loaned Securities. The corporate action handling where EUI acts as settlement location currently defined in the Clearing Conditions will be amended in relation to a specific type of corporate action called “Dividend with Options.”

Further information regarding the operation, purpose, and effect of the proposed amendments is discussed in the attached Eurex Clearing Circular 017/18, which is appended as Attachment A.

Eurex Clearing has identified the following derivatives clearing organization (“DCO”) Core Principles as potentially being relevant to the above amendments:

1. DCO Core Principle C (Participant and Product Eligibility): The proposed amendments will comply with DCO Core Principle C because the amendments provide additional amendments for the terminating clearing services for products traded on Eurex Bonds GmbH, and all products that

are cleared by Eurex Clearing will continue to be subject to appropriate standards in compliance with this Core Principle.

2. DCO Core Principle E (Settlement Procedures): The proposed amendments will comply with DCO Core Principle E because the amendments correct certain obsolete explanations of the final settlement price, and Eurex Clearing will continue to complete all settlements in accordance with this Core Principle.
3. DCO Core Principle D (Risk Management): The proposed amendments will comply with DCO Core Principle D because the amendments change the remaining term of debt securities that will be accepted as margin collateral, and Eurex Clearing will continue to properly limit exposure to potential losses from defaults via margin and other risk control mechanisms.
4. DCO Core Principle D (Risk Management): The proposed amendments will comply with DCO Core Principle D because the amendments require that US Clearing Members treat variation margin as settlement of outstanding exposures in compliance with regulatory guidance published by the CFTC.
5. DCO Core Principle C (Participant and Product Eligibility): The proposed amendments will comply with DCO Core Principle C because the amendments change the process for charging mistrade fees, and all fees charged by Eurex Clearing will continue to be objective, publicly disclosed, and permit fair and open access.
6. DCO Core Principle D (Risk Management): The proposed amendments relating to securities lending transactions (Nos. 6-8 above) will comply with DCO Core Principle D because they all serve to mitigate risk to Eurex Clearing associated with securities lending transactions, and all securities lending clearing services will continue to comply with this Core Principle.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. §7a-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.6, 17 C.F.R. §40.6

I hereby certify that:

- (1) the amendments comply with the Commodity Exchange Act, and the Commission's regulations thereunder; and
- (2) concurrent with the filing of this submission, Eurex Clearing is posting a copy of this filing to its website at: <http://www.eurexclearing.com/clearing-en/resources/cftc-deo-filing>.



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Dated: February 13, 2018