



eurex clearing circular 018/16

Date: 12 February 2016
Recipients: All Clearing Members, Non-Clearing Members and Registered Customers of Eurex Clearing AG and Vendors
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<p><u>Amendments to the Clearing Conditions and other related documents of Eurex Clearing AG</u></p>	
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<p>Content may be most important for:</p> <p>➔ All departments</p>	<p>Attachments:</p> <p>1 – 5: Updated sections of the Clearing Conditions of Eurex Clearing AG</p>
<p><u>Summary:</u></p> <p>This circular contains information with respect to Eurex Clearing's service offering and corresponding amendments to the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) and other related documents regarding the following topics:</p> <ol style="list-style-type: none"> 1. Amendments related to fraction handling 2. Fallback index and successor index 3. EurexOTC Clear: Portfolio compression through TriOptima® 4. Clearstream Banking S.A. (CBL) set-up for GC Pooling® Select Invest 5. Preparations for the inclusion of Falcon Oil & Gas Security (FOG) into CCP Clearing <p>The amended sections of the Clearing Conditions and other related documents, as decided by the Executive Board of Eurex Clearing AG, are attached to this circular.</p> <p>The planned changes related to topic Number 1 will come into effect on 4 April 2016.</p> <p>The amendments related to topics Numbers 2, 3, 4 and 5 will come into effect on 7 March 2016.</p>	

**Amendments to the Clearing Conditions and other related documents
of Eurex Clearing AG**

This circular contains information with respect to amendments to the Clearing Conditions and other related documents of Eurex Clearing AG regarding the following topics:

1. Amendments related to fraction handling
2. Fallback index and successor Index
3. EurexOTC Clear: Portfolio compression through TriOptima[®]
4. Clearstream Banking S.A. (CBL) set-up for GC Pooling[®] Select invest
5. Preparations for the inclusion of Falcon Oil & Gas Security (FOG) into CCP Clearing

The amended sections of the Clearing Conditions as decided by the Executive Board of Eurex Clearing AG are attached to this circular.

The planned changes related to topic Number 1 will come into effect on 4 April 2016.

The amendments related to topics Numbers 2, 3, 4 and 5 will come into effect on 7 March 2016.

1. Amendments related to fraction handling

With the T2S part of CCP Release 10.0, Eurex Clearing will further automate its fraction handling and amend the respective client reporting. The processing of certain corporate actions which result in nominal changes or additional rights may lead to fractions of securities. Rounding down of fractions for each entitled sell and buy trade may cause imbalance quantities between the buy and sell sides in the CCP system. Provided such imbalance quantities occur, Eurex Clearing will attempt to buy/sell imbalance securities on the market. In case of resulting losses Eurex Clearing will charge them to the late selling Clearing Member(s).

The amendments to the Clearing Conditions will become effective on 4 April 2016. For additional information, please refer to the Eurex Clearing CCP Release 10.0 Release Notes.

To reflect the changes, the following section of the Clearing Conditions will be amended:

- Chapter V Part 2 Number 2.3

2. Fallback index and successor index

In the Clearing Conditions, it is currently not defined how to handle the case if an overnight or inflation fixing is not published by the corresponding agency. In future, in the Clearing Conditions it will be stated that in this case Eurex Clearing will set the fixing. Also, it is not defined how to handle trades whose floating reference index (e.g. EURIBOR, LIBOR, Inflation) is discontinued by the corresponding agency. The change foresees a definition in the Clearing Conditions that the successor index shall be set by Eurex Clearing, taking into account relevant guidance notes of ISDA.

To reflect the changes, the following sections of the Clearing Conditions will be amended:

- Chapter VIII Part 2 Number 2.2.5 items (j) and (k)

3. EurexOTC Clear: Portfolio compression through TriOptima®

With EurexOTC Clear Release 5.0, Eurex Clearing introduced technical and functional changes to support the multilateral portfolio compression service through TriOptima®.

Portfolio compression aims to reduce the size of an existing OTC IRS portfolio with respect to the number of trades and notional through (partial) termination of bilaterally agreed trades after novation by Eurex Clearing. Detailed information on the service offering will be provided in a separate circular.

The following sections of the Clearing Conditions will be amended to reflect the multilateral portfolio compression service:

- Chapter VIII Part 2 Number 2.1.4.4 Paragraphs (1), (2), (4) – correction of references only
- Chapter VIII Part 2 Number 2.5

4. Clearstream Banking S.A. (CBL) set-up for GC Pooling® Select Invest

The GC Pooling® Select Invest offering for corporate customers will be extended to Specific Repo Licence Holders using the collateral management infrastructure of Clearstream Banking S.A. (CBL).

To reflect the change, the following sections of the Clearing Conditions will be amended:

- Chapter IV Part 3 Numbers 3.1 - 3.4

Furthermore, a Luxembourg law-governed pledge agreement will be introduced for the pledge of received principal collateral by the Specific Repo Licence Holder towards Eurex Clearing AG.

5. Preparations for the inclusion of Falcon Oil & Gas Security (FOG) into CCP Clearing

Euroclear UK & Ireland (EUI) can only settle in currencies British pound, US dollar or euro. Due to possible dividend payments in Canadian dollar, the Clearing Conditions have to be extended to ensure Falcon Oil & Gas Security's (FOG's) CCP-eligibility. The proposed amendment to the Clearing Conditions allows converting a currency not accepted by EUI to an EUI (CREST) accepted currency.

The following section in the Clearing Conditions will be amended (Attachment 1e):

- Chapter VI Part 2 Number 2.1.6

As of the effective dates 7 March 2016 and 4 April 2016, respectively, the full updated Clearing Conditions will be published on the Eurex Clearing website www.eurexclearing.com under the following link:

[Resources > Rules and Regulations > Clearing Conditions](#)

As of the effective date 7 March 2016, the Collateral Management Service Agreement will be published on the Eurex Clearing website under the following link:

[Resources > Forms](#)

eurex clearing circular 018/16

Pursuant to Chapter I Part 1 Number 17.2.3 of the Clearing Conditions, the changes and amendments to the Clearing Conditions communicated with this circular are deemed to have been accepted by each Clearing Member, Non-Clearing Member and each Registered Customer unless it objects in writing to Eurex Clearing AG before the end of the Business Day prior to the actual effective date of such change and amendment of the Clearing Conditions. The right to terminate the Clearing Agreement or the Clearing License according to Chapter I Part 1 Number 2.1.4 Paragraph 2 Number 7.2.1 Paragraph 4 and Number 13 of the Clearing Conditions remains unaffected.

If you have any questions or require further information, please contact Trading & Clearing Services at tel. +49-69-211-1 17 00 or send an e-mail to: memberservices@eurexclearing.com.

12 February 2016

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Clearing Conditions of Eurex Clearing AG	As of 04.04.2016
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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

[...]

Chapter V Transactions Concluded at the Frankfurter Wertpapierbörse

[...]

Part 2 Clearing of transactions concluded at the Frankfurter Wertpapierbörse (FWB)

[...]

2.3 Corporate Actions

[...]

- (3) Cash Settlement of ~~Non-Minimum/Non-Multiple Unit Conform Quantities~~ Fractions and Purchase Attempt

Eurex Clearing AG shall be entitled to determine that non-minimum/non-multiple unit conform quantities of securities or rights ("**Fractions**") resulting from corporate action events described in Paragraph (2) (b), (c) and (e) above shall be settled by payment of a cash amount. Upon such determination of a cash settlement by Eurex Clearing AG and notification of the Clearing Members thereof, the delivery obligations relating to the Fractions shall expire with debt-discharging effect and the Clearing Member obliged to deliver shall in lieu pay to Eurex Clearing AG and Eurex Clearing AG shall forward to the Clearing Member entitled to receive a cash amount in the currency of the underlying FWB Transaction and equal to the market value of the Fractions on the record date of the relevant corporate action event ("**Record Date**") as determined by Eurex Clearing AG in its reasonable discretion and notified to the Clearing Members.

Eurex Clearing AG assesses if a cash settlement shall occur or whether a physical delivery with a minimum/multiple conform quantity of securities or rights – in accordance with the original delivery obligation - is nevertheless possible subject to a prior purchase. If this is the case, Eurex Clearing AG attempts to purchase the relevant securities or rights using the cash amount received from the Clearing Member obliged to deliver, on the day following the Record Date and – if necessary - on the day following that day for a purchase price that may not exceed 120% of the market value on the Record Date ("**Purchase Attempt**"). If a Purchase Attempt is successful, Eurex Clearing AG delivers the relevant securities or rights to the Clearing Member entitled to receive, if a Purchase Attempt is not successful, a cash settlement with respect to the securities or rights occurs, in each case the delivery

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obligations vis-à-vis the Clearing member entitled to receive expire with debt discharging effect.

If the Clearing Member obliged to deliver has delivered a minimum/multiple conform quantity of securities or rights to Eurex Clearing AG despite a cash settlement by Eurex Clearing AG relating to such securities or rights in favour of the Clearing Member entitled to receive, Eurex Clearing AG shall sell the relevant securities or rights and use the proceeds to compensate the cash settlement ("Sale").

In the event of a non-delivery (as described in Number 2.2) and the occurrence of any corporate action event described in Paragraph (2) (b), (c) and (e), the Clearing Member obliged to deliver shall cover any losses incurred to Eurex Clearing AG as a result of a Purchase Attempt or Sale.

(4) Reversal of FWB Transactions

If an FWB Transaction is reversed after its conclusion pursuant to the Conditions for Transactions on FWB, the debits/credits, arising from corporate actions, to the accounts of Clearing Members concerned shall also be reversed with the value date of the FWB Transaction reversal.

(5) Corrections to corporate actions

Clearstream Banking AG may carry out corrections to corporate actions conducted by Eurex Clearing AG pursuant to Paragraph (2) or which should have been carried out, in regard of as yet unperformed or performed FWB Transactions (such corrections might be reversals, adjustments, etc.); in such cases of correction, Eurex Clearing AG shall be entitled to undertake corresponding corrections to corporate actions it has conducted pursuant to Paragraph (2) and to carry out any non-implemented corporate actions retroactively.

For the eventuality that corporate actions in regard of as yet unperformed or performed FWB Transactions were not carried out and afterwards corrected or implemented by the Clearstream Banking AG, Eurex Clearing AG shall reserve the right to waive the subsequent implementation of the corporate action in favour of assigning to the claimant Clearing Member its claims against other Clearing Members arising out of corresponding identical transactions with debt-discharging effect.

~~If the netting procedure in delivery instructions of performed or yet unperformed FWB Transactions has resulted in the existence of nominal value fractions, Eurex Clearing AG shall be entitled to meet the corresponding claims of the Clearing Members eligible for benefit by means of cash settlement.~~

[...]

Attachment 2 to Eurex Clearing circular 018/16	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 07.03.2016

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[...]

Chapter VIII Clearing of OTC Derivative Transactions

[...]

Part 2 Clearing of OTC Interest Rate Derivative Transactions

[...]

2.2 General product-related terms for OTC Interest Rate Derivative Transactions

[...]

2.2.5 Rates for calculating the Floating Amount

[...]

- (j) Fallback index level: In case one of the rates under items (a) to (i) above is not published by the relevant body at the respective usual time, Eurex Clearing AG sets the rate used for the calculation of floating amounts in its reasonable discretion.
- (k) Successor index: In case a floating rate index is discontinued to be published by the relevant body, Eurex Clearing AG sets a successor index in its reasonable discretion taking into account relevant guidance notes of ISDA.

[...]

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Chapter VIII Clearing of OTC Derivative Transactions

[...]

Part 2 Clearing of OTC Interest Rate Derivative Transactions

[...]

2.1.4.4 Scheduled Intraday Margin Calls

- (1) If Eurex Clearing AG determines that the aggregate value of the Eligible Margin Assets actually delivered to Eurex Clearing AG is insufficient to provide the cover required in order to fulfil the margin requirement (as set forth in Number 2.1.6) also taking into account all Original OTC Transactions which are to be novated in the course of the Daily Novation as well as all CCP Transactions pursuant to Numbers 2.6, 2.7 and Number ~~2.87~~. (any such shortfall the “**Shortfall Margin Requirement**”), Eurex Clearing AG will require the Clearing Member intra-day to provide additional Eligible Margin Assets in an amount up to the Shortfall Margin Requirement in accordance with the following provisions.
- (2) The Transactions resulting from the novation of the Original OTC Transactions as well as the CCP Transactions pursuant to Numbers 2.6, 2.7 and Number ~~2.87~~ to be covered by, as well as the amount of, the Shortfall Margin Requirement shall be notified by Eurex Clearing AG in a Preliminary OTC Margin Call Report and an OTC Margin Call Report.

[...]

[...]

- (4) The payment made by direct debit of the Final Shortfall Margin Amount determined in the OTC Margin Call Report produced and made available by Eurex Clearing AG at 1 p.m. CET, 3 p.m. CET and 7 p.m. CET shall constitute cover in respect of the Margin to which the margin requirement pursuant to Number ~~32~~.1.6 relates and accordingly will constitute (i) Elementary Proprietary Margin or Elementary Omnibus Margin delivered by the Clearing Member pursuant to the Elementary Clearing Model Provisions, (ii) Segregated Margin delivered by the Clearing Member pursuant to the Individual Clearing Model Provisions or (iii) Net Omnibus Margin delivered by

the Clearing Member pursuant to the Net Omnibus Clearing Model Provisions. The payment made by direct debit of the Final Shortfall Margin Amount determined in the OTC Margin Call Report produced and made available by Eurex Clearing AG at 10:30 p.m. CET shall be treated accordingly and shall constitute cover either in respect of (i) the Elementary Proprietary Margin or Elementary Omnibus Margin delivered by the Clearing Member pursuant to the Elementary Clearing Model Provisions, (ii) the Segregated Margin delivered by the Clearing Member pursuant to the Individual Clearing Model Provisions or (iii) the Net Omnibus Margin delivered by the Clearing Member pursuant to the Net Omnibus Clearing Model Provisions.

[...]

2.5 Multilateral Compression

[...]

- (2) Multilateral Compression takes place by way of novation ~~as of the time when the final statement as to the terminating CCP Transactions and the resulting CCP Transactions is made available by Eurex Clearing AG to each participating Clearing Member in the OTC Trade Daily Summary Report (the “**Compression Time**”)~~ on the terms of a proposal of TriOptima AB (Accepted Unwind Proposal) and as of the time when TriOptima AB receives the respective clearing confirmation from Eurex Clearing AG (Eurex Clearing Confirmation) (the “**Compression Time**”).

2.5.1 Compression Run

- (1) The process leading to a Multilateral Compression (a “**Compression Run**”) is operated by a third party compression services provider appointed by Eurex Clearing AG (a “**CSP**”) and carried out on the basis of documentation as agreed between Eurex Clearing AG, the relevant CSP and the Clearing Members participating in the Compression Run (the “**Compression Documentation**”).

[...]

- (6) In order to facilitate the Compression Run, Eurex Clearing AG may lock CCP Transactions which are included in a Compression Run for such processing as described in Numbers 2.6 – 2.8 (Trade Netting and Accumulation, Transfer of CCP Transactions and Account Transfer, Termination and De-Clearing).
- (7) The CSP will provide information on termination fees related to a Compression Run to Eurex Clearing AG on an aggregated basis per Clearing Member. Eurex Clearing AG has the right to apply a proportional breakdown of such fees to trade level, taking into account the mark to market value per terminated trade and the aggregated mark to market value of terminated trades per Clearing Member, both as calculated by Eurex Clearing AG. Number 2.1.4.1 Paragraph (3) applies mutatis mutandis to such termination fees.

2.5.2 Acceptance of Compression Proposal

[...]

- (2) Subsequent to a Clearing Member's acceptance of a Compression Proposal but prior to the Compression Time, Eurex Clearing AG may require the Clearing Member to provide additional Margin in relation to the CCP Transactions that will result from the Multilateral Compression. For such purpose, Number 2.1.4.4 applies mutatis mutandis, provided that instead of Original OTC Transactions and CCP Transactions the proposed set of terminating CCP Transactions and the proposed set of resulting CCP Transactions pursuant to Number 2.5 shall be relevant, and instead of the times indicated in Numer 2.1.4.4 the times specified by Eurex Clearing AG shall be relevant. Eurex Clearing AG will require such Margin in addition to Margin required according Chapter I Part 1 Number 3.3, Part 2 Number 6.3, Part 3 Subpart A Number 5.3, Part 4 Number 6.3 and Chapter VIII Part 2 Number 2.1.4.4.

[...]

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Chapter IV Clearing of Transactions at Eurex Repo GmbH (Eurex Repo)

[...]

Part 3 Special Conditions regarding the Clearing of GC Pooling Repo Transactions with holders of a Specific Repo License and corresponding GC Pooling Repo Transactions with Clearing Members

[...]

3.1 Specific Repo License

[...]

- (5) The prerequisites to be fulfilled for the granting of the Specific Repo License are the following:
- a) The applicant is a company;
 - b) the applicant has obtained any approvals required for the conduct of GC Pooling Repo Transactions;
 - c) admission for participation in trading on Eurex Repo GmbH as a Select Enterprise in relation to GC Pooling Repo Select;
 - d) access to Eurex Clearing AG's Common Report Engine;
 - e) evidence of an own participation authorisation regarding the Collateral Management System Xemac[®] ("Xemac") of Clearstream Banking AG including the possibility of participation in the international Collateral Management;
 - f) (i) a cash account with Clearstream Banking AG in the name of the applicant, pursuant to Chapter I Part 1 Number 2.1.2 Paragraph (4) (b) (aa) or
(ii) a dedicated cash account of the applicant with Clearstream Banking S.A. for the settlement of GC Pooling Repo Transactions;

- g) securities settlement accounts pursuant to Chapter 1 Part 1 Number 2.1.2 Paragraph (4) (a) (dd);
- h) evidence of the applicant having granted an appropriate power of attorney and authorisation to Clearstream Banking AG or Clearstream Banking S.A. for all declarations, actions, deliveries and payments in connection with the fulfilment of the delivery and payment obligations pursuant to this Part 3, in particular with regard to the notification of the statements of account regarding the cash account pursuant to Item (f), such evidence having to be provided by Clearstream Banking AG or Clearstream Banking S.A. in the name of the holder of the Specific Repo License.

[...]

3.2 Conclusion of Transactions

[...]

3.2.1 Novation

[...]

3.2.2 Novation Principles and Criteria

[...]

- (3) With regard to GC Pooling Repo Transactions in which the holder of the Specific Repo License is the Cash Provider ("**Cash Provider Transaction**"), the inclusion of an Original GC Pooling Repo Transactions in the Clearing and the establishment of Transactions pursuant Number 3.2.1 Paragraph 1 require the holder of a Specific Repo License to have previously paid into the cash account pursuant to Number 3.1 Paragraph 5 Item f) managed by Clearstream Banking AG or Clearstream Banking S.A. for the holder of the Specific Repo License the purchase price owed from the Front Leg and Clearstream Banking AG or Clearstream Banking S.A. to have confirmed to Eurex Clearing AG receipt of such payment. If receipt of payment is confirmed until a certain point in time with regard to a Business Day as specified by Eurex Clearing AG, novation shall take place on the same Business Day provided that Eurex Clearing AG does not refuse the inclusion of the Original GC Pooling Transaction in the Clearing for other reasons. If receipt of payment and its confirmation occur on such Business Day, however, after such certain point in time specified by Eurex Clearing AG, novation shall not take place on such Business Day and Clearstream Banking AG or Clearstream Banking S.A. shall, on such Business Day, return the payment received to the holder of the Specific Repo License. Novation of the Original GC Pooling Repo Transaction may be carried out in corresponding application of this Paragraph (3) on any following Business Day until and excluding the day which had been agreed on for fulfilment of the Term Leg (the "**End Date**").

[...]

3.3 Fulfilment of Obligations regarding Delivery and Payment

- (1) With regard to the procedures for delivery and payment resulting from GC Pooling Repo Transactions involving holders of a Specific Repo License, Part 2 Number 2.2 and 2.4 shall apply with the provision that payments of the purchase price are settled via the cash account pursuant to Number 3.1 Paragraph 5 Item f) managed by Clearstream Banking AG or Clearstream Banking S.A. for the holder of the Specific Repo License and that the delivery of the securities to be transferred is settled via the securities settlement account pursuant to Number 3.1 Paragraph 5 Item g) managed by Clearstream Banking AG or Clearstream Banking S.A. for the holder of the Specific Repo License.
- (2) The holder of a Specific Repo License is obliged to (i) instruct Clearstream Banking AG or Clearstream Banking S.A. to honour any debit instructions (*Lastschriften*) from its cash account pursuant to Number 3.1 Paragraph 5 Item f) (including any debit instructions with respect to any fees raised by Eurex Clearing AG) and to (ii) authorise Eurex Clearing AG, by providing the appropriate power of attorney, to give, release and transmit all delivery instructions in its name vis-à-vis Clearstream Banking AG or Clearstream Banking S.A. and to supplement, change or cancel delivery instructions necessary for the timely and correct fulfilment of its delivery and payment obligations vis-à-vis Eurex Clearing AG.

[...]

3.4 Pledges regarding the Securities delivered to the holder of a Specific Repo License

- (1) To the extent a securities account managed for it by Clearstream Banking AG has been or will be notified to Eurex Clearing AG as account for the settlement of GC Pooling Repo Transactions~~By entering into the Clearing Agreement~~, the holder of a Specific Repo License by entering into the Clearing Agreement pledges to Eurex Clearing AG all securities and book-entry securities (*Gutschriften in Wertpapierrechnung*) (in this Part 3 jointly referred to as "**Securities**") which are at present or will in the future be deposited in such its securities account managed for it by Clearstream Banking AG and notified to Eurex Clearing AG as the account for the purpose of the Clearing of GC Pooling Repo Transactions and assigns to Eurex Clearing AG its claims vis-à-vis Clearstream Banking AG for surrender of such securities.

[...]

- (6) To the extent a securities account managed for it by Clearstream Banking S.A. has been or will be notified to Eurex Clearing AG as account for the settlement of GC Pooling Repo Transactions, the holder of a Specific Repo License shall be obliged to (i) pledge to Eurex Clearing AG all Securities which are at present or will in the future be deposited in such securities account pursuant to a pledge agreement to be separately entered into and (ii) to issue all relevant notices to and take all relevant

measures necessary or expedient for the perfection of such pledge. The pledge agreement shall be entered into substantially in the form as will be provided by Eurex Clearing AG.

[...]

Attachment 5 to Eurex Clearing circular 018/16	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 07.03.2016

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[...]

Chapter VI Transactions Concluded at the Irish Stock Exchange (ISE Dublin)

[...]

Part 2 Clearing of transactions concluded at the Irish Stock Exchange (ISE)

[...]

2.1 Settlement of ISE Transactions

[...]

2.1.6 Corporate Actions

[...]

- (4) Eurex Clearing AG facilitates the exercise and settlement of corporate actions for its Clearing Members if a delivery obligation arising out of a corporate action cannot be settled in the CREST system. In such case, Eurex Clearing AG shall notify the respective Clearing Members that the settlement of the relevant corporate action will be effected through Eurex Clearing AG in accordance with such instructions as it shall give from time to time. The respective Clearing Members are obliged to follow the instructions of Eurex Clearing AG given for the settlement of the corporate action.

In the specific case of cash dividend payments denominated in a currency that cannot be processed in CREST, Eurex Clearing AG will facilitate such exercise and settlement by converting the respective currency into Euro. When converting currencies, Eurex Clearing AG shall use a commercially reasonable exchange rate prevailing at the relevant point in time.

[...]
