



Release date: 09 Jun 2020 | Eurex Clearing

No. 047/2020

Amendments to the Clearing Conditions of Eurex Clearing AG - Consultation

Eurex Clearing Circular 047/20

1. Introduction

This circular contains information with respect to the service offering of Eurex Clearing AG (Eurex Clearing) and introduces amendments to the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) and to the website of Eurex Clearing www.eurexclearing.com with respect to the following topics:

- A. Change of the Default Fund contribution factor, and
- B. Deletion of the clause from the Clearing Conditions stipulating that the calculation methodology for the Default Fund Contributions published on Eurex Clearing's website forms part of the Clearing Conditions.

The amendments under items A. and B. form part of the Clearing Conditions and fall within the scope of Special Provisions of the Clearing Conditions and are hence subject to a consultation process (Consultation). The Consultation will end with the expiry of **9 July 2020**. The planned effective date is **3 August 2020**, depending on the outcome of the Consultation which will be communicated in a separate Eurex Clearing circular.

2. Required action

The amendments to the Clearing Conditions outlined in the attachments are subject to a Consultation which will end with the **expiry of 9 July 2020 ("Consultation Period")**.

Eurex Clearing herewith invites all Affected Customers to submit comments on the proposed changes and amendments within the Consultation Period.

3. Details

A. Change of the Default Fund contribution factor

In accordance with Article 42 of Regulation (EU) No. 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR), Eurex Clearing maintains a pre-funded Default Fund to cover losses that exceed the losses to be covered by margin requirements. Contributions to the Default Fund are calculated as the maximum of a static minimum contribution and a dynamic component. The dynamic component is calculated as 9 percent of the maximum of 30-day and 250-day Initial Margin requirement, changed with Eurex Clearing Circular 006/20. The contribution factor is calibrated such that pre-funded resources are sufficient to cover losses stemming from a simultaneous default of the two largest Clearing Members in extreme but plausible market conditions.

The contribution factor will be decreased from 9 percent to 7 percent following a recalibration to align pre-funded resources with recently observed stress exposure during the Covid 19 pandemic and development in margin levels effective **3 August 2020**.

To reflect the amendment as proposed under item A., the website of Eurex Clearing will be amended as outlined in Attachment 1.

B. Deletion of the clause from the Clearing Conditions stipulating that the calculation methodology for the Default Fund Contributions published on Eurex Clearing's website forms part of the Clearing Conditions

In addition, Eurex Clearing intends to remove the clause from the Clearing Conditions stipulating that the calculation methodology for the Default Fund Contribution published on Eurex Clearing's website forms part of the Clearing Conditions. The website will continue to publish the calculation methodology and will be used for other communication and marketing purposes. The calculation methodology (including the contribution factor) will no longer qualify as Special Provisions of the Clearing Conditions, so that Eurex Clearing will be able to make changes to the calculation methodology without being required to initiate a Consultation Period.

This would support Eurex Clearing in quickly reacting to extraordinary market developments, as in case of scenarios like the Covid 19 pandemic which lead to a large increase of the Margin Requirements and the Default Fund Contributions. The other governance arrangements with respect to changes to the calculation methodology remain unchanged (such as the required involvement of the EMIR Risk Committee and Eurex Clearing's supervisory board).

To reflect the changes under item B., the following provisions of the Clearing Conditions will be amended as outlined in Attachment 2:

- Chapter I Part 1 Number 6.1.1 of the Clearing Conditions

Consultation with respect to the amendments proposed under items A. and B.

Pursuant to Chapter I Part 1 Number 17 of the Clearing Conditions, the proposed amendments to the Default Fund contribution factor as published on Eurex Clearing's website (forming part of the Clearing Conditions) under A. and the proposed amendments to the Clearing Conditions under B. are subject to a Consultation which will end with the **expiry of 9 July 2020**.

Eurex Clearing herewith invites all Affected Customers to submit comments on the proposed changes and amendments within the Consultation Period.

During the Consultation Period, comments on proposed changes or amendments shall be only submitted through a web-based commenting service for which a registration form is available on the Eurex Clearing website www.eurexclearing.com under the following link:

[Resources > Forms > Data Forms Subject: Consultation Form](#)

The form has to be duly signed and returned to Eurex Clearing via e-mail to SpecialProvisions@eurexclearing.com in order to obtain a User ID and Password together with a link for accessing the web-based commenting service.

To the extent that Eurex Clearing decides to implement any comments received during the Consultation, the so-amended version of the Clearing Conditions will be published after the Consultation.

The currently envisaged effective date of the changes is **3 August 2020**. However, after the Consultation Period, Eurex Clearing will issue a separate circular to announce the concrete date on which the proposed changes (as the case may be, implementing comments received during the Consultation) will come into effect.

This announcement will be made with at least 15 Business Days' notice (Regular Notification Period). However, if Eurex Clearing should receive a request for a Prolonged Notification Period from more than two Affected Customers during the Consultation Period, a Prolonged Notification Period as set out in the Clearing Conditions will be applied and Eurex Clearing will notify all affected parties accordingly.

Unless the context requires otherwise, terms used and not otherwise defined in this circular shall have the meaning ascribed to them in the Clearing Conditions, as applicable.

Attachments:

- 1 – Publication of the "Contribution Calculation Method" on Eurex Clearing's website and related description
- 2 – Amended sections of Chapter I Part 1 Number 6.1.1 of the Clearing Conditions

Further information

Recipients:	All Clearing Members, Basic Clearing Members, Disclosed Direct Clients of Eurex Clearing AG, vendors and other affected contractual parties
Target groups:	Front Office/Trading, Middle + Backoffice, IT/System Administration, Auditing/Security Coordination
Contact:	client.services@eurexclearing.com
Related circular:	Eurex Clearing circular 006/20
Web:	www.eurexclearing.com
Authorised by:	Dmitrij Senko

Further information

[Attachment 1 to Eurex Clearing circular 047/20](#)

[Attachment 2 to Eurex Clearing circular 047/20](#)

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Amendments to the Website of Eurex Clearing AG

Amendments to the Default Fund Contribution Factor

As of 3 August 2020

AMENDMENTS ARE MARKED AS FOLLOWS:
 INSERTIONS ARE UNDERLINED AND BOLD,
 DELETIONS ARE CROSSED OUT.

Webpage Update for:

<https://www.eurexclearing.com/clearing-en/risk-management/default-waterfall/default-fund>

Content:**Default Fund**

Eurex Clearing maintains one joint Default Fund, covering all asset classes cleared by it. The Default Fund is calibrated to cover all losses resulting from a simultaneous default of Eurex Clearing's largest two clearing groups with a confidence level of 99.9%.

Every Clearing Member is required to provide a contribution to such Default Fund. Each Clearing Member's contribution to the Default Fund depends on the relative risk exposure brought to the clearing system by such member.

As such, Clearing Members are required to deposit the highest of the following amounts:

Market (1)	Product (2)	Dynamic contribution to the clearing fund			
		GCM minimum (3)	DCM minimum (4)	<u>CA/BCM minimum (5)**</u>	Maximum of (65)
All markets	Respective products	EUR 5 million	EUR 1 million	EUR 1 million or EUR 100 thousand	<ul style="list-style-type: none"> • 79 percent of average initial margin* requirement (30 days) • 79 percent of average initial margin* requirement (250 days) • Or column (3)/(4)/(5)

*The initial margin requirement, in this context, also includes all additional margin requirements

** EUR 1 million for banks, financial service providers, investment firms and insurance companies or EUR 100,000 for investment funds, insurance pools and pension funds

We recalculate Default Fund contributions on a monthly basis (at the end of each month) for the subsequent month, to ensure that margin levels are reflected accurately.

Chapter I of the Clearing Conditions of Eurex Clearing AG

General Provisions

As of 03.08.2020

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

[...]

Part 1 General Clearing Provisions

[...]

6 Default Fund

[...]

6.1 Contributions to the Default Fund

6.1.1 Contributions and Calculation of the Contributions to the Default Fund

[...]

- (2) Eurex Clearing AG shall from time to time determine the amount of the CM Contribution to be paid and maintained by a Clearing Member and the amount of the BCM Contribution to be paid and maintained by a Clearing Agent (each a “**Contribution Requirement**”) in accordance with the relevant applicable calculation method (the “**Contribution Calculation Method**”). Eurex Clearing AG shall published the Contribution Calculation Method and any changes thereof by ~~Eurex Clearing AG~~ on its website (www.eurexclearing.com) pursuant to ~~Number 16.1. (the “**Contribution Calculation Method**”); any such published Contribution Calculation Method shall form part of the Clearing Conditions.~~

The basis for the calculation of (i) the Contribution Requirement of a Clearing Member are all Transactions of such Clearing Member (a “**CM Contribution Requirement**”) and (ii) the Contribution Requirement of a Clearing Agent with respect to a particular Basic Clearing Member are all Basic Clearing Member Transactions of such Basic Clearing Member (a “**BCM Contribution Requirement**”).

Eurex Clearing AG may re-evaluate and adjust each Contribution Requirement in accordance with the relevant Contribution Calculation Method at any time and will do so on a regular basis.

[...]
