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01 Jul 2024

Eurex Clearing

Risk management: Introduction of Default Fund Operational Buffer

Eurex Clearing Circular 045/24: Risk management: Introduction of Default Fund Operational Buffer

1. Introduction

With this circular, Eurex Clearing AG (Eurex Clearing) announces a change to the calculation of the Contribution Requirements by introducing a Default Fund Operational Buffer component to the calculation formula.

The Default Fund Operational Buffer will become effective on 2 September 2024 with the end-of-day values from 30 August 2024 via the monthly Default Fund recalibration process. The CD090 and the CD091 reports will include additional information on the Default Fund Operational Buffer in newly introduced fields in the report layer. This change to the reports will go live with the Prisma Release 14.0 and be announced in a separate Eurex Clearing circular.

Introduction: 2 September 2024

Effective date of report changes: 18 November 2024 (Prisma Release 14.0)

2. Required action

Details on the report changes with new fields are published in the Prisma Report Reference Manual in the Member Section of the Eurex Clearing (with Prisma Release 14.0).

3. Details of the initiative

Currently, the calculation of the Default Fund size is based on the Stress-Loss-over Margin (SLOM) metric (as announced in Eurex Clearing Circular **006/21**). With this initiative, Eurex Clearing intends to adjust the SLOM metric with the introduction of the Default Fund Operational Buffer.

The calculation of the total size of the Default Fund will still be based on the sum of the 60-business day average of SLOM values of the two largest Clearing Member Groups (CG), but the SLOM values will be multiplied by the Default Fund Operational Buffer expressed as a percentage. With the introduction of the Default Fund Operational Buffer, the buffer will be set at 15% (DF_{buffer}):

$$DF = (\emptyset_{60d} \text{ SLOM of largest CG} + \emptyset_{60d} \text{ SLOM of 2nd largest CG}) * (1 + DF_{buffer})$$

Main purpose of the Default Fund Operational Buffer is to account for potential larger fluctuations of the stress testing results between the regular monthly recalibration dates due to volatile market changes and changes to the Clearing Member portfolios, which, as a consequence, may lead to ad-hoc Supplementary Margin calls. With the introduction of the Default Fund Operational Buffer, the number of Supplementary Margin calls will be significantly reduced.

The size of the Default Fund Operational Buffer is subject to a regular review and will be amended when deemed necessary. Any changes to the Default Fund Operational Buffer will be announced via Eurex Clearing Circular.

The calculation of the Default Fund Contribution Requirement per Clearing Member will remain unamended. The Contribution Requirement is calculated as the larger of a minimum Default Fund Contribution Requirement per Clearing Member and the amount calculated as a product of a total size of the Default Fund less Eurex Clearing's Dedicated Amount ($ECAG_{DA}$) and the proportion of a 30-business day average SLOM value of a Clearing Member to the 30-business day average of a sum of SLOM values of all Clearing Members:



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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 or FCM Clearing Conditions of Eurex Clearing AG, as applicable.

Further information

Recipients: All Clearing Members, FCM Clearing Members, ISA Direct Clearing Members, Disclosed Direct Clients, FCM Clients of Eurex Clearing AG and vendors

Target groups: Front Office/Trading, Middle + Backoffice, IT/System Administration, Auditing/Security Coordination

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