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VIA CFTC PORTAL
Division of Clearing and Risk
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington, DC 20581

December 13, 2021

**Re: Submission of Swaps for the Commission's Mandatory Clearing
Determination Pursuant to Commission Regulation 39.5(b)**

Dear Mr. Kirkpatrick,

Eurex Clearing AG ("Eurex Clearing"), a derivatives clearing organization ("DCO") registered with the Commodity Futures Trading Commission (the "Commission" or "CFTC"), is submitting the following contracts (the "Contracts") for the Commission's mandatory clearing determination under Commission Regulation 39.5(b):

Interest Rate Swap:

Product:

- Secured Overnight Financing Rate ("SOFR") overnight index swap ("OIS") and basis swap
- Reformed Sterling Overnight Index Average ("SONIA") OIS
- Tokyo Overnight Average rate ("TONA") OIS

Currency:

U.S. Dollar ("USD")
Great Britain Pound ("GBP")
Japanese Yen ("JPY")

The maximum remaining term for the Contracts is no more than 51 years (SOFR OIS and basis swaps, SONIA OIS) and 31 years (TONA OIS). The minimum term for the Contracts is at least one business day.

SONIA OIS with a date range of between 7 days and 3 years are already subject to a mandatory clearing obligation in the European Union and U.S.¹ In addition, Eurex Clearing notes that there are consultations ongoing regarding the mandatory clearing obligation as related to SOFR OIS, SONIA OIS, and TONA OIS.² Eurex Clearing respectfully believes the Commission and other regulators in other jurisdictions should coordinate in such determinations in order to facilitate international cooperation and global convergence. Eurex Clearing is eligible to accept the Contracts and, in the event that the Contracts were required to be cleared, would be able to maintain compliance.

Required Information under Commission Regulation 39.5(b)(3)

The existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data

The rates referenced in the Contracts are functional replacements for the corresponding LIBORs: SOFR for USD LIBOR, SONIA for GBP LIBOR, and TONA for JPY LIBOR. These alternative reference rates resulted from efforts in the U.S. and around the world to identify replacements for LIBOR, as described in CFTC, Swap Clearing Requirement Amendments for the Transition from LIBOR and Other IBORs to Alternative Reference Rates, 86 Fed. Reg. 66476 (Nov. 23, 2021).

SOFR has been identified by the Alternative Reference Rate Committee as the rate that represents best practice for use in certain new USD derivatives and other financial contracts. SONIA is the Working Group on Sterling Risk Free Reference Rates' preferred benchmark for the transition to GBP risk-free rates from LIBOR. TONA has been identified as the main alternative benchmark for JPY LIBOR by the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks, supported by the Bank of Japan.

Eurex Clearing provides swap volumes for each of the respective currencies at: <https://www.eurex.com/ec-en/clear/clearing-volume>. As of December 6, 2021, Eurex Clearing had: (i) approximately USD 9.3 bn in notional outstanding in OIS (USD); (ii) approximately GBP 28.2 bn in notional outstanding in OIS (GBP); and (iii) JPY 0 notional outstanding in OIS (JPY).

Daily figures for the notional exposures are provided daily at:

¹ Commission Delegated Regulation (EU) 2015/2205 of 6 August 2015 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on the clearing obligation, as amended, available at: http://data.europa.eu/eli/reg_del/2015/2205/2021-02-18; CFTC Regulation 50.4(a).

² E.g., European Securities and Markets Authority, Final Report: On draft RTS on the clearing and derivative trading obligations in view of the benchmark transition to risk free rates (Nov. 18, 2021), available at: https://www.esma.europa.eu/sites/default/files/library/esma70-156-4953_final_report_on_the_co_and_dto_re_benchmark_transition.pdf; Bank of England, Policy statement: Derivatives clearing obligation – modifications to reflect interest rate benchmark reform: Amendments to BTS 2015/2205 (Sept. 29, 2021), available at: <https://www.bankofengland.co.uk/paper/2021/derivatives-clearing-obligation-modifications-to-reflect-interest-rate-benchmark-reform>.

<https://www.eurex.com/ec-en/clear/clearing-volume>. Current and past figures for current swap volume in USD, GBP, and JPY are also provided at this link.

In addition, settlement prices are provided at:
<https://www.eurex.com/ec-en/clear/eurex-otc-clear/settlement-prices>. Settlement prices for current swap volume in USD, GBP, and JPY are also provided at this link.

Chapter II, Part 2, Number, 2.1.6 (1) (Daily Evaluation Price and Discounting of Future Cashflows) of the FCM Regulations of Eurex Clearing (“FCM Regulations”) and Chapter VIII, Part 2, Number 2.1.5 (Daily Evaluation Price) of the Clearing Conditions of Eurex Clearing (“Clearing Conditions”) provide,

“Eurex Clearing AG determines the daily evaluation price on the basis of (i) the rates determined in accordance with Number 2.2.5 and (ii) the raw market quotes underlying the discount and forecast curve provided by a recognized third party provider (the respective quotes and third party provider to be selected at the reasonable discretion of Eurex Clearing A), in each case as of the day of the determination of the daily evaluation price (each such day a “Reset Date” for the purposes of Number 2.2.5 (1)). Where no information on the relevant rates as referred to in (i) is available, Eurex Clearing AG will determine the daily evaluation price in accordance with Number 1.8. The relevant discount and forecast curves are laid out in the EurexOTC Clear Risk Methodology Description Interest Rate Swaps of Eurex Clearing AG.”

Eurex Clearing believes use of Reuters is adequate because it is a readily available conventional source. In addition, Eurex Clearing can receive data from Bloomberg if necessary and has multiple backups for receiving pricing data.

The FCM Regulations and Clearing Conditions are available for download at: <https://www.eurex.com/ec-en/rules-regs/rules-and-regulations>.

The availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the contract on terms that are consistent with the material terms and trading conventions on which the contract is then traded

Eurex Clearing already has a well-developed rule framework and support infrastructure for clearing the Contracts. Eurex Clearing leverages this existing operational capacity when clearing the Contracts on the DCO. Eurex Clearing ensures that it has the appropriate risk management, operations, and technology capabilities in place to ensure that it is able to liquidate positions in the Contracts in an orderly manner in the event of a default. The Contracts are subject to margin and clearing fund requirements set forth the FCM Regulations and the Clearing Conditions.

The effect on mitigation of systemic risk, taking into account the size of the market for such contract and the resources of the DCO available to clear the contract

The benefits of central clearing of the Contracts through Eurex Clearing are significant, including reduction of counterparty risk, margin and collateral efficiencies, client asset segregation, and legal certainty. With an overall

collateral pool of EUR 55 billion, Eurex Clearing's stress-tested lines of defense and with over 200 Clearing Members from 19 countries, Eurex Clearing has the necessary resources to clear the Contracts from a market size and resources perspective.

The effect on competition, including appropriate fees and charges applied to clearing

Eurex Clearing does not believe that its clearing of the Contracts will have a negative or material impact on the competition. The fee schedule for the contracts Eurex Clearing clears is available at: <https://www.eurex.com/ec-en/rules-regs/rules-and-regulations>.

The existence of reasonable legal certainty in the event of the insolvency of the relevant DCO or one or more of its Clearing Members with regard to the treatment of customer and swap counterparty positions, funds and property

Eurex Clearing observes the "Principles for financial market infrastructures" published by the Committee on Payment and Settlement Systems and International Organisation of Securities Commissions (the "PFMIs"). In February 2015, Eurex Clearing published an assessment of its compliance with the PFMIs, including the conclusion that it fully complies with the PFMIs. This assessment and conclusion was reviewed and validated by KPMG as an independent outside auditor. This assessment is available at: https://www.eurex.com/resource/blob/247228/3bab45c5a4d22f090373d15dafd036d7/data/cpss-iosco-pfmi_assessment_2014_en.pdf. As part of this assessment, Eurex Clearing's default management procedures were assessed to be certain in the event of its or its Clearing Members' insolvency with regard to the treatment of customer and counterparty positions and collateral. Eurex Clearing's most recent assessment against the international standards applicable to financial market infrastructures described in the April 2012 report *Principles for financial market infrastructures*, prepared as of February 2021, is available at https://www.eurex.com/resource/blob/2446522/22f4869a8649f15b54a1e86bf635c63c/data/cpss-iosco-pfmi_assessment_2020_en.pdf.

Eurex Clearing also has previously provided a legal memorandum to the Commission on the ring-fenced treatment of cleared swaps customer collateral pursuant to Part 22 of the Commission's regulations.

A potential insolvency of Eurex Clearing and the operation of default management procedures under the Clearing Conditions would be governed by German Law, except for certain FCM Regulations and Clearing Conditions that relate to cleared swaps customer collateral that are governed by U.S. federal laws.

Further information (CFTC Regulation §39.5(b)(iii-viii)

Product terms of the Contracts are market standard and follow the 2021 ISDA Interest Rate Derivatives Definitions.

Participant eligibility standards are the same as Eurex Clearing's general FCM Clearing Member and Clearing Member standards.

There are no additional price sources required as prices are readily available from the price sources already used by Eurex Clearing.

Eurex Clearing has a sound framework for the comprehensive management of all material risks. In this regard Eurex Clearing has established documented policies, procedures, and systems to identify, monitor, and manage such risks.

The rules, policies, and procedures that apply to the clearing of the Contract are set forth in the FCM Regulations and the Clearing Conditions.

Eurex Clearing is providing notice of this submission to Clearing Members by posting this submission under the CFTC DCO Filings webpage at: <https://www.eurex.com/ec-en/rules-regs/regulations/cftc-dco-filings>.

If you have any questions, please contact Eric Seinsheimer, US CCO, Eurex Clearing AG, at eric.seinsheimer@eurex.com or (312) 544-1087.

Yours faithfully,

/s/ Eric Seinsheimer

Eric Seinsheimer