

clear to trade



eurex clearing circular 129/16

Date: 25 October 2016
Recipients: All Clearing Members, Non-Clearing Members and Registered Customers, FCM Clients and Basic Clearing Members of Eurex Clearing AG
Authorized by: Thomas Laux

Update of Default Management Process for Eurex Bonds, Eurex Repo and GC Pooling Repo Transactions

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Content may be most important for:

➡ All departments

Attachments:

1. Amended sections of the Clearing Conditions of Eurex Clearing AG;
2. Amended sections of the Default Management Auction Rules of Eurex Clearing AG;
3. Amended sections of the Default Management Committee Rules of Eurex Clearing AG; and
4. Form for appointment of individuals entitled to submit comments.

Summary:

Eurex Clearing AG (Eurex Clearing) enhances the default management process (DMP) for Eurex Bonds, Eurex Repo and GC Pooling Repo Transactions, to further increase transparency and to adjust processes to changed market conditions, while considering product characteristics:

1. Eurex Clearing will introduce a bond liquidation group (Bond LG), which comprises all bond related products cleared by Eurex Clearing.
2. While the DMP for the Bond LG is in line with the DMP for other asset classes, certain product and market characteristics of the Bond LG need to be considered, as summarised in this circular.

The amended sections of the Clearing Conditions of Eurex Clearing AG (Clearing Conditions), the Default Management Auction Rules and the Default Management Committee Rules, as decided by the Executive Board of Eurex Clearing, following a respective recommendation by the EMIR Risk Committee, are attached to this circular.

The planned amendments fall within the scope of Special Provisions of the Clearing Conditions and are subject to a consultation process to which Eurex Clearing hereby invites all Clearing Members, Non-Clearing Members, Registered Customers and Basic Clearing Members to submit comments.

The effective date of the planned amendments will be announced by Eurex Clearing in a separate circular, which will be published no less than 15 business days before such effective date.



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Update of Default Management Process for Eurex Bonds, Eurex Repo and GC Pooling Repo Transactions

Eurex Clearing AG (Eurex Clearing) enhances the default management process (DMP) for Eurex Bonds, Eurex Repo and GC Pooling Repo Transactions, to further increase transparency and to adjust processes to changed market conditions, while considering product characteristics:

1. Eurex Clearing will introduce a bond liquidation group (Bond LG), which comprises all bond related products cleared by Eurex Clearing.
2. While the DMP for the Bond LG is in line with the DMP for other asset classes, certain product and market characteristics of the Bond LG need to be considered, as summarised in this circular.

The amended sections of the Clearing Conditions of Eurex Clearing AG (Clearing Conditions), the Default Management Auction Rules and the Default Management Committee Rules, as decided by the Executive Board of Eurex Clearing, following a respective recommendation by the EMIR Risk Committee, are attached to this circular. The proposed amendments are subject to regulatory non-objection.

The planned amendments fall within the scope of Special Provisions of the Clearing Conditions and are subject to a consultation process to which Eurex Clearing hereby invites all Clearing Members, Non-Clearing Members, Registered Customers and Basic Clearing Members to submit comments.

The effective date of the planned amendments will be announced by Eurex Clearing in a separate circular, which will be published no less than 15 business days before such effective date.

The Consultation on the proposed changes starts on **25 October 2016** and will end on **24 November 2016** at midnight. This will be followed by a shortened publication period of at least 15 business days, provided that in total no more than two affected Clearing Members, Non-Clearing Members, Registered Customers or Basic Clearing Members object to the application of such shortened publication period during the Consultation.

If Eurex Clearing receives such objections from more than two affected Clearing Members, Non-Clearing Members, Registered Customers or Basic Clearing Members during the Consultation, Eurex Clearing will notify all Clearing Members, Non-Clearing Members, Registered Customers, Futures Commission Clients (FCM) Clients and Basic Clearing Members promptly upon receipt of such objections in a further electronic circular.

During the Consultation period, comments on proposed changes will be submitted through a web-based commenting service provided by Eurex Clearing. Any affected Clearing Member, Non-Clearing Member, Registered Customer or Basic Clearing Member intending to submit comments is kindly requested to appoint one or more individuals for the Consultation who will submit comments on behalf of the respective affected Clearing Member, Non-Clearing Member, Registered Customer or Basic Clearing Member via the form in attachment 4 to this circular. The form has to be signed and returned to Eurex Clearing, via e-mail to SpecialProvisions@eurexclearing.com or via fax to +49-69-211-1 84 40, in order to obtain a user ID and password together with a link for accessing a web-based commenting service.

Eurex Clearing cannot guarantee consideration of comments if they are submitted in a different way than through the web-based service provided by Eurex Clearing.

Following the assessment of the comments that were received during the Consultation period, Eurex Clearing will decide on the changes to the Special Provisions. To the extent Eurex Clearing decides to implement comments of affected Clearing Members, Non-Clearing Members, Registered Customers or Basic Clearing Members to the proposed amendments, the so amended version of the changes will be

published again at least 15 business days prior to the effective date stipulated in such notice via electronic Eurex Clearing circular and on the Eurex Clearing website www.eurexclearing.com.

1. Introduction of Bond Liquidation Group (Bond LG)

Eurex Clearing introduces a Bond LG, comprising all bond related products offered by Eurex Bonds and Eurex Repo, i.e. all Eurex Bonds, Eurex Repo and GC Pooling Repo Transactions cleared by Eurex Clearing.

Liquidation Groups (LGs) comprise products with similar risk characteristics which are liquidated according to the same framework in case of a Clearing Member's default. A complete list of LGs maintained by Eurex Clearing, including the products assigned to them, is available on the Eurex Clearing website www.eurexclearing.com under the following link:

Risk management > Risk parameters

2. Update of DMP for Bond LG

2.1 Default Management Committee and Market Advisors

Analogous to other asset classes, Eurex Clearing will implement a Default Management Committee (DMC) for the Bond LG to advise and assist Eurex Clearing during a Clearing Member's default, and in regular default management simulations. In addition, Clearing Members are invited to nominate one or more of their employees as Market Advisors. Market Advisors will be contacted by Eurex Clearing via telephone to provide market intelligence in a default situation, during default simulations or for regular evaluations by the CCP. The nomination of Market Advisors takes place on a voluntary basis.

2.2 Hedging

As part of the DMP, Eurex Clearing may enter into hedging transactions to reduce risks inherited from the defaulted Clearing Member. Where possible, hedging will be conducted with fixed income listed derivatives cleared by Eurex Clearing. Hedging instruments will typically be liquidated jointly with the underlying bond or Eurex Repo Transactions.

2.3 Bond Trading Sheet and Bond Clusters

To account for the fragmented structure of the bond market, Eurex Clearing requests all Clearing Members to indicate their bond trading capacities, by filling in a so called Bond Trading Sheet, which Eurex Clearing will make available on its website.

In addition, Eurex Clearing subdivides the overall scope of bonds which may underlie Eurex Bonds, Eurex Repo and GC Pooling Repo Transactions, into so called Bond Clusters. Each bond is clearly assigned to one Bond Cluster and a complete list of Bond Clusters will be available on the Eurex Clearing website.

2.4 Two liquidation steps for Eurex Repo and GC Pooling Repo Transactions

Due to the product characteristics of Eurex Repo and GC Pooling Repo Transactions, the DMP for these products requires two steps. Eurex Clearing needs to:

- liquidate the bond underlying the Eurex Repo or GC Pooling Repo Transaction, and
- enter into a replacement Eurex Repo or GC Pooling Repo Transaction, replacing the transaction terminated with the defaulted Clearing Member.

If the defaulted Clearing Member acted as Cash Taker in a Eurex Repo or GC Pooling Repo Transaction, Eurex Clearing enters into a replacement Eurex Repo or GC Pooling Repo Transaction acting as Cash Provider (Collateral Taker), and sells the bond underlying the respective transaction in the markets.

If the defaulted Clearing Member acted as Cash Provider in a Eurex Repo or GC Pooling Repo Transaction, Eurex Clearing enters into a replacement Eurex Repo or GC Pooling Repo Transaction acting as Cash Taker (Collateral Provider), and buys the bond underlying the respective transaction in the market.

2.5 Independent Trades

Independent Trades are the most relevant DMP measure in the Bond LG, irrespective of whether Eurex Clearing buys or sells an underlying bond or enters into a replacement Eurex Repo or GC Pooling Repo Transaction.

Independent Trades are usually conducted on a single ISIN/transaction level. Nonetheless, after consultation with the DMC, Eurex Clearing may also conduct an Independent Trade for a (hedged) bundle of bonds/transactions, if doing so is advisable from a risk perspective.

Participation in Independent Trades is always voluntary. Clearing Members can volunteer to be contacted for Independent Trades in particular bond segments.

Eurex Clearing will accept the prices in an Independent Trade, if all resulting losses can be covered in full by the defaulted Clearing Member's resources.

2.6 Auctions

Only if attempts to sell a bond via Independent Trade fail, Eurex Clearing conducts Default Management (DM) Bonds Auctions. DM Bonds Auctions are conducted on single ISIN level, unless the auctioning of a (hedged) bundle of bonds is preferable from a risk perspective.

DM Bonds Auctions are held as multi-unit auctions. Eurex Clearing subdivides the overall size of the bond/bundle into multiple Bonds Auction Units, and informs Clearing Members of the minimum number of Bonds Auction Units they have to provide a bid for. A Clearing Member's minimum participation requirement depends on its relative size in the Bond Cluster to which the auctioned bond belongs. Generally, Eurex Clearing accepts the highest price per Bonds Auction Unit and each Clearing Member pays the price it has provided as a bid. No minimum prices for DM Bonds auctions are being defined by Eurex Clearing.

Participation in a DM Bonds Auction is binding only for those Clearing Members who have been active in the relevant Bond Cluster in the last three calendar months prior to the default situation and who are capable, from a risk perspective, to process the respective bond/bundle. Other Clearing Members may participate on a voluntary basis, and clients can participate via their Clearing Member.

Those Clearing Members which have exclusively conducted GC Pooling transactions under which they acted as Cash Provider are only required to participate as Mandatory Participants in those DM Bonds Auctions for which they have indicated trading capacities in their Bond Trading Sheets.

In line with existing processes for other LGs, certain fines may apply if a Clearing Member fails to comply with its bidding requirement.

2.7 Buy-in of bonds

If Eurex Clearing has to buy an underlying bond in the market, such purchase is also executed via Independent Trades. For each bond, Eurex Clearing defines a maximum price it is willing to pay when buying such bond in the markets.

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Only if attempts to purchase a bond in the market fail, Eurex Clearing may conduct a cash settlement to ultimately re-balance the CCP. A potential cash settlement is performed at the predefined maximum price for the respective bond, on a pro rata basis across all Clearing Members who are expecting delivery of such bond by Eurex Clearing.

The effective date of the planned amendments will be announced by Eurex Clearing in a separate circular, which will be published no less than 15 business days before such effective date.

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, Registered Customer, FCM Client and Basic Clearing Member unless they object in writing to Eurex Clearing 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 Fixed Income Risk Control at tel. +49-69-211-1 28 28 or the Default Management Team by sending an e-mail to DMP_Inbox@eurexclearing.com.

25 October 2016

CHAPTER I WILL BE AMENDED.

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

Chapter I General Provisions

[...]

Part 1 General Clearing Provisions

[...]

7 Termination Rules with respect to the Clearing Member

[...]

Each Clearing Member shall appoint one of its employees as DMP-coordinator and as DMP-deputy, respectively, as a central contact for Eurex Clearing AG for all general matters relating to the default management process and register these vis-à-vis Eurex Clearing AG.

Each Clearing Member shall provide Eurex Clearing AG with a completed form as published by Eurex Clearing AG on its website www.eurexclearing.com in which the

relevant Clearing Member provides an overview on its trading capabilities with respect to all bonds underlying Eurex Bonds Transactions and Eurex Repo Transactions (“**Bonds Trading Sheet**”). Each Clearing Member shall provide Eurex Clearing AG with a new Bonds Trading Sheet whenever any of the determinations made in the Bonds Trading Sheet changes.

7.5.1 Default Management Committees

- (1) A DMC will be established in accordance with the DMC Rules (as defined in Paragraph (4)) with respect to one or more groups of abstract Transactions cleared pursuant to the Clearing Conditions and relating to one or more Transaction Types or parts thereof, as determined and published in accordance with Number 16.2 by Eurex Clearing AG (each a “**Liquidation Group**”). Each DMC constitutes an internal advisory committee of Eurex Clearing AG (but not an independent legal person) and its members are subject to Eurex Clearing AG’s direction rights.

[...]

7.5.3 Establishment of Transactions by way of independent trades or by conducting DM Auctions

- (1) At any time after the Termination Time (with respect to the relevant Affected Clearing Member) or the Basic Clearing Member Termination Time, Eurex Clearing AG may in its discretion, take the following measures:
 - (i) ~~Enter into independent trades to (a) establish new Transactions equivalent to Terminated Transactions and/or reciprocal to DM Hedging Transactions, and (b) buy or sell Securities underlying the Terminated Transactions and which are required to enter into new Transactions,~~ as deemed appropriate by Eurex Clearing AG in consultation with the relevant DMC(s), ~~and/or~~
 - (ii) ~~If it is deemed appropriate by Eurex Clearing AG in consultation with the relevant DMC(s), Eurex Clearing AG may conduct one or more auctions with respect to one or several Liquidation Groups (in whole or in part the “DM Auctions” or each a “DM Auction”) to establish new Transactions specified by Eurex Clearing AG which are – taken as a whole – equivalent to Terminated Transactions of the Affected Clearing Member (or, if the Affected Clearing Member is a FCM Clearing Member, the Terminated Transactions of the relevant FCM Client) or the relevant Basic Clearing Member and/or reciprocal to DM Hedging Transactions (together the “DM Auction Transactions” and each a “DM Auction Transaction”).~~ With respect to Eurex Bonds Transactions and Eurex Repo Transactions, Eurex Clearing AG may, if it is deemed appropriate by Eurex Clearing AG in consultation with the relevant DMC (s), conduct one or more auctions, to sell the bonds underlying the Eurex Bonds Transactions and Eurex Repo Transactions and to establish new Transactions being

reciprocal to DM Hedging Transactions (“DM Bonds Auctions”).

Prior to a DM Auction or a DM Bonds Auction, Eurex Clearing AG shall enter into independent trades pursuant to paragraph (a) against the recommendation of the relevant DMC(s) only if the entering into such trades does not result in a realisation of Contributions of the Non-Affected Clearing Members in accordance with Chapter I Part 1 Number 6.2.1 and if the terms and conditions of the resulting Transactions are fixed prior to entering into the respective trades. If Eurex Clearing AG does not enter into independent trades pursuant to Paragraph (a) with respect to particular Terminated Transactions, one or more DM Auctions or DM Bonds Auctions shall be held with respect to such Terminated Transactions.

- (2) DM Auctions and DM Bonds Auctions are governed by the rules set forth in the default management auctions rules, as published by Eurex Clearing AG on its website www.eurexclearing.com (the “DM Auction Rules”). The DM Auction Rules form part of these Clearing Conditions.

(3) General Provisions

Unless otherwise provided in (4) to (8), the following provisions shall apply:

~~the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions (as defined in Chapter VIII Part 2),~~

- (i) DM Auctions will be conducted with regard to one or several Auction Units.

“Auction Unit” means one unit or several identically composed units of DM Auction Transactions of the relevant applicable Liquidation Group ~~(or, in consultation with the relevant DMC(s), parts thereof), as specified by Eurex Clearing AG for each DM Auction after consultation with the relevant DMC(s) (the “Auction Units” or each an “Auction Unit”). If the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions, DM Auctions will be conducted with regard to one Auction Unit per currency in which the relevant DM Auction Transactions are denominated. Each Auction Unit will generally consist of all DM Auction Transactions denominated in the same currency.~~

- (ii) A Mandatory Participant shall be obliged to participate in DM Auctions in accordance with the DM Auction Rules.

“Mandatory Participant” means each

- ~~(4) Each Clearing Member (i) holding a Clearing License Licence with respect to all DM Auction Transactions comprised in the relevant Auction Unit, (ii) having the necessary account structure to settle all DM Auction Transactions comprised in the relevant Auction Unit, (iii) with respect to which within 3 months (x) prior to the relevant Termination or Basic Clearing Member Termination (x) with respect~~

~~to the relevant Affected Clearing Member~~ at least one Transaction (and/or, if the Affected Clearing Member is a FCM Clearing Member, a FCM Client Transaction of any of its FCM Clients) or (y) ~~prior to the relevant Basic Clearing Member Termination~~ at least one Basic Clearing Member Transaction of ~~the a~~ Basic Clearing Member of such Clearing Member (acting as Clearing Agent) ~~in respect of which the Basic Clearing Member Termination has occurred, in each case with respect to each Relevant Liquidation Group~~ has been booked on a respective account, ~~which relates~~ corresponds to these Transaction Types comprised in the relevant Liquidation Group, and (iv) with respect to which no Termination Event or Insolvency Termination Event has occurred and is continuing ~~(each such Clearing Member, a "Mandatory Participant")~~ shall be obliged to participate in DM Auctions in accordance with ~~the DM Auction Rules.~~

Subject to certain restrictions as set forth in the DM Auctions Rules, (a) Non-Clearing Members, Registered Customers and other customers of Clearing Members may participate in DM Auctions in accordance with the DM Auction Rules through their Clearing Members and (b) Basic Clearing Members may participate in DM Auctions (including through their Clearing Agents acting on their behalf) upon invitation by Eurex Clearing AG. The participation of a Basic Clearing Member in any DM Auction shall not affect the obligations of its Clearing Agent as a Mandatory Participant.

~~(5) Unless the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions,~~

~~(iii) e~~ Each Mandatory Participant is obliged to provide one or more mandatory bids bid in accordance with Paragraph (7) for such minimum number of Auction Units specified by Eurex Clearing AG for such Mandatory Participant in accordance with the DM Auction Rules during a DM Auction (each a "Mandatory Bid").

(iv) A (Mandatory) Bid is only valid, if such Bid is economically reasonable (taking into account the current market conditions on the Acceptance Date), irrespective of whether Bids were submitted for all Auction Units of the respective DM Auction.

A Bid is generally economically reasonable if the relevant bidder participating in a DM Auction provides, in respect of the relevant Auction Unit, two bids on the following basis: (a) one bid for an Auction Unit based on the portfolio comprising the DM Auction Transactions and (b) one bid for an auction unit based on a portfolio comprising transactions opposite to the DM Auction Transactions, and (c) if the spread between the two Bids for the respective Auction Unit does not exceed the Maximum Spread Value. The "Maximum Spread Value" will be determined by Eurex Clearing AG in the Specific Terms either (i) based on the recommendation of the relevant DMC, or (ii), in case Eurex Clearing AG does not follow such recommendation, by calculating the average of all received

Maximum Spread Values recommended by Mandatory Participants (Eurex Clearing AG will request such recommendations from all Mandatory Participants).

Eurex Clearing AG will not disclose to the bidders which of the two portfolios comprises the DM Auction Transactions and which comprises the opposite transactions. The binding Bid only relates to the Auction Unit.

Bids which are not valid are deemed not to have been provided and will not be accepted by Eurex Clearing AG.

- (v) Each Mandatory Participant that does not submit a valid Mandatory Bid for an Auction Unit (in respect of all its capacities as a Clearing Member and a Clearing Agent, as applicable) ~~in accordance with the DM Auction Rules during such DM Auction (each such Mandatory Participant, collectively in respect of all its capacities as a Clearing Member and a Clearing Agent, as applicable, is a~~ **“Non-Bidding Participant”** ~~.)~~ A Non-Bidding Participant shall be subject to the following ~~single~~-contractual penalty which shall be paid in accordance with Number 1.4.1:
- (a) the Non-Bidding Participant shall, subject to a Residual Settlement ~~pursuant to (d) as defined below~~, pay to Eurex Clearing AG, in accordance with instructions received from Eurex Clearing AG, an amount which shall be calculated by Eurex Clearing AG as follows: the fraction of (i) the number of the Auction Units for which the Non-Bidding Participant has not submitted a valid Mandatory Bid in such DM Auction (numerator) and (ii) the total number of Auction Units offered in such DM Auction (denominator), such fraction, multiplied by 100 and further multiplied by EUR 500,000 (or the corresponding equivalent in any other Clearing Currency as determined by Eurex Clearing AG), but subject to a maximum aggregate amount of EUR 5,000,000 (or the corresponding equivalent in any other Clearing Currency as determined by Eurex Clearing AG) per DM Auction; any amount received by Eurex Clearing AG under this paragraph (a) shall be added to, and forthwith be part of, the Dedicated Amount of Eurex Clearing AG in accordance with Number 6.1.3; and
- (b) if, following a Realisation Event in relation to the relevant Affected Clearing Member (but not with respect to any other Realisation Event) the Contributions of the Non-Affected Clearing Members to the Clearing Fund are realised, the Contributions of the Non-Bidding Participant (in respect of all its capacities as a Clearing Member and a Clearing Agent, as applicable) shall in such DM Auction, in accordance with Number 6.2.1, be realised prior to the Contributions of the other Non-Affected Clearing Members to the Clearing Fund; and

- (c) if during the DM Auction only some (but not all) Auction Units have been successfully auctioned in accordance with the DM Auction Rules (each Auction Unit which has not been so auctioned a “**Residual Auction Unit**”), the Non-Bidding Participant shall (i) pay to Eurex Clearing AG on the relevant due dates of the relevant DM Auction Transactions the amounts (subject to a maximum aggregate amount of EUR 1,000,000,000 (or the corresponding equivalent in any other Clearing Currency as determined by Eurex Clearing AG) per DM Auction) equal to the Pro Rata Share (as defined below) of the exposure of Eurex Clearing AG as at the relevant due date to such Residual Auction Units (for which the Non-Bidding Participant failed to provide a valid Mandatory Bid) and (ii) provide collateral to Eurex Clearing AG for its obligations arising under (i) above, where Number 3 shall apply *mutatis mutandis* to the collateral.

If paragraph (c) applies, the Non-Bidding Participant shall have no obligation pursuant to paragraph (a).

The “**Pro Rata Share**” of a Non-Bidding Participant shall be the ratio of (A) the Residual Auction Units for which the Non-Bidding Participant failed to provide a valid Mandatory Bid in the relevant DM Auction and (B) the total number of valid Mandatory Bids which all Non-Bidding Participants failed to provide in the relevant DM Auction.

(d) Residual Settlement

- (aa) Eurex Clearing AG shall offer to each Non-Bidding Participant to enter with it into its respective Pro Rata Share of the DM Auction Transactions of the relevant Residual Auction Units without undue delay after the DM Auction, at its Pro Rata Share of the highest Auction Price (as defined in the DM Auction Rules) for any Auction Unit that was accepted by Eurex Clearing AG for an Auction Unit in the respective DM Auction (the “**Residual Auction Unit Price**”).
- (bb) Thereafter Eurex Clearing AG may offer any Residual Auction Units outstanding at the time of such offer to each Non-Bidding Participant at a price determined by Eurex Clearing AG on the basis of the then prevailing market conditions.
- (cc) If a Non-Bidding Participant accepts any offer under (aa) or (bb) (each a “**Residual Settlement**”), no contractual penalty pursuant to paragraph (a) and (c) above shall be payable by such Non-Bidding Participant, provided that any contractual penalty pursuant to paragraph (a) and (c) above which has already been received by Eurex Clearing AG from such Non-Bidding Participant shall not be repaid by Eurex Clearing AG. If the Residual Settlement results in a split of the relevant DM Auction Transactions in accordance with the

relevant Pro Rata Share of any Non-Bidding Participant, Eurex Clearing AG shall, in its reasonable discretion, be entitled to allocate rumps to Non-Bidding Participants as part of a Residual Settlement.

~~Any amount received by Eurex Clearing AG under paragraph (a) above shall be added to, and forthwith be part of, the Dedicated Amounts of Eurex Clearing AG in accordance with Number 6.1.3.~~

Each Non-Bidding Participant is required to take all such steps, to make all further statements and to comply with all such formalities as may be reasonably required or desirable to perfect or more fully evidence the Residual Settlement made in accordance with this Paragraph (5).

(vi) If the applicable Auction Format (as defined in the DM Auction Rules) is “Multi Unit – Pay as you bid” or “Single Unit – Pay as you bid” in accordance with the DM Auction Rules, Eurex Clearing AG shall, with respect to any particular Auction Unit, be obliged to accept the highest valid Bid.

(vii) Before Eurex Clearing AG may terminate any Transaction in accordance with Number 7.5.4, Eurex Clearing AG shall ask all Mandatory Participants to provide offers for some or all DM Auction Transactions comprised in the Auction Units.

(4) Special provisions relating to OTC Interest Rate Derivative Transactions

If the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions, the following shall apply:

(i) DM Auctions will be conducted with respect to one Auction Unit per currency in which the relevant DM Auction Transactions are denominated. Each Auction Unit will generally consist of all DM Auction Transactions denominated in the same currency.

(ii) Each Mandatory Participant is obliged to submit one Mandatory Bid for the respective Auction Unit with respect to all currencies such mandatory Participant holds a Clearing Licence for, subject to the DM Auction Rules.

Eurex Clearing AG will classify the Mandatory Bids into one of the following categories:

(a) The Mandatory Bid qualifies as “**Sufficient Bid**”, if the difference between such Mandatory Bid and the winning Bid with respect to the relevant Auction Unit (the “**Sufficient Bid Threshold**”) is equal to or smaller than the product of (i) 0.5 and (ii) the Initial Margin requirement for all OTC Interest Rate Derivative Transactions in the relevant Auction Unit (the “**Auction Unit Margin Amount**”)

- (b) The Mandatory Bid qualifies as “**Insufficient Bid**”, if the difference between such Mandatory Bid and the winning Bid with respect to the relevant Auction Unit (the “**Insufficient Bid Threshold**”) is larger than the product of (i) 1.5 and (ii) the Auction Unit Margin Amount.
- (c) The Mandatory Bid qualifies as “**Medium Bid**”, if the difference between such Mandatory Bid and the winning Bid with respect to the relevant Auction Unit is (i) larger than the Sufficient Bid Threshold and (ii) equal to or smaller than the Insufficient Bid Threshold.
- (iii) Each Mandatory Participant that does not submit a Sufficient Bid for the relevant Auction Unit in accordance with the DM Auction Rules during the relevant DM Auction shall be subject to the following contractual penalty:
- (a) If the Mandatory Participant submits an Insufficient Bid and if, following a Realisation Event in relation to the relevant Affected Clearing Member (but not with respect to any other Realisation Event), the Contributions of the Non-Affected Clearing Members to the Clearing Fund are realised, the Contributions of the Mandatory Participants (in respect of all their capacities as Clearing Members and Clearing Agents, as applicable) submitting an Insufficient Bid shall in such DM Auction, in accordance with Number 6.2.1, be realised prior to the Contributions of the other Non-Affected Clearing Members.
- (b) If the Mandatory Participant submits a Medium Bid and if, following a Realisation Event with respect to the relevant Affected Clearing Member (but not with respect to any other Realisation Event), the Contributions of the Non-Affected Clearing Members to the Clearing Fund are realised, the Contributions of the Mandatory Participants (in respect of all their capacities as Clearing Members and Clearing Agents, as applicable) submitting a Medium Bid shall in such DM Auction, in accordance with Number 6.2.1, be realised prior to the Contributions of the other Non-Affected Clearing Members, but simultaneously to the Contributions of those Mandatory Participants, who have submitted Insufficient Bids in such DM Auction, up to an amount which shall be calculated by Eurex Clearing AG as follows: the difference between (i) the winning Bid minus the product of 0.5 and the Auction Unit Margin Amount and (ii) the respective Medium Bid, such difference divided by the Auction Unit Margin Amount and subsequently multiplied by the relevant Mandatory Participant's Contributions. Any remainder of the Contributions of the Mandatory Participant submitting a Medium Bid shall be considered as Contributions of a Non-Affected Clearing Member.
- (iv) If a Mandatory Participant does not submit a Mandatory Bid for any relevant Auction Unit in accordance with the DM Auction Rules during such DM Auction (an “**IRS Non-Bidding Participant**”), the IRS-Non-Bidding Participant shall pay

to Eurex Clearing AG in accordance with Number 1.4.1, an amount which shall be calculated by Eurex Clearing AG as follows: the fraction of (i) the IRS-Non-Bidding Participant's Contributions (in respect of all its capacities as a Clearing Member and a Clearing Agent, as applicable) with respect to the Relevant Liquidation Group and in the relevant currency (numerator) and (ii) the aggregate sum of all Contributions with respect to the Relevant Liquidation Group and in the relevant currency (denominator), such fraction, multiplied by 100 and further multiplied by EUR 500,000 (or the corresponding equivalent in any other Clearing Currency as determined by Eurex Clearing AG), but subject to a maximum aggregate amount of EUR 5,000,000 (or the corresponding equivalent in any other Clearing Currency as determined by Eurex Clearing AG) per DM Auction. If, upon the occurrence of a Realisation Event, any Contributions of the IRS Non-Bidding Participant are realised, the amount calculated in accordance with the preceding sentence shall be reduced by the sum of the realised Contributions (but shall in no case be a negative amount). The provisions under Number 6.2.1 (5) and (6) shall apply accordingly with respect to the Contributions to the Clearing Fund of the relevant IRS Non-Bidding Participant. Any amount received by Eurex Clearing AG from the relevant IRS Non-Bidding Participant shall be added to, and forthwith be part of, the Dedicated Amount of Eurex Clearing AG in accordance with Number 6.1.3.

The provisions under Number 7.5.3 (6) (i) and (ii) above shall apply accordingly in relation to the realisation of the Further Contributions of the Mandatory Participant submitting an Insufficient Bid or a Medium Bid. The provisions under Number 6.2.1 (9) and (10) shall apply accordingly with respect to the IRS Non-Bidding Participants.

(v) Each (Mandatory) Bid is generally valid, if submitted in accordance with the DM Auction Rules.

~~(7) If the applicable Auction Format (as defined in the DM Auction Rules) is "Multi Unit – Pay as you bid" or "Single Unit – Pay as you bid" in accordance with the DM Auction Rules, Eurex Clearing AG shall, with respect to any particular Auction Unit, be obliged to accept the highest valid Bid.~~

~~(8) Unless the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions, a (Mandatory) Bid is only valid, if such Bid is economically reasonable (taking into account the current market conditions on the Acceptance Date), irrespective of whether Bids were submitted for all Auction Units of the respective DM Auction.~~

~~— A Bid is generally economically reasonable if the relevant bidder participating in a DM Auction provides, in respect of the relevant Auction Unit, two bids on the following basis: (a) one bid for an Auction Unit based on the portfolio comprising the DM Auction Transactions and (b) one bid for an auction unit based on a portfolio comprising transactions opposite to the DM Auction Transactions, and~~

~~(c) if the spread between the two Bids for the respective Auction Unit does not exceed the Maximum Spread Value. The “Maximum Spread Value” will be determined by Eurex Clearing AG in the Specific Terms either (i) based on the recommendation of the relevant DMC, or (ii), in case Eurex Clearing AG does not follow such recommendation, by calculating the average of all received Maximum Spread Values recommended by Mandatory Participants (Eurex Clearing AG will request such recommendations from all Mandatory Participants).~~

~~—Eurex Clearing AG will not disclose to the bidders which of the two portfolios comprises the DM Auction Transactions and which comprises the opposite transactions. The binding Bid only relates to the Auction Unit.~~

~~—Bids which are not valid are deemed not to have been provided and will not be accepted by Eurex Clearing AG.~~

~~If the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions, each (Mandatory) Bid submitted in accordance with the DM Auction Rules is generally valid.~~

~~(9) Before Eurex Clearing AG may terminate any Transaction in accordance with No. 7.5.4, Eurex Clearing AG shall ask all Mandatory Participants to provide offers for some or all DM Auction Transactions comprised in the Auction Units.~~

(5) Special provisions relating to Eurex Bonds Transactions, under which the Affected Clearing Member acted as buyer, and Eurex Repo Transactions, under which the Affected Clearing Member acted as Cash Taker

(i) With respect to terminated Eurex Bonds Transactions under which the Affected Clearing Member acted as buyer, and with respect to terminated Eurex Repo Transactions under which the Affected Clearing Member acted as Cash Taker, Eurex Clearing AG may conduct DM Bonds Auctions with respect to bonds underlying these Transactions, if Eurex Clearing AG could not sell the relevant bonds via independent trades.

(ii) The DM Bonds Auctions will generally be conducted separately for all bonds with the same ISIN underlying all terminated Eurex Bonds Transactions and Eurex Repo Transactions within the relevant Liquidation Group and with respect to one or several Bonds Auction Unit(s). In individual cases, Eurex Clearing AG is entitled to combine bonds with different ISIN in the same DM Bonds Auction after consultation of the relevant DMC. “Bonds Auction Units” means, with respect to DM Bonds Auctions, one unit or several identically composed units of the relevant bonds underlying the terminated Eurex Bonds Transactions and Eurex Repo Transactions, and the Transactions being reciprocal to DM Hedging Transactions as specified by Eurex Clearing AG after consultation with the relevant DMC.

- (iii) A Bonds Mandatory Participant shall be obliged to participate in DM Bonds Auctions in accordance with the DM Auction Rules.

A Clearing Member qualifies as “**Bonds Mandatory Participant**” with respect to the relevant DM Bonds Auction, if (i) it holds a Clearing License for Eurex Bonds Transactions or Eurex Repo Transactions, (ii) within 3 months prior to the relevant Termination or Basic Clearing Member Termination at least one Eurex Bonds Transaction or Eurex Repo Transaction with an underlying bond which falls under the same Bonds Cluster as the bond auctioned in the relevant DM Bonds Auction (x) has been booked on a respective account, or (y) has been booked as a Basic Clearing Member Transaction of a Basic Clearing Member of such Clearing Member (acting as Clearing Agent) on a respective account, and (iii) with respect to which no Termination Event or Insolvency Termination Event has occurred and is continuing.

A Clearing Member which only entered into GC Pooling Transactions, under which it only acted as Cash Provider, shall only be obliged to participate as Bonds Mandatory Participant in the relevant DM Bonds Auction with respect to bonds for which the relevant Clearing Member determined its trading capacities in the Bonds Trading Sheet.

A Bonds Mandatory Participant is not required to participate in a DM Bonds Auction, if the Clearing Member’s chief compliance officer proves to Eurex Clearing AG that a participation in the relevant DM Bonds Auction cannot be reasonably expected for compliance reasons.

Eurex Clearing AG assigns each bond underlying a Eurex Bonds Transaction or a Eurex Repo Transaction to a group of bonds predefined by Eurex Clearing (each a “**Bonds Cluster**”).

- (iv) Each Bonds Mandatory Participants is obliged to provide one or more Mandatory Bids for such minimum number of Bonds Auction Units specified by Eurex Clearing AG for such Bonds Mandatory Participant with respect to the relevant DM Bonds Auction.
- (v) If a Bonds Mandatory Participant submits a Mandatory Bid for a DM Bonds Auction which is below the Reference Price, Eurex Clearing AG may, subject to the following restrictions and following a Realisation Event in relation to the relevant Affected Clearing Member (but not with respect to any other Realisation Event), realise the Contributions to the Clearing Fund of such Clearing Member prior to the Contributions to the Clearing Fund of the other Non-Affected Clearing Members.

“**Reference Price**” with respect to a Bonds Auction means the Average Price minus the product of (i) the Average Price and (ii) 0.5 and (iii) the Risk Parameter applicable to the relevant bond underlying the relevant Bonds

Auction Unit. In individual cases, Eurex Clearing AG is entitled to adjust the multiplier of 0.5 after consultation of the relevant DMC.

“Average Price” means with respect to the relevant Bonds Auction Unit the fraction of (i) the sum of all Bonds Auction Prices accepted by Eurex Clearing AG within this DM Bonds Auction and (ii) the number of all Bonds Auction Units for which Eurex Clearing AG accepted bids within such DM Bonds Auction.

“Bonds Auction Price” means the product of (i) the price accepted by Eurex Clearing AG for the relevant Bonds Auction Unit and (ii) the number of Bonds Auction Units for which Eurex Clearing AG accepted such price.

“Risk Parameter” means with respect to the bond underlying the relevant Bonds Auction Unit the fraction of (i) the Additional Margin requirement for such Bonds Auction Unit and (ii) the product of (a) the Nominal Size of the Bonds Auction Unit and (b) the last available settlement price of the bond underlying the relevant Bonds Auction Unit.

For each (Mandatory) Bid submitted by a Bonds Mandatory Participant under any DM Bonds Auctions which is not below the relevant Reference Price, such Bonds Mandatory Participant receives a credit (“Credit”). For each Mandatory Bid submitted by a Bonds Mandatory Participant under any DM Bonds Auctions which is below the relevant Reference Price, such Bonds Mandatory Participant receives a debit (“Debit”). Each Credit is calculated with respect to the relevant Mandatory Bid as the product of (i) 0.25 and (ii) the Additional Margin requirement with respect to the relevant Bonds Auction Unit. The Bonds Mandatory Participant also receives a Credit in case it has purchased the relevant bonds from Eurex Clearing AG via independent trades; such Credit is calculated as the product of (i) a number between 0.01 and 0.1 as determined by Eurex Clearing AG in the individual case after consultation with the relevant DMC and (ii) the Additional Margin requirement with respect to the relevant Bonds Auction Unit. Each Debit is calculated with respect to the relevant Mandatory Bid as the product of (i) 0.5 and (ii) the Additional Margin requirement with respect to the relevant Bonds Auction Unit. In individual cases, Eurex Clearing AG is entitled to adjust the multiplier after consultation of the relevant DMC.

If, following a Realisation Event with respect to the relevant Affected Clearing Member (but not with respect to any other Realisation Event), the Contributions to the Clearing Fund of the Non-Affected Clearing Members are realised, parts of the Contributions to the Clearing Fund of the Mandatory Participants whose Debts exceed the Credits shall be realised prior to the Contributions to the Clearing Fund of the other Non-Affected Clearing Members.

The amount of the Contributions to the Clearing Fund of the Bonds Mandatory Participant, which shall be realised prior to the Contributions to the Clearing Fund of the other Non-Affected Clearing Members, shall be calculated as

follows: the product of (i) the fraction of (a) the sum of all Credits minus the sum of all Debits and Non-Bidding Debits and (b) the sum of the Additional Margin requirements for all Bonds Auction Units, for which the Bonds Mandatory Participant has submitted a Mandatory Bid and for which the Bonds Mandatory Participant should have submitted a Mandatory Bid, but failed to submit, and (ii) the parts of the Contributions to the Clearing Fund of the Bonds Mandatory Participant which is allocated to the Liquidation Group comprising the Eurex Bonds Transactions and the Eurex Repo Transactions.

For each Mandatory Bid the Bonds Mandatory Participant did not submitted, the Bonds Mandatory Participant receives a debit ("**Non-Bidding Debit**"), which corresponds to the Additional Margin requirement for the relevant Bonds Auction Unit.

- (vi) If a Bonds Mandatory Participant does not submit a Mandatory Bid for any Bonds Auction Unit in accordance with the DM Auction Rules during such DM Auction ("**Bonds Non-Bidding Participant**") and Contributions to the Clearing Fund of Non-Affected Clearing Members are realised, the Bonds-Non-Bidding Participant shall pay to Eurex Clearing AG in accordance with Number 1.4.1, an amount which shall be calculated by Eurex Clearing AG as follows: the lower amount of either (I) the product of (i) the fraction of (a) the sum of the Additional Margin requirements for all Bonds Auction Units within the relevant Liquidation Group for which the Bonds Mandatory Participant did not submit a Mandatory Bid, and (b) the sum of the Additional Margin requirement for all Bonds Auction Units within the relevant Liquidation Group for which the Bonds Mandatory Participant submitted a Mandatory Bid and for which the Bonds Mandatory Participant should have submitted a Mandatory Bid, but failed to submit, and (ii) EUR 5,000,000, or (II) the sum of the Additional Margin requirement for all Bonds Auction Units within the relevant Liquidation Group for which the Bonds Mandatory Participant submitted a Mandatory Bid and for which the Bonds Mandatory Participant should have submitted a Mandatory Bid, but failed to submit. Such amount is limited to a maximum aggregate amount of EUR 5,000,000 (or the corresponding equivalent in any other Clearing Currency as determined by Eurex Clearing AG) with respect to the relevant Liquidation Group.

Any amount received by Eurex Clearing AG from the relevant Bonds Non-Bidding Participant shall be added to, and forthwith be part of, the Dedicated Amount of Eurex Clearing AG in accordance with Number 6.1.3.

If, upon the occurrence of a Realisation Event, any Contributions to the Clearing Fund of the Bonds Non-Bidding Participant are realised, the amount calculated in accordance with this provision shall be reduced by the sum of the realised Contributions (but shall in no case be a negative amount).

(vii) Each (Mandatory) Bid is generally valid, if submitted in accordance with the DM Auction Rules.

(6) Special provisions relating to Eurex Bonds Transactions, under which the Affected Clearing Member acted as seller, and Eurex Repo Transactions, under which the Affected Clearing Member acted as Cash Provider

(i) With respect to terminated Eurex Bonds Transactions under which the Affected Clearing Member acted as seller, and with respect to terminated Eurex Repo Transactions under which the Affected Clearing Member acted as Cash Provider, Eurex Clearing AG shall purchase the bonds underlying these Transactions via independent trades.

(ii) Eurex Clearing AG will determine for each bond a Maximum Price which it is willing to pay in an independent trade. "Maximum Price" means the lower amount of either (I) the sum of (i) the last settlement price for the relevant bond on the preceding Business Day und (ii) the product of (a) 0.5 and (b) the relevant Risk Parameter for the relevant bond, or (II) the sum of (i) the last settlement price for the relevant bond on the Business Day immediately preceding the Termination Date and (ii) the product of (a) 1.1 and (b) the relevant Risk Parameter for the relevant bond. In individual cases, Eurex Clearing AG is entitled to adjust the relevant multiplier of 0.5 or 1.1 after consultation of the relevant DMC.

(iii) If Eurex Clearing AG is not able to purchase a bond via independent trades, Eurex Clearing AG is entitled to determine a cash settlement regarding such bond with respect to one or more other Clearing Member(s), to which the relevant bond shall be delivered under a Eurex Bond Transaction or a Eurex Repo Transaction.

The cash settlement amount is the product of (i) the relevant Maximum Price and (ii) the relevant number of bonds which were not delivered under the relevant Eurex Bonds Transaction or Eurex Repo Transaction due to the cash settlement.

Upon determination of the cash settlement, the claims of the relevant Clearing Member against Eurex Clearing AG for the delivery of the owed bonds expire with debt-discharging effect to the extend equalling the number of bonds owed and not delivered by Eurex Clearing AG to the relevant Clearing Member. Eurex Clearing shall instead pay the cash settlement amount to the relevant Clearing Member or set off such amount with payment claims Eurex Clearing AG may have against the relevant Clearing Member.

[...]

DEFAULT MANAGEMENT AUCTION RULES

WILL BE AMENDED.

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

DEFAULT MANAGEMENT AUCTION RULES

1 General

- 1.1 Upon the occurrence of a Termination or Basic Clearing Member Termination, as defined in the Clearing Conditions in Chapter I Part 1 Number 7 and Part 6 Number 10.4, respectively, Eurex Clearing AG may in its free discretion conduct one or more DM Auction(s) or one or more DM Bonds Auction(s) in accordance with the Clearing Conditions of Eurex Clearing AG (the "**Clearing Conditions**").
- 1.2 Each DM Auction is governed by the rules set forth in these default management auction rules (the "**General DM Auction Rules**"), as supplemented by specific auction terms (the "**Specific Terms**"), which shall be materially in the form is annexed hereto (the General DM Auction Rules and the Specific Terms together the "**DM Auction Rules**"). Unless otherwise stated in such provisions, the DM Auction Rules shall apply *mutatis mutandis* to DM Bonds Auctions, provided that, in such case, any reference in such provisions to the DM Auction shall be read as a references to DM Bonds Auctions.
- 1.3 Terms used and not otherwise defined in the DM Auction Rules shall have the meaning ascribed to them in the Clearing Conditions.

2 DM Auctions

- 2.1 DM Auctions will enable the bidders participating in accordance with the DM Auction Rules to enter into the DM Auction Transactions comprised in the relevant Auction Units (each as defined in the Clearing Conditions in Chapter I Part 1 Number 7.5.3) with Eurex Clearing AG pursuant to the Clearing Conditions at an auction price for the relevant Auction Unit determined in accordance with these DM Auction Rules (the price for an Auction Unit in each case an "**Auction Price**"). DM Bonds Auctions will enable the bidders participating in accordance with the DM Auction Rules to purchase bonds underlying the DM Bonds Auctions from Eurex Clearing AG at an auction price for the relevant Bonds Auction Unit determined in accordance with these DM Auction Rules.
- 2.2 Eurex Clearing AG will, after consultation with the relevant DMC(s), specify in the Specific Terms for each DM Auction the relevant Auction Units, and the total number of Auction Units, to be auctioned in the relevant DM Auction.

[...]

6 Determination of the Winning Bid and the Auction Price

- 6.1 After the Expiration Time, Eurex Clearing AG will determine the winning Bid for each Auction Unit in accordance with the Auction Format specified in the Specific Terms and will inform the winning Participating Bidder or Representing Participating Bidder on the Acceptance Date and at the Acceptance Time about the acceptance of the respective Bid in accordance with Number **Error! Reference source not found.**
- 6.2 If two or more Participating Bidders and/or Representing Participating Bidders enter the same Bid for the same Auction Unit, the winning Bid shall be the Bid that was received first by Eurex Clearing AG.
- 6.3 Upon acceptance of the winning Bid for an Auction Unit by Eurex Clearing AG, the DM Auction Transactions of such Auction Unit shall be established at the Settlement Time on the Settlement Date against payment of the Auction Price for such Auction Unit in accordance with the standard practices of Eurex Clearing AG between the Participating Bidder or Representing Participating Bidder and Eurex Clearing AG. If a Representing Participating Bidder submitted the winning Bid, Transactions corresponding to the DM Auction Transactions of the relevant Auction Unit will further be established between the Non-Clearing Member or Registered Customer for which the relevant Bid has been provided and its Representing Participating Bidder at the same time.
- 6.4 Eurex Clearing AG shall inform all Participating Bidders and/or Representing Participating Bidders as soon as practically feasible on whether their Bid(s) qualified as winning Bid(s) with respect to each Auction Unit in accordance with Number **Error! Reference source not found.**
- 6.5 Eurex Clearing AG shall not disclose (i) the identity of the Participating Bidder or Representing Participating Bidder that submitted the winning Bid for an Auction Unit and/or (ii) the Auction Price for any Auction Unit of a DM Auction, to any party other than the Participating Bidder or Representing Participating Bidder who submitted the winning Bid

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and/or (iii) Bids of Participating Bidders and/or Representing Participating Bidders to other Participating Bidders and/or Representing Participating Bidders.

6.6 Upon acceptance of the winning Bid for a Bonds Auction Unit by Eurex Clearing AG, the bonds underlying such Bonds Auction Unit shall be sold to the Participating Bidder or Representing Participating Bidder that submitted the winning Bid at the Settlement Time on the Settlement Date against payment of the Auction Price for such Bonds Auction Unit in accordance with the standard practices of Eurex Clearing AG.

[...]

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WILL BE AMENDED.
AMENDMENTS ARE MARKED AS FOLLOWS:
INSERTIONS ARE UNDERLINED,
DELETIONS ARE CROSSED OUT.

DEFAULT MANAGEMENT COMMITTEE RULES

1 General Provisions for Default Management Committees and Market Advisers

[...]

1.4 Market Advisors

In addition to a DMC, Eurex Clearing AG may determine at its own discretion whether with respect to a Liquidation Group further individual persons can be nominated by the Eligible Clearing Member for purposes of advising and assisting the management board of Eurex Clearing AG with respect to the occurrence of a Termination or a Basic Clearing Member Termination (“**Market Advisor**”). Each Market Advisor is subject to the provisions under Number 7.

[...]

DEFAULT MANAGEMENT COMMITTEE RULES

7 Provisions for Market Advisors

7.1 Eurex Clearing AG informs all Eligible Clearing Members of the relevant Liquidation Group, for which Eurex Clearing AG determined that Market Advisors can be nominated, that they may nominate individual persons who meet the Market Advisor Eligibility Criteria as Market Advisors.

7.2 Each Eligible Clearing Member may nominate one or more Market Advisors with respect to each Liquidation Group, for which Eurex Clearing AG determined that Market Advisors can be nominated.

7.3 Eurex Clearing AG appoints Market Advisors with respect to the relevant Liquidation Group pursuant to the following provisions:

7.3.1 The provisions under Number 2.4.1 do not apply for the election of Market Advisors.

7.3.2 Each Eligible Clearing Member intending to nominate Market Advisors with respect to the relevant Liquidation Group, for which the nomination of Market Advisors is possible, may at any time nominate a Market Advisor by sending a written notice to Eurex Clearing AG ("**Market Advisor Nomination**").

By submitting the Market Advisor Nomination, the Eligible Clearing Member confirms that the nominated Market Advisor meets the following criteria ("**Market Advisor Eligibility Criteria**"): (i) the individual person must be an employee of the Eligible Clearing Member (or of an Affiliate) and shall have agreed to serve as Market Advisor; (ii) the individual person must be able to demonstrate relevant experience with respect to products of the relevant Liquidation Group; and (iii) the individual person is not subject to on-going investigations regarding misdemeanour in any trading related matter.

As part of the Market Advisor Nomination, the Eligible Clearing Member shall (i) specify for which Liquidation Group it intends to nominate the relevant Market Advisor and (ii) provide the identity and contact information (including names, phone numbers, and email addresses) of the relevant Market Advisor.

The Eligible Clearing Member informs Eurex Clearing AG without undue delay of any changes with respect to the Market Advisor Eligibility Criteria and the contact information of the relevant Market Advisor.

7.3.3 By submitting the Market Advisor Nomination to Eurex Clearing AG, the Eligible Clearing Member acknowledges that in case of the acceptance of the relevant Market Advisor nominated by it as Market Advisors by Eurex Clearing AG, it is bound by the provisions under this Number 7.

7.3.4 Eurex Clearing AG may at its own discretion accept the nominated Market Advisor as Market Advisor or reject the nominated Market Advisor without giving reasons. The appointment as Market Advisor shall last for an indefinite period and shall continue until the Market Advisor resigns or is removed by Eurex Clearing AG or the Eligible Clearing Member. In case of a rejection of a nominated Market Advisor by Eurex Clearing AG, the relevant Eligible Clearing Member may at any time nominate another individual person as Market Advisor.

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7.3.5 The appointment as Market Advisor shall become effective upon signing the acknowledgement and undertaking letter provided by Eurex Clearing AG by the relevant Market Advisor.

7.4 If a Market Advisor resigns or is removed by the Eligible Clearing Member or by Eurex Clearing AG, the relevant Market Advisor shall no longer be a Market Advisor.

7.4.1 Resignation

A Market Advisor may at any time and without observing any notice period resign by giving written notice of its resignation to Eurex Clearing AG.

7.4.2 Automatic Removal

A Market Advisor shall be automatically removed without any further notice upon (i) the occurrence of a Termination Date in relation to the Eligible Clearing Member which has nominated such Market Advisor or (ii) ceasing to be an employee of the Eligible Clearing Member or of an Affiliate.

7.4.3 Removal by Eurex Clearing AG or the Eligible Clearing Member

Eurex Clearing AG and the Eligible Clearing Member, which has nominated the relevant Market Advisor, may separately remove the relevant Market Advisor by giving written notice to the Eligible Clearing Member and/or Eurex Clearing AG without observing any notice period and without giving reasons.

7.5 Market Advisor Activities

7.5.1 Eurex Clearing AG may consult Market Advisors within a Default Management Process with respect to occurrence of a Termination or a Basic Clearing Member Termination and all other issues connected thereto ("**Market Advisor Activities**"). Eurex Clearing AG is not obliged to consult Market Advisors.

7.5.2 The consultation of Market Advisors is generally performed via telephone. Eurex Clearing AG consults the relevant Market Advisors separately.

7.5.3 The Market Advisor will not assist Eurex Clearing AG in the execution of DM Hedging Transactions or other legal declarations.

7.6 Legal Relationship

7.6.1 Each Market Advisor remains an employee of the relevant Eligible Clearing Members or, if applicable, its Affiliate, at all times and does not qualify as an employee of Eurex Clearing AG.

7.6.2 Eurex Clearing AG has at no point in time during the Market Advisor Activities any direction right with respect to the Market Advisor.

7.6.3 Eurex Clearing AG will neither reimburse the Eligible Clearing Member, nor, if the Eligible Clearing Member is not the employer of the Market Advisor, the relevant Affiliate for the personnel costs of the Market Advisor nor pay the Market Advisor a remuneration.

7.6.4 The Eligible Clearing Member or its Affiliate shall, to the extent legally possible, not be

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liable, neither for breach of contract, nor in tort or on any other basis for any acts or omissions by the Market Advisor in connection with the Market Advisor Activities. The liability of the Eligible Clearing Member or its Affiliate under this Provision shall be limited to wilful misconduct (*Vorsatz*) and gross negligence (*grobe Fahrlässigkeit*).

7.6.5 In connection with the Market Advisor Activities, the Market Advisor is neither an authorised agent (*Bevollmächtigter*) nor a vicarious agent (*Erfüllungsgehilfe*) of the Eligible Clearing Member or its Affiliate.

7.7 Confidentiality

7.7.1 Except as required by applicable law, court order, regulation or as required or requested by any regulatory, self-regulatory or supervisory authority having appropriate jurisdiction, the Eligible Clearing Member agrees (i) not to disclose any Confidential Market Advisor Information the Market Advisor obtains during the Market Advisor Activities and (ii) not to use any such Confidential Market Advisor Information for its own benefit or the benefit of any third party.

7.7.2 The Eligible Clearing Member represents and warrants by way of an independent guarantee and irrespective of fault (*selbständiges, verschuldensunabhängiges Garantieverprechen*) that the Market Advisor and, if the Market Advisor is employed by an Affiliate, such Affiliate is obliged to keep confidentiality vis-a-vis all third parties with respect to Confidential Market Advisor Information.

7.7.3 “Confidential Market Advisor Information” means (a) any and all business and trade secrets of Eurex Clearing AG obtained by the Market Advisor during the Market Advisor Activities or in connection therewith, and (b) all matters arising from any current or past Market Advisor Activities in which the Market Advisor is or was involved, including any discussions or deliberations, any determinations or acts made under the DMC Rules except for information which

- (a) is or becomes public information other than as a direct or indirect result of a breach (of which such Market Advisor is aware) of the confidentiality obligation in this Clause 7.7;
- (b) is identified in writing at the time of delivery as non-confidential by Eurex Clearing AG or any of its advisers; or
- (c) was already known to the Market Advisor before the date the information is disclosed to it in accordance with Paragraphs (a) or (b) above or is lawfully obtained by such Market Advisor after that date, from a source which is, as far as such Market Advisor is aware, unconnected with Eurex Clearing AG and which, in either case, as far as such Market Advisor is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

78 Governing Law; Place of Jurisdiction

78.1 Unless provided otherwise, the rights and obligations arising out of, and in connection with, these DMC Rules shall be governed by the substantive laws (*Sachrecht*), excluding German private

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international law, of the Federal Republic of Germany. Only the German version of these DMC Rules is legally binding.

78.2 Any non-contractual rights and obligations arising out of, and in connection with, these DMC Rules shall be governed by the substantive laws (*Sachrecht*), excluding German private international law, of the Federal Republic of Germany.

78.3 Exclusive place of jurisdiction for all disputes arising out of, or in connection with, these DMC Rules is Frankfurt am Main.

89 Amendments

Eurex Clearing AG reserves the right to amend the DMC Rules in accordance with Chapter I Part 1 Number 17.2 of the Clearing Conditions; any amendments to these DMC Rules shall be published in accordance with Chapter I Part 1 Number 16.1 of the Clearing Conditions.

The current valid version of the DMC Rules is available via the internet (www.eurexclearing.com).

[...]
