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eurex clearing *circular 105/12*

Date: 16 November 2012
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
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Action required

Fee incentive for GC Pooling® participants with regard to security collateral fee

Related Eurex Clearing Circular: 075/12

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Content may be most important for:	**Attachments:**
➲ Front Office/Trading ➲ Middle + Backoffice ➲ IT/System Administration	none

Summary:

With Eurex Clearing circular 075/12, Eurex Clearing announced the introduction of a fee on security collateral delivered by Clearing Members to cover their margin requirements effective 1 October 2012.

Also, effective 1 October 2012, Eurex Clearing will incentivize the use of the GC Pooling® reuse functionality by granting two temporary exceptions to the security collateral fee for GC Pooling® participants which are set out in this circular.

Kindly forward this circular to all involved departments within your company.

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HRB Nr. 44828
Amtsgericht Frankfurt/Main

Fee incentive for GC Pooling® participants with regard to security collateral fee

Due to regulatory requirements arising from the IOSCO Committee on Payment and Settlement Systems (CPSS) and the upcoming European Market Infrastructure Regulation (EMIR), Eurex Clearing must ensure that it has sufficient liquidity to meet its financial obligations at all times, covering default situations as well as daily payment obligations. One step towards this goal is to incentivize the delivery of cash as margin collateral. Therefore, effective 1 October 2012, Eurex Clearing introduced a fee on security collateral delivered by Clearing Members to cover their margin requirements. The security collateral fee is charged on a collateral pool level and applies to all collateral pool types (default, omnibus and segregated). Initially, the fee has been set at five basis points per year for all pool types. The fee is calculated daily and invoiced monthly and can be seen on the daily report CB235 and the monthly report CB350.

Also, effective 1 October 2012, Eurex Clearing AG will incentivize the use of the GC Pooling® reuse functionality by granting the following two temporary exceptions to the security collateral fee for GC Pooling® participants:

1. Since November 2010, Clearing Members can already cover their full margin requirements arising from all of their clearing memberships by reusing the received GC Pooling® collateral. To encourage the reuse, this reuse will attract a lower security handling fee, initially set to zero. For those Clearing Members who reuse GC Pooling® security collateral to satisfy Eurex Clearing margin requirements, the fee will be reimbursed with respect to those reused securities. The fee will be recalculated while considering the reused GC Pooling® collateral and applying a fee of initially zero bp to this part of the securities collateral. The difference between this amount and the actually charged amount will be reimbursed to Clearing Members the following month. The calculation formula is:

   Total margin requirements per collateral pool
   - cash collateral per pool
   - claim amount of reused securities
   = adjusted fee basis to be charged (* 5bp)

   The reimbursement of the fee as set out above will remain in place until a point in time in the second quarter of 2013 to be determined and published by Eurex Clearing, at which time an automated solution for a differential charging of reused securities is planned. At this time, Eurex Clearing will also review the fee level for reused securities.

2. Additionally, to allow Clearing Members to implement the reuse functionality, the fee with respect to margin requirements relating to GC Pooling® transactions will be reimbursed for a period of four months beginning 1 October 2012. The fee will be recalculated while excluding margin requirements relating to the GC Pooling® transactions. The difference between this amount and the actually charged amount will be reimbursed to Clearing Members the following month. The calculation formula is:

   Total margin requirements per collateral pool
   - cash collateral per pool
   - GC Pooling® margin requirements (margin classes XE01, XE05 & XEQ1)
   = adjusted fee basis to be charged (* 5bp)

Participants already using the reuse functionality will not be additionally granted this exclusion of the GC Pooling® margin requirements, but rather will benefit from the exclusion of the fee application to the reused securities as described above.

It is envisaged that the reuse service for Clearing Members using the collateral management services of Clearstream Banking Luxembourg will be enabled by year end. Until this point in time, the fee with respect to margin requirements relating to GC Pooling® will be reimbursed for these Clearing Members. A dedicated circular will be issued in the course of December or well before the introduction of the extended reuse service where the exact proceedings for the implementation for these Clearing Members will be announced.

Depending on the exact implementation timeline, a prolongation of this fee reimbursement for Clearing Members using Clearstream Banking Luxembourg might be considered and published by Eurex Clearing at the point of time of the announcement circular.

The reimbursement amount can be seen on reports CB325 Daily Service Fees and CB350 Monthly Fee Statement. Due to efforts involved in implementing the reimbursement process, the initial reimbursement for the month of October will be made during the monthly invoice process at the end of November. The following reimbursement calculations will generally be made on the 15th of the following month (for weekends the next business day thereafter) and will be able to be seen on report CB325 on that day.

Kindly forward this circular to all involved departments within your company.

16 November 2012