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e u r e x c l e a r i n g *circular 156/13*

Date: 19 December 2013
Recipients: All Clearing Members, Non-Clearing Members and Registered Customers of Eurex Clearing AG
Authorized by: Thomas Laux

High priority

Amendment of auction format for IRS transactions and further improvements of Default Management Auction Process

Related Eurex Clearing Circulars: 092/12, 119/12

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Content may be most important for:	**Attachment:**
Ü All departments	1. Updated sections of the Clearing Conditions for Eurex Clearing AG, effective 3 February 2014 2. Updated Default Management Auction Rules, effective 3 February 2014

Summary

Eurex Clearing amends the auction format for Default Management (DM) Auctions (i.e. auctions which are conducted as part of the Default Management Process (DMP)) regarding IRS (OTC interest rate derivative) transactions and improves further aspects of the overall auction process to further optimize its DMP:

- Upon default of a Clearing Member holding an IRS Clearing License, Eurex Clearing conducts, as part of the DMP, one dedicated single unit auction for each currency comprised in the defaulted Clearing Member's portfolio. Any member participating in such auction provides Eurex Clearing with one bid for the entire portfolio (in this currency) and Eurex Clearing accepts the highest bid.
- Any monetary fine resulting from non-participation in a DM Auction is capped at 5,000,000 Euro.
- With respect to any multi unit auction (i.e. an auction within the DMP for asset classes other than IRS transactions), Eurex Clearing determines the maximum spread value based on the recommendation of the relevant Default Management Committee or the overall market.
- Prior to terminating any transactions of non-defaulted Clearing Members as a result of an unsuccessful DM Auction, Eurex Clearing commits to approach all Mandatory Participants of such auction and to offer them a final opportunity to provide bids for the respective transactions.

Attached to this circular you will find the updated sections of the Clearing Conditions for Eurex Clearing AG and the updated Default Management Auction Rules, as approved by the Executive Board of Eurex Clearing AG on 18 December 2013 after previous consultation with the Risk Committee. The changes will come into effect on **3 February 2014**.

Amendment of auction format for IRS transactions and further improvements of Default Management Auction Process

Eurex Clearing amends the auction format for Default Management (DM) Auctions (i.e. auctions which are conducted as part of the Default Management Process (DMP)) regarding IRS (OTC interest rate derivative) transactions and improves further aspects of the overall auction process to further optimize its DMP:

- Upon default of a Clearing Member holding an IRS Clearing License, Eurex Clearing conducts, as part of the DMP, one dedicated single unit auction for each currency comprised in the defaulted Clearing Member's portfolio. Any member participating in such auction provides Eurex Clearing with one bid for the entire portfolio (in this currency) and Eurex Clearing accepts the highest bid.
- Any monetary fine resulting from non-participation in a DM Auction is capped at 5,000,000 Euro.
- With respect to any multi unit auction (i.e. an auction within the DMP for asset classes other than IRS transactions), Eurex Clearing determines the maximum spread value based on the recommendation of the relevant Default Management Committee or the overall market.
- Prior to terminating any transactions of non-defaulted Clearing Members as a result of an unsuccessful DM Auction, Eurex Clearing commits to approach all Mandatory Participants of such auction and to offer them a final opportunity to provide bids for the respective transactions.

Amendment of DM Auction format for IRS transactions

Upon default of a Clearing Member holding an IRS Clearing License, Eurex Clearing conducts, as part of the DMP, a separate auction for each currency comprised in the defaulted Clearing Member's portfolio. Each of these auctions will be held as single unit auction, i.e. non-defaulted Clearing Members can only provide bids for the entire portfolio (in this currency), but not for parts thereof.

As for any auction within the DMP, participation is mandatory only for those Clearing Members who are capable of processing the respective positions, both in terms of operational capacity and from a risk perspective. In any case, Eurex Clearing guarantees to act in line with the requirements of Article 37 EMIR, according to which any bidding obligation imposed on Clearing Members must be proportional to each respective Clearing Member's risk, exposure and infrastructure.

Upon permission of their relevant Clearing Members, Non-Clearing Members, Registered Customers and other customers are entitled to participate in any DM Auction. In addition, any Clearing Member which is not a Mandatory Participant of an auction can participate on a voluntary basis.

Any member participating in a DM Auction held with respect to IRS transactions provides Eurex Clearing with one bid for the entire portfolio (in this currency) and Eurex Clearing accepts the highest bid. In order to reward Clearing Members for particularly competitive auction participation, the Clearing Fund contributions of those Clearing Members who provided bids of best quality will be seniorised. Any bid for which the difference between this bid and the winning bid is less than, or equal to, 0.5 multiplied with the Margin Requirement for the respective auction portfolio, qualifies as "sufficient" and the respective Clearing Fund contribution is seniorised. Any bid for which the difference between this bid and the winning bid is larger than 1.5 multiplied with the Margin Requirement for the respective auction portfolio, qualifies as "insufficient" and the respective Clearing Fund contribution is juniorised. Any bid between these two thresholds qualifies as "medium" and is partly seniorised and partly juniorised, depending on its relative quality compared to the winning bid.

If any Clearing Member, which qualifies as Mandatory Participant, fails to submit a bid in an auction held for IRS transactions, such Clearing Member will be subject to a monetary fine, which depends on the Clearing Member's relative Clearing Fund contribution. In any case, this fine is capped at 5,000,000 Euro. If Clearing Fund contributions of non-defaulted Clearing Members have to be utilized to cover losses arising during the

DMP, those amounts utilized from Clearing Members, who failed to submit a bid in an auction held for IRS transactions, will be deducted from the monetary fine for non-participation in the respective auction.

Further improvements of DM Auction Process

Independent of the applicable auction format and asset class, any monetary fine resulting from non-participation in a DM Auction is capped at 5,000,000 Euro. Any amounts received by Eurex Clearing as a consequence of non-participation in a DM Auction are added to Eurex Clearing's dedicated amounts, and as such decrease the likelihood for non-defaulted Clearing Members' Clearing Fund contributions to be utilized in a future crisis situation.

In a multi unit auction (i.e. an auction within the DMP for asset classes other than IRS transactions) Eurex Clearing determines the maximum spread value based on the recommendation of the relevant Default Management Committee. If Eurex Clearing does not follow the Default Management Committee's recommendation, Eurex Clearing will approach all mandatory participants of the respective auction, will request each participant's recommendation for a maximum spread value, and will define the maximum spread value to be the average of all recommendations received.

Prior to terminating any transactions of non-defaulted Clearing Members as a result of an unsuccessful DM Auction, Eurex Clearing commits to approach all Mandatory Participants of such auction and to offer them a final opportunity to provide bids for the respective transactions. In accordance with Article 28 EMIR, Eurex Clearing has received the Risk Committee's advice with respect to the changes announced in this circular.

Attached to this circular you will find the updated sections of the Clearing Conditions for Eurex Clearing AG and the updated Default Management Auction Rules, as approved by the Executive Board of Eurex Clearing AG on 18 December 2013. The changes will come into effect on 3 February 2014.

As of 3 February 2014, the complete Clearing Conditions for Eurex Clearing AG and the updated Default Management Auction Rules, including the amendments described in this circular, will be available for download on the Eurex Clearing website under the link:

Resources > Rules and Regulations

Pursuant to Chapter I, Part 1, Number 17.2.2 of the Clearing Conditions, the amendments to the Clearing Conditions communicated with this circular shall be deemed to have been accepted by each Clearing Member, Non-Clearing Member and each Registered Customer, unless they object in writing to Eurex Clearing AG prior to the actual effective date of such amendment to 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 and Number 13 of the Clearing Conditions shall remain unaffected.

For more information, please contact Risk Control on tel. +49-69-211-1 24 52, fax +49-69-211-1 84 40 or e-mail: risk@eurexclearing.com.

19 December 2013

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CHAPTER I WILL BE AMENDET

AMENDMENTS ARE MARKED AS FOLLOWS

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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Chapter I General Conditions

[…]

Part 1 General Clearing Provisions

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7 Termination Rules with respect to the Clearing Member

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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), Eurex Clearing AG may in its discretion

(a) enter into independent trades to establish new Transactions equivalent to Terminated Transactions and/or reciprocal to DM Hedging Transactions, as deemed appropriate by Eurex Clearing AG in consultation with the relevant DMC(s), and/or

(b) if it is deemed appropriate by Eurex Clearing AG in consultation with the relevant DMC(s), 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 and/or reciprocal to DM Hedging Transactions (together the "**DM Auction Transactions**" and each a "**DM Auction Transaction**").

Prior to a DM 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 shall be held with respect to such Terminated Transactions.

(2) DM 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 Auctions Rules form part of these Clearing Conditions.

(3) Unless the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions (as defined in Chapter VIII Part 3), DM Auctions will be conducted with regard to 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.

(4) Clearing Members (i) holding a Clearing License 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 prior to the relevant Termination with respect to the relevant Affected Clearing Member at least one Transaction with respect to each Relevant Liquidation Group has been booked on a respective account, and (iv) with respect to which no Termination Event or Insolvency Termination Event has occurred and is continuing (each 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, 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.

~~(5) Each~~(5) Unless the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions, each Mandatory Participant is obliged to 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**"). Each Mandatory Participant that does not submit a valid e for an Auction Unit in accordance with the DM Auction Rules during such DM Auction (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 (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; and

(b) 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 General Clearing Fund are realised, the Contributions of the Non-Bidding Participant 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 General 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 e 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.

(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. 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 re-paid 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).

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

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 "**Insufficent 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) equalt to or smaller than the Insufficient Bid Threshold.

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:

(i) If the Mandatory Participant submits an Insufficient 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 General Clearing Fund are realised, the Contributions of the Mandatory Participants 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.

(ii) 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 General Clearing Fund are realised, the Contributions of the Mandatory Participants 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.

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 with respect to the Relevant Liquidation Group and in the relevant currency (numerator) and (ii) the aggregate sum of all Clearing Members' 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 General 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 Amounts 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.

(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.

~~(7) A~~(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 ~~initial margin requirement of this Auction Unit, as indicated~~Maximum Spread Value. The "**Maximum Spread Value**" will be determined by Eurex Clearing- AG in the Specific Terms ~~applicable to~~either (i) based on the recommendation of the relevant DMC, or (ii), in case Eurex Clearing AG does not follow such ~~Auction Unit.~~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.

7.5.4 Eurex Clearing AG's right to terminate Transactions

(1) If (a) Eurex Clearing AG determines in its reasonable discretion that none of the default management measures described above in this Number 7.5 was or will be successful or suitable to fully mitigate its risks resulting from a Termination; and (b) in a DM Auction there was no valid Bid for any DM Auction Unit in accordance with the DM Auction Rules~~.~~, Eurex Clearing AG may terminate (*kündigen*) Transactions with Clearing Members (in whole or in part) in accordance with the requirements set out in this Number 7.5.4 by giving a notice to the respective Clearing Member specifying the date on which the termination shall become effective.

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DEFAULT MANAGEMENT AUCTION RULES WILL BE AMENDET

AMENDMENTS ARE MARKED AS FOLLOWS

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DEFAULT MANAGEMENT AUCTION RULES

1 General

1.1 Upon the occurrence of a Termination, as defined in the Clearing Conditions in Chapter I Part 1 Number 7 Eurex Clearing AG may in its free discretion conduct one or more DM Auctions 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**").

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**").

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.

3 Participation in DM Auctions

Participants in DM Auctions are Mandatory Participants and Selected Invitees, as further described in this Number 3.

3.1 Each Mandatory Participant (as defined in the Clearing Conditions in Chapter I Part 1 Number 7.5.3) shall be obliged to participate in the relevant DM Auction; each such Mandatory Participant is, upon the submission of its Bid (as defined in Number 5.2 below) with regard to a specific Auction Unit, herein referred to as a "**Participating Bidder**".

3.2 In addition, any entity may participate in a DM Auction upon invitation by Eurex Clearing AG if

3.2.1 such entity is either (i) a Clearing Member which does not qualify as a Mandatory Participant with respect to the relevant DM Auction, or (ii) a Non-Clearing Member, a Registered Customer or any other customer of a Clearing Member, in each case if applicable limited to the applicable Liquidation Group(s) (each a "**Qualified Invitee**");

3.2.2 such Qualified Invitee (except for Clearing Members pursuant to Number 3.2.1 (i)) has evidenced the receipt of consent from its respective Clearing Member(s) (which must qualify as a Mandatory Participant) to participate in the relevant DM Auction; and

3.2.3 such Qualified Invitee prior to the DM Auction represents, warrants and undertakes vis-à-vis Eurex Clearing AG in writing to comply at all times with the requirements and obligations set forth in Number 10.1, 10.2 and 10.3 below

(each a "**Selected Invitee**").

Selected Invitees are only entitled to participate in DM Auctions via their relevant Clearing Members (except for Clearing Members pursuant to Number 3.2.1 (i) which may participate in the relevant DM Auction as a Participating Bidder); each such Clearing Member is, upon the submission of a Bid for a Selected Invitee with regard to a specific Auction Unit, herein referred to as a "**Representing Participating Bidder**"). The submission of a Bid by a Representing Participating Bidder constitutes a Bid by such Representing Participating Bidder and only binds such Representing Participating Bidder vis-à-vis Eurex Clearing AG.

Any Mandatory Participant may disclose the Specific Terms and/or any additional information with respect to any DM Auction only to Selected Invitees invited by Eurex Clearing AG to participate in the respective DM Auction.

3.3 Eurex Clearing AG shall be entitled to subsequently suspend any Mandatory Participant, or any Selected Invitee compliant with the conditions of Number 3.2, from participating in a DM Auction upon the occurrence of a serious cause related to such Mandatory Participant or Selected Invitee, as the case may be. If a Representing Participating Bidder has been suspended, the Selected Invitee represented by it shall also be suspended.

If the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions (as defined in Chapter VIII Part 3 of the Clearing Conditions), Eurex Clearing AG may release a Mandatory Participant from its obligation to participate in any relevant DM Auction if (i) within 3 months prior to the relevant Termination less than ten (10) Transactions with respect to the Relevant Liquidation Group and in the relevant currency have been booked on the Clearing Member's respective accounts, or (ii) within 3 months prior to the relevant Termination the average sum of the Clearing Member's Initial Margin

requirement with respect to the Relevant Liquidation Group and in the relevant currency is less than 0.5 per cent of the sum of all Clearing Members' Initial Margin requirement with respect to the Relevant Liquidation Group and in the relevant currency and the average aggregate notional amount resulting from the Clearing Member's OTC Interest Rate Derivative Transactions with respect to the Relevant Liquidation Group and in the relevant currency is less than 0.5 per cent of the aggregate notional amount of all Clearing Members' OTC Interest Rate Derivative Transactions with respect to the Relevant Liquidation Group and in the relevant currency or (iii) upon occurrence of a serious cause related to such Mandatory Participant.

4 Pre-Auction Procedures

4.1 For each DM Auction Eurex Clearing AG will provide all Mandatory Participants and all Selected Invitees (together the "**Invitees**" and each an "**Invitee**") with the Specific Terms and with any further relevant information relating to this DM Auction in accordance with Number 11. The distribution of the Specific Terms constitutes an invitation of Eurex Clearing AG to the Invitees to submit a Bid to enter into each of the DM Auction Transactions comprised in the relevant Auction Unit with Eurex Clearing AG at the Auction Price.

In addition, Eurex Clearing AG shall specify in the Specific Terms or via email for each Mandatory Participant a minimum number of Auction Units for which such individual Mandatory Participant shall bid; such number shall depend on the relative exposure of the relevant Mandatory Participant with respect to the relevant Liquidation Group(s), in particular with regard to (i) the number of Transactions held by the Mandatory Participant with respect to the relevant Liquidation Group(s), (ii) the notional amount of Transactions held by the Mandatory Participant with respect to the relevant Liquidation Group(s) and (iii) the risks inherent in the Transactions held by the Mandatory Participant with respect to the relevant Liquidation Group(s).

4.2 The Specific Terms will contain

(i) the Auction Units ((not excluding the singular) including information regarding the DM Auction Transactions comprised therein),

(ii) the permissible spread between the two bids to be provided in accordance with Chapter I Part 1 Number 7.5.3 Paragraph (8~~7~~) of the Clearing Conditions for the respective Auction Unit, if applicable ~~which shall equal the margin requirement for this Auction Unit~~,

(iii) the auction currency,

(iv) the scheduled auction date (the "**Auction Date**") and the commencement time, as of which the respective Bids can be submitted (the "**Commencement Time**"),

(v) the scheduled expiration time by which the respective Bids have to be submitted pursuant to Number 5 by the relevant Participating Bidder and/or Representing Participating Bidder (the "**Expiration Time**"),

(vi) the Auction Format (as defined in Number 7 below), and

(vii) the date and time of acceptance of the winning Bids (the "**Acceptance Date**" and "**Acceptance Time**") and the date and time of settlement of the auction (the "**Settlement Date**" and the "**Settlement Time**").

4.3 Eurex Clearing AG is entitled at any time prior to the Expiration Time to change the Auction Date, Commencement Time, Expiration Time, the Auction Format, or the bidding procedures pursuant to Number 5, or to cancel a DM Auction, in each case by notice pursuant to Number 11, provided that Eurex Clearing AG shall reasonably extend the Expiration Time to allow for the exercise of the revocation right pursuant to Number 4.4 below. Eurex Clearing AG shall inform all Participating Bidders or Representing Participating Bidders of the respective DM Auction pursuant to Number 11 about any such changes.

4.4 If Eurex Clearing AG amends the Specific Terms or any provisions of the General DM Auction Rules prior to the Expiration Time of a DM Auction and such amendment is, in the reasonable opinion of Eurex Clearing AG, materially prejudicial to any Participating Bidder and/or Representing Participating Bidder that has already submitted its Bid(s) before such amendment was announced and became effective, then such Participating Bidder or Representing Participating Bidder may revoke its Bid(s) in accordance with this Number 4.4, provided that a revocation of the respective Bid(s) will only become effective if received by Eurex Clearing AG prior to the Expiration Time (as amended). Any extension, cancellation, or re-opening of a DM Auction shall be deemed not to be materially prejudicial so that a Participating Bidder and/or Representing Participating may not revoke its Bid in case of any such change.

5 Bidding Procedures

5.1 With respect to each DM Auction the following principles shall apply:

5.1.1 Each Mandatory Participant is obliged to provide Eurex Clearing AG with its Mandatory Bid(s) (as defined in the Clearing Conditions in Chapter I Part 1 Number 7.5.3 paragraph (5) or (6)).

5.1.2 Each Mandatory Participant is permitted to provide Eurex Clearing AG with a Bid for any further Auction Unit, if applicable, for which it is not obliged to bid.

5.1.3 A Representing Participating Bidder may with respect to each Selected Invitee provide Bid(s) for any Auction Unit in accordance with Number 3.2. Each Bid by a Representing Participating Bidder shall state the identity of the Selected Invitee for which the Bid is provided.

5.1.4 Each Bid submitted by a Representing Participating Bidder with respect to a Selected Invitee shall be taken into account when determining whether such Representing Participating Bidder has fulfilled its obligations as a Mandatory Participant in accordance with Number 5.1.1 above.

5.2 Each (Mandatory) Bid provided in accordance with Number 5.1 is only valid if it complies with Chapter I Part 1 Number 7.5.3 Paragraph (8~~7~~) of the Clearing Conditions. Bids which are not valid are deemed not to have been provided and will not be accepted by Eurex Clearing AG.

5.3 Participating Bidders and Representing Participating Bidders shall submit their offered price for each Auction Unit in accordance with the Auction Format (each a "**Bid**") in accordance with Number 7 from, and including, the relevant Commencement Time to, and including, the relevant Expiration Time (the "**Bidding Period**").

5.4 A Bid constitutes an offer (*Angebot*) to enter into the DM Auction Transactions comprised in the relevant Auction Unit (as referred to in the Bid in accordance with the Auction Format) with Eurex Clearing AG at the Auction Price. Subject to Number 4.4, a Bid shall be irrevocable.

5.5 Bids may be positive or negative. If the Bid is positive, the Participating Bidder or Representing Participating Bidder will be required to pay the Auction Price to Eurex Clearing AG. If the Bid is negative, Eurex Clearing AG will be required to pay the Auction Price to the respective Participating Bidder or Representing Participating Bidder.

5.6 Bids for different Auction Units as well as Bids for the same Auction Unit by a Clearing Member which is both a Participating Bidder and a Representing Participating Bidder may be different.

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 11.

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 11.

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

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

7 Auction Format

7.1 The Specific Terms will specify the format of the relevant DM Auction with regard to the content of a Bid, the specific procedures of the bidding and the determination of the winning Bid (the "**Auction Format**").

7.2 When conducting a DM Auction in accordance with these DM Auction Rules, Eurex Clearing AG shall, unless stated otherwise in the Specific Terms, apply the Auction Format of a "Multi Unit – Pay as you bid" as described in Number 7.3. Notwithstanding the provisions in Sentence 1, if the relevant DM Auction Transactions qualify as OTC Interest Rate Derivative Transactions, Eurex Clearing AG shall generally conduct separate DM Auctions per currency and shall apply the Auction Format of a “Single Unit – Pay as you bid” as described in Number 7.4.

7.3 If the Specific Terms specify “Multi Unit – Pay as you bid” as the applicable Auction Format, the following applies:

7.3.1 All Bids shall be made in accordance with the DM Auction Rules;

7.3.2 each Bid provided by a Participating Bidder or Representing Participating Bidder shall relate to an Auction Unit;

7.3.3 the highest valid Bid shall be the winning Bid with respect to each Auction Unit and such highest Bid shall be the Auction Price for the respective Auction Unit;

7.3.4 Eurex Clearing AG shall accept the winning Bid pursuant to Number 7.3.3 above with respect to each Auction Unit irrespective of whether Bids were submitted for all Auction Units of the respective DM Auction.

7.4 If the Specific Terms specify “Single Unit – Pay as you bid” as the applicable Auction Format, the following applies:

7.4.1 All Bids shall be made in accordance with the DM Auction Rules;

7.4.2 each Bid provided by a Participating Bidder or Representing Participating Bidder shall relate to the Auction Unit;

7.4.3 the highest valid Bid shall be the winning Bid with respect to the Auction Unit and such highest Bid shall be the Auction Price for the Auction Unit;

~~**7.3.4**~~**7.4.4** Eurex Clearing AG shall accept the winning Bid pursuant to Number 7.3.3 above with respect to the Auction Unit.

8 Settlement of Auction Price

At the Settlement Time on the Settlement Date, the payment of the Auction Price becomes due and payable and shall be paid in accordance with the daily cash clearing procedure pursuant to Chapter I Part 1 Number 1.4.1 of the Clearing Conditions.

9 Irregularities

9.1 All questions as to the validity, form and eligibility (including the time of receipt) of any Bid or revision thereof, will be determined by Eurex Clearing AG, which determination will be final and binding.

9.2 Eurex Clearing AG reserves the absolute right to reject at any time any and all Bids that do not comply with these DM Auction Rules.

9.3 Eurex Clearing AG reserves the absolute right to waive any requirement under the DM Auction Rules.

9.4 Eurex Clearing AG shall be under no duty to give notice to Participating Bidders and/or Representing Participating Bidders of any irregularities in Bids.

10 Representations, Warranties and Undertakings

By submitting a Bid in accordance with the DM Auction Rules, each Participating Bidder (for itself) and each Representing Participating Bidder (for itself and on behalf of its relevant Selected Invitee(s))

10.1 agrees at the time of the submission of its Bid, with Eurex Clearing AG that

10.1.1 it accepts the DM Auction Rules;

10.1.2 it accepts that Eurex Clearing AG is under no obligation to accept a Bid which does not comply with Number 7.3.3 or Number 7.4.3, or which is not made in accordance with Number 9.2; and

10.1.3 it shall indemnify on an after tax basis Eurex Clearing AG against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which Eurex Clearing AG may incur or which may be made against Eurex Clearing AG as a result of any breach of any of the DM Auction Rules of, or any of the acknowledgements, representations, warranties and/or undertakings given pursuant to, the DM Auction Rules (including any Bid thereunder) by it;

10.2 acknowledges at the time of the submission of its Bid, to Eurex Clearing AG that

10.2.1 it understands that Eurex Clearing AG may, at its own discretion, extend, re-open, amend or waive any condition of, or cancel the DM Auction at any time in accordance with Number 4.3 hereof, and that in the event of a cancellation of the DM Auction, the Bids will be released;

10.2.2 it understands that acceptance by Eurex Clearing AG of a submitted Bid will constitute a binding contract regarding the entering into the DM Auction Transactions comprised in the relevant Auction Unit;

10.2.3 that Eurex Clearing AG will rely upon the truth and accuracy of the foregoing and the following acknowledgments, agreements, representations, warranties and undertakings; and

10.2.4 that a margin requirement with respect to the respective DM Auction Transactions comprised in the relevant Auction Unit may become due at the relevant Settlement Time; and

10.3 represents and warrants at the time of the submission of its Bid, to Eurex Clearing AG that

10.3.1 it will keep confidential and will not disclose directly or indirectly the Specific Terms or any other information regarding the relevant DM Auction, including any information with respect to the DM Auction Transactions or the Auction Units, unless permitted to do so in accordance with Number 3.2 above, that it respects to be permitted to use any such information solely for the purpose of evaluating the relevant Auction Unit and that it will, unless it has provided the winning Bid in accordance with Number 7.3.3 or Number 7.4.3, immediately delete and destroy such information after the respective Expiration Time and will promptly certify to Eurex Clearing AG in writing that such deletion has been completed;

10.3.2 it has not made and will not make available any information about Bids to, or discuss any Bids with, any other Participating Bidder and Representing Participating Bidder;

10.3.3 it has neither taken, nor omitted to take, any action in breach of the DM Auction Rules or which will or may result in Eurex Clearing AG or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with a Bid;

10.3.4 it does not engage in any trading activity which could have an impact on the value of any DM Auction Transaction or Auction Unit;

10.3.5 no order has been made or applied for or resolution passed for the suspension of payments or dissolution, termination of existence, liquidation, winding-up, bankruptcy, insolvency, judicial management or curatorship;

10.3.6 no moratorium in respect of all or any debts or a composition or an arrangement with creditors or any similar proceeding or arrangement by which its assets are submitted to the control of its creditors is ordered, declared or applied for;

10.3.7 no liquidator, trustee, administrator, receiver or similar officer has been appointed in respect of it or in respect of all or a substantial part of its assets;

10.3.8 it is able to pay its debts as and when they fall due, will not become unable to pay its debts as a consequence of entering into the DM Auction Transactions and, where such entity is incorporated in Germany, is not imminent illiquid (*drohend zahlungsunfähig*) in the meaning of Sec. 18 of the German Insolvency Code (*Insolvenzordnung*) ("**InsO**"), is not illiquid (*zahlungsunfähig*) in the meaning of Sec. 17 InsO and is not over-indebted (*überschuldet*) in the meaning of Sec. 19 InsO; and

10.3.9 no event has occurred or circumstance arisen with respect to it, which might (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute a Termination Event or an Insolvency Termination Event.

10.4 The representations and warranties pursuant to Number 10.3 shall be repeated by each Participating Bidder and Representing Participating Bidder on the Settlement Date.

10.5 If a Participating Bidder or Representing Participating Bidder is unable to give the agreements, acknowledgements, representations and warranties set out in this Number 10, such Participating Bidder or Representing Participating Bidder shall notify Eurex Clearing AG without undue delay informing Eurex Clearing AG about the relevant circumstances.

11 Publication and Notices

All notices and publications by Eurex Clearing AG and all notices by a Participating Bidder or Representing Participating Bidder pursuant to or related with the DM Auction Rules shall be made via the auction tool as defined and applied by Eurex Clearing AG (the "**Auction Tool**"). In addition, Eurex Clearing AG may provide notices and publications pursuant to or related with the DM Auction Rules by email.

12 Miscellaneous

12.1 Governing law; Place of jurisdiction

12.1.1 The rights and obligations arising out of, and in connection with, the DM Auction Rules shall be governed by the substantive laws (*Sachrecht*) excluding German private international law of the Federal Republic of Germany. Only the German version of the DM Auction Rules is legally binding.

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

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

12.2 Amendment of DM Auction Rules

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

The current version of the General DM Auction Rules is available via the internet (www.eurexclearing.com).

Form of Specific Terms for DM Auctions

[Letterhead of Eurex Clearing AG]

To the Mandatory Participants

[Date]

SPECIFIC TERMS FOR DM AUCTIONS

You have been invited by Eurex Clearing AG to participate in a DM Auction (as further described by the details below).

These Specific Terms must be read in conjunction with the General DM Auction Rules published as of the date hereof by Eurex Clearing AG on its website www.eurexclearing.com and constitute in conjunction with the General DM Auction Rules the DM Auction Rules for this DM Auction. In case of any differences between the General DM Auction Rules and these Specific Terms, these Specific Terms shall prevail.

Each Mandatory Participant will keep confidential and will not disclose directly or indirectly the Specific Terms or any other information regarding the relevant DM Auction, including any information with respect to the DM Auction Transactions or the Auction Units set forth therein, unless permitted to do so in accordance with Number 3.2 above. It will further respect to be permitted to use any such information solely for the purpose of evaluating the relevant Auction Unit and it will, unless it has provided the winning Bid in accordance with Number 7.3.3 or Number 7.4.3 of the General DM Auction Rules, immediately delete and destroy such information after the respective Expiration Time and will promptly certify to Eurex Clearing AG in writing that such deletion has been completed. Each Representing Participating Bidder shall procure that the Selected Invitees for which it acts as Representing Participating Bidder will comply with the foregoing obligations.

General Information:	
Liquidation Group(s):	[_____]
DM Auction Transactions:	See attached spread sheet
Auction Unit(s):	See attached spread sheet
Maximum Spread Value, if applicable:~~Initial Margin Requirement (Number 5.2 of the General Auction Rules)~~:	
Auction Currency:	
Auction Timetable:	
Auction Date:	[_____]
Commencement Time:	[_____]
Expiration Time:	[_____]
Acceptance Date and Acceptance Time:	[_____]
Announcement Time:	[_____]
Settlement Date and Settlement Time:	[_____]
Bidding and Auction Procedure Details:	
Auction Format:	[_____] Multi Unit – Pay as you bid [_____] Single Unit – Pay as you bid [_____] Other: ***[describe]***
[other]	[_____]
[other]	[_____]