clear to trade

e u r e x c l e a r i n g *circular 028/13*

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Recipients: All Clearing Members of Eurex Clearing AG and Vendors
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⚠ **High priority**

Extension of reuse of GC Pooling® collateral for Clearstream Banking Luxembourg clients

Related Eurex Clearing Circulars: 082/10, 079/11, 105/12

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Content may be most important for:	**Attachments:**
Ü All departments	none

Summary:

Effective **1 March 2013**, Eurex Clearing will allow reuse of GC Pooling® collateral for Clearstream Banking Luxembourg serviced clients for Eurex Clearing margining.

This service allows cash providers to allocate collateral received through GC Pooling® to cover the margin requirements resulting from all products cleared by Eurex Clearing.

Clearing Members using Clearstream Banking Frankfurt (CASCADE/Creation) or SIX SIS for their collateral provisioning as well as Clearing Members with the existing Xemac® Contract Conclusion "GC Pooling® for Eurex Margining" within the existing infrastructure of Eurex Clearing and Clearstream Banking are not affected by these service extensions.

Kindly forward this service announcement to all involved departments within your company.

Extension of reuse of GC Pooling® collateral for Clearstream Banking Luxembourg clients

With this circular Eurex Clearing announces the extension of the reuse of GC Pooling® collateral for Eurex Clearing margining effective 1 March 2013.

In light of the increasing demand for collateral, efficient usage of collateral is becoming increasingly important. Therefore, Eurex Clearing already accepts reuse of collateral which has been received from GC Pooling® cash provider activities across all GC Pooling® baskets (GC Pooling® ECB Basket, GC Pooling® ECB EXTended Basket, GC Pooling® Equity Basket) covering the margin requirement from Clearstream Banking Frankfurt clients.

As of 1 March 2013, Eurex Clearing will also accept securities as margin collateral from Clearstream Banking Luxembourg clients acting as GC Pooling® cash providers across all GC Pooling® baskets. Clearstream Banking Luxembourg is facilitating this service by acting as an agent on behalf of the Clearing Member to allocate reuse collateral via Clearstream Banking Frankfurt to Eurex Clearing.

The reuse amount to be allocated to Eurex Clearing has to be determined by the Clearing Member and can be up to the actual cash provider exposure. The required amount has to be advised by telephone to Clearstream Banking GSF operations, followed by a MT599 SWIFT message. GSF operations will capture this amount in Xemac®.

In case reused GC Pooling® collateral is required for settlement of a GC Pooling® collateral repurchase transaction (term leg), an automatic request for reduction of the actual reuse amount will be submitted to Eurex Clearing. If the margin requirement is still covered by the reduced reuse amount, the amount will automatically be reduced, and the GC Pooling® transaction can settle. Should the remaining collateral not be sufficient to cover the margin requirement, the reduction request will be rejected and the GC Pooling® trade cannot settle at this point in time. The Clearing Member will have to provide other collateral before the reuse amount can be reduced and the GC Pooling® transaction is allowed to settle. It is up to the Clearing Member to manage the margin collateralisation levels accordingly and to ensure in-time settlement of GC Pooling® transactions.

The collateral will be evaluated in accordance with the GC Pooling® concept. Like the current setup, the allocated amounts will be reflected in the Eurex Clearing Graphical User Interface (GUI) as well as in Eurex Clearing reports RPTCD020 “Collateral Movement and Coverage”, RPTCD031 “Daily Collateral Valuation” and RPTCD080 “Monthly Collateral Movement”. In addition, the report RPTCD037 “Claim Amount Based Collaterals” will show the single allocated securities’ ISINs with their nominal amount for the respective Eurex Clearing Standard Collateral Pool.

Reuse of GC Pooling® collateral implies a lower security handling fee and is initially set to zero to encourage the reuse according to Eurex Clearing circular 105/12. 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 basis points (bp) to this part of the securities collateral.

The difference between this amount and the amount actually charged will be reimbursed to Clearing Members in the subsequent month. The calculation formula applies as follows:

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

Eurex Clearing will extend the fee holiday for the securities handling fee for Clearstream Banking Luxembourg clients for margin requirements arising from the GC Pooling® cash provider activities, enabling the 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 three months beginning 1 March 2013. The fee will be recalculated while excluding margin requirements relating to the GC Pooling® transactions. The difference between this amount and the amount actually charged will be reimbursed to the Clearing Member in the subsequent months. The calculation formula applies as follows:

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 (* 5 bp)

Reimbursement of the security collateral fee as set out above will remain in place until an automated solution for a differential charging of reused securities will be determined and published by Eurex Clearing.

Clearstream Banking Luxembourg serviced clients in their role as Clearing Members wishing to participate in the reuse of the GC Pooling® collateral for Eurex Clearing margining as well as Clearing Members who are not yet GC Pooling® participants and are interested in the new service offering are requested to contact Eurex Repo Sales at tel. +49-69-211-1 40 40 or by e-mail: sales@eurexrepo.com or GSF Sales at tel. +352-243-3 6650 or by e-mail: gsf@clearstream.com.

Should you have any questions or require more detailed information please contact the above-mentioned sales teams of Eurex Repo or Clearstream Banking.

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