clear to trade

e u r e x c l e a r i n g *circular 053/13*

Date: 8 May 2013
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
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EurexOTC Trade Entry Services: Replacement of pre-trade risk limit "Risk Adjusted Maximum Order Size" by "Maximum Wholesale Quantity"

Related Eurex Circular: 233/11

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Content may be most important for:	**Attachment:**
Ü Middle + Backoffice Ü Auditing/Security Coordination	Updated sections of the Clearing Conditions for Eurex Clearing AG, effective 27 May 2013

Summary:

Following feedback by the customers, Eurex Clearing understands that the Maximum Wholesale Quantity as pre-trade risk limit for off-exchange business entered via the EurexOTC Trade Entry Services provides for more efficient and accelerated processing on the Members' side than the currently applied Risk Adjusted Maximum Order Size.

Therefore, effective **27 May 2013**, Eurex Clearing will replace the Risk Adjusted Maximum Order Size by the Maximum Wholesale Quantity. This will also be reflected in the Clearing Conditions for Eurex Clearing AG.

On 24 May 2013, during the batch run, the Eurex® system will automatically convert the existing limits entered as Risk Adjusted Maximum Order Sizes into a corresponding Maximum Wholesale Quantity processing based on the current parameter values as outlined in this circular.

The new limits will be valid from start-of-day on 27 May 2013. They can however, be adjusted by the Members. Members who do not make intra-day changes on 27 May 2013 will be able to see the differences between the maintained amounts in Eurex report RPTTT125.

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HRB Nr. 44828
Amtsgericht Frankfurt/Main

EurexOTC Trade Entry Services: Replacement of pre-trade risk limit "Risk Adjusted Maximum Order Size" by "Maximum Wholesale Quantity"

With Eurex Release 14.0, pre-trade risk control services were extended by adding a feature called **Risk Adjusted Maximum Order Size**. Following the feedback by the customers, Eurex Clearing understands that the **Maximum Wholesale Quantity** as pre-trade risk limit for off-exchange business entered via the EurexOTC Trade Entry Services provides for more efficient and accelerated processing on the Members' side than the currently applied Risk Adjusted Maximum Order Size.

Therefore, effective 27 May 2013, Eurex Clearing will introduce the Maximum Wholesale Quantity which will replace the Risk Adjusted Maximum Order Size. This will also be reflected in the Clearing Conditions for Eurex Clearing AG (see attachment).

The Risk Adjusted Maximum Order Size is defined as the maximum amount of money by which the risk exposure of a particular Member may increase by entering one trade via the EurexOTC Trade Entry Services. It is maintained via the Product Assignment Maintenance GUI window. A detailed description of this service was published in Eurex circular 233/11.

The Maximum Wholesale Quantity defines the maximum number of contracts (per product and per transaction) that can be entered via the EurexOTC Trade Entry Services.

On 24 May 2013, during the batch run, the system will automatically convert the existing limits entered as Risk Adjusted Maximum Order Sizes into a corresponding Maximum Wholesale Quantity processing based on the current parameter values as outlined below:

Example: Conversion to Maximum Wholesale Quantity for options and futures

For options and futures the Risk Adjusted Maximum Order Size follows the formula below:

$$Risk\ Adjusted\ Maximum\ Order\ Size\ =\ Number\ of\ Contracts\ x\ Multiplier\ x\ Margin\ Parameter$$

where:

- $Multiplier = Trading\ Unit\ x\ Tick\ Value/Tick\ Size$
- The Margin Parameter is either the absolute Margin Parameter or consists of the $Margin\ Parameter \times\ Previous\ Day\ Underlying\ Close/Settlement\ Price$

For the FGBLJUN13 product with 1,500 contracts, an absolute Margin Parameter of 2.00 and a multiplier of 1,000, the Risk Adjusted Maximum Order Size is:

$$1{,}500\ x\ 1{,}000\ x\ 2.00\ =\ EUR\ 3{,}000{,}000$$

maintained in thousand units (= 3,000). Therefore the resulting Maximum Wholesale Quantity would be:

$$Maximum\ Wholesale\ Quantity = \frac{Risk\ Adjusted\ Maximum\ Order\ Size}{(Multiplier\ x\ Margin\ Parameter)},$$

in this example:

$$\frac{EUR\ 3{,}000{,}000}{1{,}000\ x\ EUR\ 2.00} = 1{,}500$$

The new limits will be valid from start-of-day on 27 May 2013. They can, however, be adjusted by the Members. Members who do not make intra-day changes on 27 May 2013 will be able to see the differences between the maintained amounts in Eurex report RPTTT125.

8 May 2013

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AMENDMENTS ARE MARKED AS FOLLOWS

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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[…]

Chapter I General Provisions

Part 1
General Clearing Provisions

[…]

12 Other Agreements between Clearing Members and Non-Clearing Members with regard to the Clearing of Eurex Transactions, FWB Transactions and EEX Transactions

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12.2 Limitation of Orders or Quotes for Eurex Transactions and EEX Transactions (Pre-Trade Limits)

12.2.1 For Eurex Transactions and EEX Transactions, the Clearing Member and a Non-Clearing Member may agree on the limitation of orders or quotes which may be entered into the systems of a Market by such Non-Clearing Member or the Clearing Member ("**Pre-Trade Limits**").

12.2.2 Pre-Trade Limits may include one or more restrictions or a combination thereof listed hereinafter:

(1) Maximum number of contracts with regard to a product per order or per quote. Insofar, the following limit is considered according to the type of order:

(a) maximum number of contracts per order or quote ("**Maximum Order Quantity**"), provided they do not relate to combined orders or combined quotes; or

(b) maximum number of contracts per combined order or combined quote ("**Maximum Calendar Spread Quantity**"), related to specific products.

(2) For over-the-counter transactions: maximum number of contracts per transaction concluded off-exchange, related to specific products ("**Maximum Wholesale Quantity**"). ~~maximum amount of money in the product currency that is the result of a product specific risk evaluation per transaction ("**Risk Adjusted Maximum Order Size**").~~

(3) Maximum aggregate margin requirement or maximum margin requirement with respect to specific Eligible Margin Assets, which in each case the Clearing Member is obliged to fulfil in accordance with the Clearing Conditions as a result of the conclusion of Transactions for the Non-Clearing Member.

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