



eurex clearing circular 067/14

Date: 27 May 2014
Recipients: All Clearing Members, Non-Clearing Members and Registered Customers of Eurex Clearing AG and Vendors
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Foreign exchange (FX) derivatives: Clearing of FX futures and FX options traded on Eurex Exchange

Related Eurex circular: 105/14

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Content may be most important for:

Ü All departments

Attachments:

Updated sections of the following rules and regulations:

1. Updated sections of the Clearing Conditions for Eurex Clearing AG
2. Updated sections of the Conditions for Utilization of the OTC Trade Entry Facilities (General Conditions for Participation)
3. Application for Set-up/Deletion/Change of Securities Accounts and Clearer Cash Accounts
4. FX Derivatives Settlement Process Description

Summary:

Effective **7 July 2014**, Eurex Clearing will offer clearing services for FX futures and FX options on six currency pairs (EUR/USD, EUR/CHF, EUR/GBP, GBP/USD, GBP/CHF, USD/CHF) traded on Eurex Exchange.

Eurex Clearing circulars 094/13 from 20 August 2013 and 105/13 from 18 September 2013 related to launching of the service. The present circular overrides the information in these circulars and should be read in conjunction with Eurex circular 105/14.

The FX derivatives will be physically settled via the multi-currency settlement system Continuous Linked Settlement (CLS).



Foreign exchange (FX) derivatives: Clearing of FX futures and FX options traded on Eurex Exchange

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1. Product overview

Eurex Exchange products			
FX futures on	Eurex product code	ISINs of FX futures	Underlying FX rate ISIN
EUR/USD	FCEU	DE000A1N53R4	EU0009652759
EUR/CHF	FCEF	DE000A1N53S2	EU0009654078
EUR/GBP	FCEP	DE000A1N53T0	EU0009653088
GBP/USD	FCPU	DE000A1N53U8	GB0031973075
GBP/CHF	FCPF	DE000A1N53V6	GB0009534727
USD/CHF	FCUF	DE000A1N53W4	XC0009652816
FX options on (all European style)	Eurex product code	ISINs of FX options	Underlying FX rate ISIN
EUR/USD	OCEU	EU0009652759	EU0009652759
EUR/CHF	OCEF	EU0009654078	EU0009654078
EUR/GBP	OCEP	EU0009653088	EU0009653088
GBP/USD	OCPU	GB0031973075	GB0031973075
GBP/CHF	OCPF	GB0009534727	GB0009534727
USD/CHF	OCUF	XC0009652816	XC0009652816

2. Contract specifications

For more detailed contract specifications please see attachment 1 to Eurex circular 105/14.

FX futures						
Contract size	EUR 100,000	EUR 100,000	EUR 100,000	GBP 100,000	GBP 100,000	USD 100,000
Underlying	EUR/USD	EUR/CHF	EUR/GBP	GBP/USD	GBP/CHF	USD/CHF
Min. price movement	5 USD 0.00005	5 CHF 0.00005	5 GBP 0.00005	5 USD 0.00005	5 CHF 0.00005	5 CHF 0.00005
Contract maturities	up to three years (three serial, three quarterly, four semi-annual expiries of the Mar/Jun/Sep/Dec cycle)					
Last trading day	third Wednesday of the contract month, close of trading at 15:00 CET					
Daily settlement price	VWAP (volume weighted average price) of the futures transactions calculated over a 60 second interval ending at 17:30 CET. If less than five transactions occur, the VWAP of the last five transactions conducted in the last 15 minutes before 17:30 CET or the mid-point of bid/ask prices in the order book before 17:30 CET is used.					

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Final settlement price	VWAP of all transactions executed during the final trading minute ending at 15:00 CET. If no adequate prices are available, Eurex will use the average mid-price of the last displayed bid ask spot prices over a 60 second interval ending at 15:00 CET that are published by the data provider designated by Eurex Clearing.
Settlement	physical delivery of underlying currencies (T+2) via the CLS system
Min. block trade size	all products: 500 contracts (50 million notional) EUR/USD: 1000 contracts (100 million notional)

FX options (European style)						
Contract size	EUR 100,000	EUR 100,000	EUR 100,000	GBP 100,000	GBP 100,000	USD 100,000
Underlying	EUR/USD	EUR/CHF	EUR/GBP	GBP/USD	GBP/CHF	USD/CHF
Min. price movement	5 USD 0.00005	5 CHF 0.00005	5 GBP 0.00005	5 USD 0.00005	5 CHF 0.00005	5 CHF 0.00005
Contract expirations	up to three years (three serial, three quarterly, four semi-annual maturities of Mar/Jun/Sep/Dec cycle)					
Strike price interval	0.005 for expiries up to and including year 2 0.010 for expiries in year 3 and higher					
Last trading day	third Wednesday of the contract month, close of trading at 15:00 CET					
Daily settlement price	the underlying reference price for FX options contracts is the daily settlement price of the corresponding FX futures maturity					
Final settlement price	the final settlement price of the corresponding expiring FX futures contract shall be relevant for the FX options contract.					
Settlement	physical delivery of underlying currencies (T+2) via CLS system					
Min. block trading size	all products: 500 contracts (50 million notional) EUR/USD: 1000 contracts (100 million notional)					

The underlying of FX options will be the corresponding spot FX rate (options on spot FX).

The updated Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be published on the Eurex Exchange's website www.eurexchange.com at the start of trading under:

[Resources > Rules and Regulations > Contract specifications](#)

3. Clearing Conditions for Eurex Clearing AG

The amended sections of the Clearing Conditions for Eurex Clearing AG (Clearing Conditions) can be found in attachment 1 to this circular.

As of 7 July 2014, the full amended Clearing Conditions will be available for download on the website of Eurex Clearing www.eurexclearing.com under the following link:

[Resources > Rules and Regulations > Clearing Conditions](#)

4. Trading hours (all times are CET)

The trading hours for FX futures and FX options are shown in the table below.

Please be aware of the reduced trading hours for the front month contracts on the last trading day. On an expiration day of a series (third Wednesday of the expiration month), continuous trading and block trade entry ceases for the expiring front month contract at 15:00 CET. The entry of exercises will be possible until 16:00 CET.

Product	Pre-trading period	Continuous trading	Post-trading full-period	Block trade entry	Last trading day
					Trading until
FX futures	07:30–08:00	08:00–22:00	22:00–22:30	08:00–22:00	15:00

Product	Pre-trading period	Continuous trading	Post-trading full-period	Block trade entry	Last trading day	
					Trading until	Exercise until
FX options	07:30-08:00	08:00-19:30	19:30-20:30	08:00-20:00	15:00	16:00

5. Trading calendar

As of start of trading, a detailed list of the trading days can be found in the trading calendar which will be published on Eurex Exchange's website www.eurexexchange.com under the link:

Trading > Trading calendar

6. Eurex Trade Entry services

The new FX futures and FX options will be admitted to the Eurex Block Trade facility with a minimum block trade size of **500 contracts**, except for the FX futures and FX options on the EUR/USD currency pair for which the minimum block trade size will be **1000 contracts**.

Participants who are already registered for Block Trading and/or Vola Trading may use the respective functions for the new FX futures and FX options without any further action.

Participants wishing to use the Eurex Trade Entry services for the first time should confirm their acceptance of the General Conditions for Participation by signing and returning the appropriate form. In addition, where the participant firm is a Non-Clearing Member, its General Clearing Member must sign and return the General Clearing Member's Declaration Agreement at the same time. The necessary forms can be found on the Eurex Exchange's website www.eurexexchange.com under the link:

Resources > Forms > OTC Trade Entry

The amended sections for the Conditions for Utilization of the OTC Trade Entry Facilities (General Conditions for Participation) can be found in attachment 2 to this circular.

7. Product groups

The new products have been assigned to the following product groups:

Product	Product name	Settlement location	Settlement type	Product type	Product segment	Product currency	Product group ID					
							X	N	P	H	3	U
FCEU	FX futures on EUR/USD	CLS	P	F/O	FX	USD	X	N	P	H	3	U
FCEF	FX futures on EUR/CHF	CLS	P	F/O	FX	CHF	X	N	P	H	3	C
FCEP	FX futures on EUR/GBP	CLS	P	F/O	FX	GBP	X	N	P	H	3	G
FCPU	FX futures on GBP/USD	CLS	P	F/O	FX	USD	X	N	P	H	3	U
FCPF	FX futures on GBP/CHF	CLS	P	F/O	FX	CHF	X	N	P	H	3	C
FCUF	FX futures on USD/CHF	CLS	P	F/O	FX	CHF	X	N	P	H	3	C
OCEU	FX options on EUR/USD	CLS	P	F/O	FX	USD	X	N	P	H	3	U
OCEF	FX options on EUR/CHF	CLS	P	F/O	FX	CHF	X	N	P	H	3	C
OCEP	FX options on EUR/GBP	CLS	P	F/O	FX	GBP	X	N	P	H	3	G
OCPU	FX options on GBP/USD	CLS	P	F/O	FX	USD	X	N	P	H	3	U
OCPF	FX options on GBP/CHF	CLS	P	F/O	FX	CHF	X	N	P	H	3	C
OCUF	FX options on USD/CHF	CLS	P	F/O	FX	CHF	X	N	P	H	3	C

Further information regarding allocation of products into product groups is available in Eurex circular 232/07, section 1.6.

8. Transaction fees

The fees for trading, clearing and settlement for FX derivatives as well as further details are included in the current Price List for Eurex Clearing website which can be found on the Eurex Clearing website www.eurexclearing.com under the link:

[Resources > Rules and Regulations > Price list](#)

9. Risk parameters

At the start of trading, risk parameters will be published on the Eurex Exchange's website www.eurexexchange.com under the link:

[Market data > Clearing data > Risk parameters and initial margins](#)

10. Market-Making

Eurex Exchange will offer interested Participants the possibility to act as Market Makers for the new FX futures and options. Details on the market-making scheme will be published in due course.

11. Automatic exercise of FX options

The minimum in-the-money-amount specifies the amount a contract has to be in-the-money to be automatically exercised on expiration day. A default minimum in-the-money amount of 0.01 is defined for Eurex options products. The minimum in-the-money amount of Eurex products can be individually adapted per product and account in the @x-tract Clearing GUI via the window:

Settlement > Automatic Exercise Parameter Maintenance window

An absolute value of up to 1,000.00 can be set for FX options (product type "OCUR"). It is strongly recommended that Members carry out the appropriate parameter checks in the @x-tract Clearing GUI.

For further information on automatic exercise please refer to Eurex Clearing circular 120/13.

12. Simulation

Twelve FX derivatives (FX futures and FX options) are currently available in the simulation environment of T7, Eurex Exchange's trading architecture:

FX derivatives available in T7 simulation		
FX futures on	Product code	ISINs of FX futures
EUR/USD	FCEU	DE000A1N53R4
EUR/CHF	FCEF	DE000A1N53S2
EUR/GBP	FCEP	DE000A1N53T0
GBP/USD	FCPU	DE000A1N53U8
GBP/CHF	FCPF	DE000A1N53V6
USD/CHF	FCUF	DE000A1N53W4
FX options on (all European style)	Product code	ISINs of FX options
EUR/USD	OCEU	EU0009652759
EUR/CHF	OCEF	EU0009654078
EUR/GBP	OCEP	EU0009653088
GBP/USD	OCPU	GB0031973075
GBP/CHF	OCPF	GB0009534727
USD/CHF	OCUF	XC0009652816

When planning your participation in the FX member simulation, please consider following additional information:

- Clearing Members interested in offering clearing in these products in simulation will need to meet the requirements set out in section 14.
- Expiration for FX products in simulation will be on 28 May 2014 (May expiration) and 12 June 2014 (June expiration). For months after June, the schedule as described with the current simulation calendar available on the Eurex Exchange's website www.eurexexchange.com under the following link will be applicable:

Technology > Simulation calendar

- A new clearing report "CE055 – FX Settlement Limit Report" is available in simulation via the Common Report Engine.

This report will show the projected settlement amounts from FX futures and options positions held by a Clearing Member, resulting from FX futures notification/allocation and from FX options exercise/assignment.

For further information on this report, please refer to the document "Eurex XML Reports – Reference Manual" available on the Eurex Exchange's website www.eurexexchange.com under the following link:

Technology > Eurex Exchange's T7 > System Documentation > Release 2.1

13. Settlement process – overview

FX futures that have not been closed out before expiration and FX options that have been exercised and assigned at expiration date will result in physical settlement of currencies once per month on a payment vs. payment basis in CLS. The delivery and expiration will take place on the third Wednesday of the contract month with settlement on the third Friday, i.e. on T+2 days after the last trading day.

Eurex Clearing will require all Clearing Members to have a CLS (Continuous Linked Settlement <http://www.cls-group.com/Pages/default.aspx>) connectivity to settle FX derivatives. This can be achieved either by an own CLS settlement membership or by usage of a CLS third party provider.

Without having this infrastructure in place, a Clearing Member and its associated Non-Clearing Members will not be allowed to trade FX derivatives.

Further, each interested Eurex Clearing Member needs to provide cash payment account details to Eurex Clearing using the form provided in Attachment 3.

For further details regarding the clearing and settlement process of FX derivatives, please see Attachment 4.

14. Requirements for Clearing Members to go live

14.1 Admission forms

Before start of trading and clearing of FX derivatives, Clearing Members are required to submit the following forms. The forms listed below will be available on the Eurex Clearing website www.eurexclearing.com under the following link and will be valid as of 7 July 2014:

Resources > Forms > Clearing Derivatives > Application for Admission

- **Clearing Agreement**
Available on the website under "Clearing Agreement between ECAG and a CM_Link Document".
In this agreement, all Multiple Clearing Relations should be completed including FX products.
- **Application for Set-up/Deletion/Change of Securities Accounts and Clearer Cash Accounts**
In this form, please ensure to provide information for the following fields:
 - BIC of the account holder,
 - BIC of the addressed CLS account,
 - SWIFT address of the account holder.
- **Application for participation in trading Eurex FX Futures and Options**
This form needs to be filled out and signed by the Clearing Member and countersigned by the Trading Participant.

Depending on a Clearing Member's Clearing Model, the appropriate Appendix to the "Clearing Conditions for Eurex Clearing AG" needs to be completed (to be submitted as original):

- **For the Elementary Clearing Model, Appendix 2**
Available on the website under "Clearing Agreement with a NCM and-or RC for the ECM_Link Document"
- **For the Individual Clearing Model, Appendix 3**
Available on the website under "Clearing Agreement with a NCM and-or RC for the ICM under ECD_Link Document"
- **For the Individual Clearing Model under Client Clearing Documentation, Appendix 4**
Available on the website under "Agreement for the Participation in the ICM under CCD with a NCM and-or RC_Link Document"
- **For the Net Omnibus Clearing Model, Appendix 8**
Available on the website under "Clearing Agreement with a Net Omnibus NCM and-or RC for the Net Omnibus Clearing Model_Link Document"
- **Use of Accounts**
Please fill in if the Clearing Member is using a third-party service provider for settlement in CLS.

14.2 Technical requirements

As a technical requirement for participation in clearing of FX products, it is necessary to install a "RMA service" (SWIFT Relation Management Application) and a "SWIFT Closed User Group".

As described in Attachment 5, Clearing Members will receive the relevant Eurex Clearing reports and SWIFT messages with the related currency pairs for settlement within the CLS system. To send MT300 messages from Eurex Clearing to the Clearing Members, the following system-related requirements must be fulfilled.

Technical setup has to be performed by the Clearing Member's IT-SWIFT department. In the first step, the RMA service between Eurex Clearing and the Clearing Member must be set up. This will be done via the

exchange of the "RMA key". The RMA key maintains the business relation and addresses between two SWIFT participants.

Additionally, each Clearing Member has to ensure via its IT-SWIFT department that the Closed User Group at SWIFT is established to receive the MT300 messages. Afterwards, MT300 messages and CLS delivery instructions and confirmations can be transferred via the SWIFT network.

If you have any questions regarding the technical setup, please contact Ernst Karbe at tel. +49-69-211-1 54 88 or e-mail: ernst.karbe@eurexclearing.com.

If you have any questions about participation in the new service offering, please contact your Key Account Manager for additional information.

Pursuant to Chapter I, Part 1, Number 17.2.3 of the Clearing Conditions for Eurex Clearing AG (Clearing Conditions), the changes and 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 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 shall remain unaffected.

27 May 2014

CHAPTER II IS BEING ADJUSTED.

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED.

DELETIONS ARE CROSSED OUT.

[...]

Chapter II Transactions Concluded at Eurex Deutschland and Eurex Zürich (Eurex Exchanges)

Part 1 General Provisions

[...]

1.1 Clearing Licenses

[...]

1.1.2 Prerequisites for Clearing Licenses

- (1) With regard to the prerequisites to be fulfilled within the scope of the granting of the Clearing License, Chapter I Part 1 Numbers 2.1.1 to 2.1.3 apply.
- (2) The applicant shall meet the following additional requirements:
 - (a) Evidence of the following accounts:
 - (aa) for cash payments in Euro:
 - RTGS Account, or
 - SECB Account and euroSIC Account,
 - (bb) for cash payments in Swiss Francs:
 - SNB Account and SIC Account.

- (b) Evidence of foreign currency accounts with one of the banks recognised by Eurex Clearing AG required for purposes of settlement of the foreign products tradeable at the Eurex Exchanges.
 - (c) Evidence of a securities account with Euroclear UK & Ireland together with a cash clearing account with a bank recognised by Eurex Clearing AG.
 - (d) Evidence of a technical and functional connection to the Gross Delivery Management (Chapter I Part 1 Number 1.4.2 Paragraph (2) and Number 1.3.1 Paragraph (1) (b) – (e)).
 - (e) The use of at least one sufficiently qualified clearing staff member according to Chapter I Part 1 Number 2.1.2 Paragraph (5)(c). The clearing staff member has to be physically present and available via telephone and fax during the Business Day until 19:00 CET. From 19:00 CET to until 22:30 CET, the applicant has to ensure that a sufficiently qualified clearing staff member is available via telephone.
 - (f) Evidence of direct or indirect access to a derivatives exchange or a clearing house, each determined by Eurex Clearing AG, for purposes of fulfilling transactions in products of the Eurex Exchanges, which have been included in the clearing by Eurex Clearing AG and whose fulfilment requires the opening of a position in a specific derivatives contract at the designated exchange or clearing house, respectively, in favour of the counterparty of these transactions. If such evidence is not provided, Eurex Clearing AG will not carry out the clearing of transactions of the respective Clearing Member and its respective Non-Clearing Members or Registered Customers in products according to Sentence 1. In this case, Chapter I Number 1.2.2 does not apply, and the Eurex Exchanges shall exclude the concerned Clearing Member and its Non-Clearing Members from the trading of such products.
 - (g) Evidence of its admission to trading at the Eurex Exchanges for FX Futures and FX Options. If such evidence is not provided, Eurex Clearing AG will not carry out the clearing of transactions of the respective Clearing Member and its respective Non-Clearing Members or Registered Customers in products according to Sentence 1. In this case, Chapter I Number 1.2.2 does not apply, and the Eurex Exchanges shall exclude the concerned Clearing Member and its Non-Clearing Members from the trading of such products.
- (3) Upon written application and submission of relevant evidence by the applicant or a Clearing Member, Eurex Clearing AG may allow the prerequisites for granting a Clearing License pursuant to Paragraph (2) (b) and (c) to be fulfilled and proved in whole or in part by several settlement institutions on behalf of and for the applicant or the Clearing Member. Chapter I Part 1 Number 2.1.2 Paragraph (7) and (8) apply *mutatis mutandis*.
- (4) If the applicant does not provide evidence according to Paragraph (2) (c), Eurex Clearing AG shall conduct the Clearing of Transactions only to such extent as the

settlement of the Transactions via the custody accounts and cash accounts which evidence has been provided for, is ensured.

1.2 Margin Requirement

[...]

1.8.5 Clearing Members acting as Non-Clearing Members

A Clearing Member may enter into Clearing Agreements as a Non-Clearing Member with one or two other Clearing Members in respect of MCR-Product Groups not cleared by itself. In this case the rules applicable to Non-Clearing Members shall apply accordingly.

1.9 Settlement Amount Limits

(1) Eurex Clearing AG may determine dedicated settlement thresholds or limits (each a "Settlement Amount Limit") limiting the maximum permissible Projected Settlement Amount applicable with respect to a Clearing Member, including Settlement Amount Limits that - if breached - entitle Eurex Clearing AG to (i) demand immediate actions from the respective Clearing Member to reduce the Projected Settlement Amount below the limit, as further set out in this Number 1.9 ("Category 1 Settlement Amount Limits") and/or (ii) to effect Transactions in FX Futures contracts and/or FX Options contracts for and on behalf of the Clearing Member to remedy the breach, as further set out in this Number 1.9 ("Category 2 Settlement Amount Limits"). For this purpose "Projected Settlement Amount" means at any time, with respect to a Clearing Member and a final settlement day (Number 1.18.4 of the Eurex Contract Specifications and/or Number 2.13.5 of the Eurex Contract Specifications), the aggregate gross short amount for any individual and/or all currencies in which FX Futures and Options contracts are to be settled that in the determination of Eurex Clearing AG would be required to be settled by the Clearing Member on the relevant final settlement day taking into account all FX Futures contracts and FX Options contracts that are Own Transactions, Customer-Related Transactions, NCM-Related Transactions or RC-Related Transactions of the Clearing Member.

To the extent necessary or practicable Eurex Clearing AG shall for the purposes of determination of Projected Settlement Amounts convert any amounts at prevailing exchange rates into the amount in which the Settlement Amount Limit is expressed.

The Clearing Member is required to ensure that the Projected Settlement Amount does not exceed the relevant Settlement Amount Limit (if any).

(2) Where Eurex Clearing AG has determined Settlement Amount Limits, it will provide at least a daily report to each Clearing Member detailing the related Projected Settlement Amounts determined with respect to the Clearing Member. Eurex Clearing AG will publish further details and guidelines regarding the determination of Settlement Amount Limits and the applicable mitigation measures on its website (www.eurexclearing.com). These details and guidelines may be amended from time to time and published accordingly.

- (3) In case the Projected Settlement Amount of a Clearing Member exceeds a related Settlement Amount Limit, applicable at that point in time, this shall constitute a breach by the Clearing Member. In this case Eurex Clearing AG shall - in addition to any other measures available to it under these Clearing Conditions - be entitled to take the following mitigation measures:
- (a) In case of a breach of a Category 1 Settlement Amount Limit Eurex Clearing AG shall be entitled to demand that the Clearing Member breaching a Category 1 Settlement Amount Limit immediately takes any measures that are necessary or expedient to reduce the Projected Settlement Amount below this limit.
- (b) In case of a breach of a Category 2 Settlement Amount Limit, Eurex Clearing AG shall be entitled to, and the Clearing Member hereby irrevocably authorises (bevollmächtigt) Eurex Clearing AG to, (i) effect Own Transactions of the Clearing Member in FX Futures contracts and/or FX Options contracts for and on behalf of the Clearing Member (ii) take any actions it deems necessary or expedient in relation thereto, in each case with the aim to remedy the breach of the Category 2 Settlement Amount Limit.

Part 2 Clearing of Futures Contracts

The following provisions shall apply to the Clearing of futures contract transactions specified in Number 1 of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich ("**Eurex Contract Specifications**").

[...]

2.1.2 Daily Settlement Price

[...]

(5) Reference times

Contract	Reference Time (CET)
[...]	[...]
FX Futures	17:30 (15:00 on every expiry day of a series / third <u>Wednesday of the expiry month for the expiring contract</u>)
[...]	[...]

[...]

2.19 Clearing of FX Futures Contracts

[...]

2.19.4 Failure to Pay

(1) Procedures in respect of defaulting Clearing Member

Unless otherwise stated below, the procedure set out in this Number 2.19.4 only applies in the case that a Clearing Member's failure to settle a Transaction cannot be attributed to a Termination Event in respect of this Clearing Member. If Eurex Clearing AG determines (initially or at any time during the procedure set out herein) that a Termination Event in respect of the defaulting Clearing Member has occurred, Eurex Clearing AG will instead take measures against the defaulting Clearing Member in accordance with the Termination provisions set out in Chapter I.

If a Transaction cannot be settled within CLS due to the fact that a Clearing Member (i) does not provide sufficient funding on its CLS Account to cover the currency

amount payable by it in respect of a Transaction on the settlement day (as per Number 2.19.1) or (ii) fails to match a corresponding settlement instruction in accordance with the CLS procedures by 23.00 CET on the Business Day immediately prior to the settlement day (for the purposes of this Number 2.19.4 a "defaulting Clearing Member"), Eurex Clearing AG shall be entitled to take the following measures:

- (a) Eurex Clearing AG will instruct the settlement of the Transaction outside CLS by debiting the outstanding currency amount from the relevant Payment Bank or central bank account of the defaulting Clearing Member on the settlement day. Any currency amounts payable to the defaulting Clearing Member in respect of the Transaction will be credited subsequently to its relevant Payment Bank or central bank account on the settlement day.
- (b) If the Transaction cannot be settled outside CLS pursuant to Paragraph (a) due to insufficient funding on the relevant Payment Bank or central bank accounts of the defaulting Clearing Member and if Eurex Clearing AG determines that the inability of the defaulting Clearing Member to settle does not amount to a Termination Event (e.g. in the case of technical errors or a temporary general unavailability of the relevant currency), and a settlement of the Transaction is therefore excluded, Eurex Clearing AG may, on or after the settlement day, enter directly or indirectly into one or more replacement transactions on the FX market in order to obtain the currency amount(s) on a gross or net basis that would have been payable by the defaulting Clearing Member if the Transaction had been fulfilled in accordance to 2.19.3 (a "Buy-In"). Any costs, losses or expenses incurred as a result of doing the replacement transactions will be covered by the defaulting Clearing Member. Eurex Clearing AG will perform a cash settlement of the Transaction with the defaulting Clearing Member in the quotation currency on the settlement day. The cash settlement price will be determined by (i) the exchange rate price of the failed delivery instruction (i.e. the final settlement price of the Transaction) or (ii) the execution price of the Buy-In (as defined in Paragraph (c) below).
- ~~(c) In the case that a cash settlement or a Termination Event occurs with respect to the defaulting Clearing Member but the corresponding Transaction(s) with the non-defaulting Clearing Member(s) have been physically settled in accordance with Paragraph (2)(a) or (b), Eurex Clearing AG may, on the settlement day or the next following Business Day, enter into one or more replacement transactions on the spot market in order to obtain the currency amount that would have been payable by the defaulting Clearing Member if the Transaction had not been settled in cash or if no Termination Event had occurred (a "Buy-In"). If Eurex Clearing AG incurs a loss due to the fact that the Buy-In can be executed only at a different price than the original exchange rate price of the failed delivery instruction (i.e. the final settlement price), the execution price of the Buy-In will be used as the cash settlement price. If the Buy-In comprises several replacement transactions, the execution price is calculated based on volume-weighted average price of these transactions. The maximum price for the Buy-In shall be the final settlement price plus 100% premium.~~

~~(cd)~~ If a Transaction has been settled outside CLS pursuant to Paragraph (a), the defaulting Clearing Member shall pay a contractual penalty to Eurex Clearing AG calculated in accordance with Chapter I Part 1 Number 14.2.2. ~~If a cash settlement pursuant to Paragraph (b) has taken place, the defaulting Clearing Member shall pay a contractual penalty with respect to each failed delivery instruction of EUR 50,000 per Business Day or the corresponding equivalent in CHF from the settlement day (inclusive) until the day on which the Buy-In has been completed.~~ In each case, the right of Eurex Clearing AG to claim further damages in accordance with Paragraph (3) shall remain unaffected.

(2) Procedures in respect of non-defaulting Clearing Member

If Eurex Clearing AG takes measures in respect of a Transaction of a defaulting Clearing Member in accordance with Paragraph (1), Eurex Clearing AG may perform the following steps in respect of any corresponding Transaction with a non-defaulting Clearing Member:

- (a) Eurex Clearing AG will instruct in CLS the same day settlement of the corresponding Transaction with the non-defaulting Clearing Member to whom payment of the outstanding currency amount is due.
- (b) If the same day settlement of the corresponding Transaction in CLS is not possible due to the defaulting Clearing Member's inability to settle as described in Paragraph (1), Eurex Clearing AG may instruct the payment of any currency amounts payable by or to the non-defaulting Clearing Member in respect of the corresponding Transaction outside CLS via the relevant Payment Bank or central bank accounts of the non-defaulting Clearing Member on the settlement day.
- ~~(c) If the settlement outside CLS fails due to insufficient funding on the relevant Payment Bank or central bank accounts of the non-defaulting Clearing Member, Eurex Clearing AG will perform a cash settlement with the non-defaulting Clearing Member in respect of the corresponding Transaction. The cash settlement price will be determined by the exchange rate price of the failed delivery instruction (i.e. the final settlement price of the Transaction).~~

- (3) The defaulting Clearing Member shall bear all costs and damages incurred by Eurex Clearing AG as a consequence of the measures taken pursuant to this Number 2.19.4.

2.19.5 Settlement Amount Limits

Eurex Clearing AG may determine Settlement Amount Limits for FX Futures contracts in accordance with Part 1 Number 1.9.

2.19.6 Specific Provisions for Interim Participation

[...]

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Part 3 Clearing of Options Contracts

The following provisions shall apply to the Clearing of Options contract transactions specified in Number 2 of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich ("**Eurex Contract Specifications**").

[...]

3.13 Clearing of FX-Options Contracts

[...]

3.13.5 Settlement Amount Limits

Eurex Clearing AG may determine Settlement Amount Limits for FX Options contracts in accordance with Part 1 Number 1.9.

3.13.6 Failure to Pay

- (1) If a Transaction cannot be settled within CLS due to the fact that a CLEARING MEMBER (i) does not provide sufficient funding on its CLS ACCOUNT to cover the currency amount payable by it in respect of a Transaction on the settlement day (as per Number 3.13.1) or (ii) fails to match a corresponding settlement instruction in accordance with the CLS procedures by 23.00 CET on the Business Day immediately prior to the settlement day, and the CLEARING MEMBER's failure to settle a Transaction cannot be attributed to a Termination Event in respect of this CLEARING MEMBER, EUREX CLEARING AG shall be entitled to take the same measures as set out in Part 2 Number 2.19.4~~In the event that a Clearing Member fails to pay any currency amounts in respect of a Transaction on the settlement day (as per Number 3.13.1), Eurex Clearing AG shall be entitled to take the same measures as described in Part 2 Number 2.19.4 with respect to FX Futures contracts, provided that:~~
- ~~(a) the cash settlement price as defined in Part 2 Number 2.19.4(1)(b) shall be determined by (i) the final settlement price of the corresponding FX Futures contract or (ii) the execution price of the Buy-In;~~
 - ~~(b) losses incurred by Eurex Clearing AG in the context of a Buy-In shall be determined by the difference between the final settlement price of the corresponding FX Futures contract and the execution price of the Buy-In; and that~~
 - ~~(c) the maximum price for the Buy-In shall be the final settlement price of the corresponding FX Futures contract plus 100% premium.~~

- (2) The provisions on contractual penalties, costs and damages set out in Part 2 Number 2.19.4 shall apply accordingly.

3.13.7 Specific Provisions for Interim Participation

[...]

Agreement

for the Participation in the Individual Clearing Model under Client Clearing Documentation

between

as Clearing Member

and

as ICM Client

and

Eurex Clearing AG, Frankfurt/Main.

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This participation agreement (the "**ICM Participation Agreement**") is dated _____ [please include original date of the agreement], as amended and restated as of _____ [please include date of amendment to the agreement or delete this part], and entered into

BETWEEN:

(1) _____

(legal name)

acting through / having its (registered) office at

as Clearing Member (the "**Clearing Member**");

(2) _____

(legal name)

acting through / having its (registered) office at

as Non-Clearing Member and/or Registered Customer (the "Non-Clearing Member" and/or "Registered Customer", and for the purposes of the ICM-CCD, the "ICM Client"); and

(3) Eurex Clearing Aktiengesellschaft, a stock company (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany, registered in the commercial register of the local court (*Amtsgericht*) in Frankfurt am Main under HRB 44828 and having its registered seat in Frankfurt am Main, with its business address at Mergenthalerallee 61, 65760 Eschborn, Federal Republic of Germany, ("**Eurex Clearing AG**").

The Clearing Member, the ICM Client and Eurex Clearing AG are hereinafter also referred to as the "**Parties**" and each of them as a "**Party**".

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[...]

Part 3 Transaction Types included in the Clearing; Direct Segregated Margin Transfer and Retransfer

1 Transaction Types included in the Clearing

The ICM Client shall participate in the Clearing pursuant to this ICM Participation Agreement in accordance with the following elections:

- Registered Customer for the following Transaction Types:
 - Chapter II Transactions Concluded at Eurex Deutschland and Eurex Zürich (Eurex Exchanges)
 - Chapter VII Transactions Concluded on the European Energy Exchange (EEX)
 - Chapter VIII Part 2 Clearing of OTC Credit Derivative Transactions
 - Chapter VIII Part 3 Clearing of OTC Interest Rate Derivative Transactions.
- Non-Clearing Member for the following Transaction Types:
 - Chapter II Transactions Concluded at Eurex Deutschland and Eurex Zürich (Eurex Exchanges) for the following MCR-Product Groups:
 - Equity & Index Products
 - Fixed Income Products
 - International CBF-settled Products
 - UK & Irish Products
 - KOSPI Products
 - FX Products
 - [...]

2 Direct Segregated Margin Transfer

[...].

**Conditions for Utilization of the OTC Trade Entry Facilities
(General Conditions for Participation)**

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

[...]

Annex A to the General Conditions for Participation:

OTC Periods of Use (all times in CET)

Futures-Contracts

[...]

FX (Foreign Exchange) Futures Contracts

Product	Product ID	Start – End*
Sterling - Swiss Franc Futures	FCPF	08:00-22:00
Sterling - US Dollar Futures	FCPU	08:00-22:00
Euro - Sterling Futures	FCEP	08:00-22:00
Euro - Swiss Franc Futures	FCEF	08:00-22:00
Euro - US Dollar Futures	FCEU	08:00- 22:00
US Dollar - Swiss Franc Futures	FCUF	08:00-22:00

* On the expiry day of a series (third Wednesday of the expiry month) the entry of trades in the expiring front month contract using the OTC Block Trade Entry Functionality is possible until 15:00 CET.

Options Contracts

[...]

FX (Foreign Exchange) Options Contracts

Product	Product ID	Start – End*
Sterling - Swiss Franc Options	OCPF	08:00- 20:00
Sterling - US Dollar Options	OCPU	08:00- 20:00
Euro - Sterling Options	OCEP	08:00- 20:00
Euro - Swiss Franc Options	OCEF	08:00- 20:00
Euro - US Dollar Options	OCEU	08:00- 20:00
US Dollar - Swiss Franc Options	OCUF	08:00- 20:00

* On the expiry day of a series (third Wednesday of the expiry month) the entry of trades in the expiring front month contract using the OTC Block Trade Entry Functionality is possible until 15:00 CET.

[...]

Application for Set-up / Deletion / Change of Securities Accounts and Clearer Cash Accounts



Eurex Clearing AG
Member Services & Admission
60485 Frankfurt/Main
Germany

Fax: +49-(0)69-2 11-1 16 41

- Set-up effective _____
D D M M Y Y
- Deletion effective
(after close of business) _____
D D M M Y Y
- Change effective
(after close of business) _____
D D M M Y Y

Applicant
* Company Name of Applicant _____

Address
* Street No * Address 1 _____
* Zip Code * City _____
* Land _____

Contact person
* First Name _____
* Last Name _____
* Phone no. _____ Fax no. _____
* E-mail _____

ID of Clearing Member _____ BIC of Clearing Member _____

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

1. Provision of collateral for clients

- Cash only: We will provide collateral in cash only (in that case no securities account is needed)
or
- Securities (and cash): We will provide collateral in securities (and cash)

2. Securities Accounts

2.1 As a Clearing Member we herewith request the following set-up / deletion / change of the Securities Accounts:

a) CBF / Cascade
and / or

Main Account	Securities Account (Margin)	Securities Account (Clearing Fonds)	Securities Account (Company Capital)
	0 0 0	5 0 0	5 0 1
			5 8 0

b) CBF / Creation linked 6-Series Account
and / or

Main Account	Securities Account (Margin)	Securities Account (Clearing Fonds)	Securities Account (Company Capital)
6	6	6	6

c) CBL / Creation
and / or

Main Account	Securities Account (Margin)

d) SIS

Main Account	Securities Account (Margin)	Securities Account (Clearing Fonds)	Securities Account (Company Capital)

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Application for Set-up / Deletion / Change of Securities Accounts and Clearer Cash Accounts



2.2 As a Clearing Member we provide securities for

Margin Collateral/Clearing Fonds

Company Capital (set-up as needed)

by Xemac Collateral Management Tool. The Xemac connection exists for the own Cascade Account:

--	--	--	--	--

Additionally, we wish to use the Reuse of GC Pooling® Collateral for Eurex Clearing Margining (only applicable for GC Pooling Trading Participants):

with the following account for Xemac

--	--	--	--	--

for CBL international clients on the basis of the Eurex Clearing Pledge Agreement

2.3 As a Clearing Member we provide securities for

Margin Collateral

Clearing Fonds

Company Capital (set-up as needed)

by CBL/CmaX* Collateral Management Tool.

3. Cash Accounts

3.1 As a Clearing Member we herewith request the set-up of the following cash accounts for the purposes specified below:

- a) "Margin-Cash Account": For daily settlement of margin according to chapter I, part 1 subsection 2.1.2 paragraph 4 (b) of the Clearing Conditions for Eurex Clearing AG
- b) "Eurex Core-Cash Account": For regulation of transaction in Eurex cash settled products
- c) "Intraday Margin-Cash Account": For regulation of intraday margins calls

Euro (EUR)

Information obligatory for all Clearing Members:

TARGET2 Account / (euroSIC)	
Name of Account Holder	
BIC of Account Holder	
SWIFT address (if other than BIC)	

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* accounts in the name of Eurex Clearing AG

Application for Set-up / Deletion / Change of Securities Accounts and Clearer Cash Accounts



Swiss Franc (CHF)¹

SNB- / SIC Account	
Name of Account Holder	
BIC Code of Account Holder	

¹ This CHF cash account is obligatory for Clearing Members who participate in the clearing of transactions concluded at Eurex Deutschland and Eurex Zürich and for the Clearing of Securities Lending transactions in swiss securities. For OTC Clear interest rate derivative transactions this is optional.

British Pound (GBP)²

Name of Payment Bank	
Account No. of Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	
Sort Code of Payment Bank	

² For Clearing Members holding a Clearing License for clearing transactions concluded at Eurex Deutschland, Eurex Zürich and OTC Clear interest rate derivative which settle in GBP.

U.S. dollar (USD)^{3 4}

Name of Payment Bank	
Account No. of Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	

³ For Clearing Members holding a Clearing License for clearing transactions concluded at Eurex Deutschland and Eurex Zürich which settle in USD.

⁴ For clearing members who participate in the clearing transactions concluded at OTC Clear interest rate derivative, a USD cash account is for Margin Calls outside of Target2 and SNB business hours mandatory.

Korean Won (KRW)⁵

Name of Payment Bank	Shinhan Bank
Account No. of Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	

⁵ For Clearing Members holding a Clearing License for clearing transactions concluded at Eurex Deutschland and Eurex Zürich which settle in KRW. We acknowledge that Eurex Clearing AG will provide our KRW payment bank with the following information regarding transaction fees in KRW due to Eurex Clearing AG: Name of the Eurex Clearing Member, Exchange, Currency, Product ID and Total Monthly Fees.

Application for Set-up / Deletion / Change of Securities Accounts and Clearer Cash Accounts



Yen (JPY)⁶

Name of Payment Bank	
Account No. of Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	

⁶ For Clearing Members holding a Clearing License for OTC Clear interest rate derivatives which settle in JPY.

Taiwan Dollar (TWD)

Name of Payment Bank	
Account No. of Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	

CLS Account

For Clearing Members holding a Clearing License for clearing transactions concluded at Eurex Deutschland and Eurex Zürich which settle FX-products.

Name of Settlement Location	CLS
Name of Account Holder	
BIC of Account Holder	
BIC of the addressed CLS account (11 digits)	
SWIFT address (12 digits)	

Clearing Members need to ensure that they are in the position to settle all FX-Products related currencies within CLS: EUR, CHF, GBP and USD.

3.2 Buy-in Cash Account

For the settlement of cash differences originating from the buy-in procedure, one account per currency cleared has to be provided.

Euro (EUR) - information obligatory for all Clearing Members:

RTGS Account / euroSIC Account	
Name of Account Holder	
BIC of Account Holder	
SWIFT address (if other than BIC)	

Or optional for Eurex Repo and / or Eurex Bonds Clearing Members only:

6-Series Account, CBL Account or Euroclear Account	
Name of Account Holder	

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Application for Set-up / Deletion / Change of Securities Accounts and Clearer Cash Accounts



- Swiss Franc (CHF)** - information obligatory for Clearing Members holding a Clearing License for clearing transactions concluded at Eurex Deutschland, Eurex Zürich and FWB - Multi-Currency as well as for clearing of Securities Lending transactions in Swiss securities.

SNB- / SIC Account	
Name of Account Holder	
BIC of Account Holder	

Or optional for FWB - Multi-Currency Clearing Members

6-Series Account	
Name of Account Holder	

- British Pound (GBP)** - information obligatory for Clearing Members holding a Clearing License for clearing transactions concluded at Eurex GBP-products⁷, FWB - Multi-Currency

Name of Payment Bank	
Account No. at the Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	
Sort Code of Payment Bank	

Or:

6-Series Account	
Name of Account Holder	

- U.S. Dollar (USD)** - information obligatory for Clearing Members holding a Clearing License for clearing transactions concluded at Eurex USD-products⁷, FWB - Multi-Currency, Eurex-Bonds USD Products.

Name of Payment Bank	
Account No. at the Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	

Or:

6-Series Account	
Name of Account Holder	

Or optional for Eurex Bonds Clearing Members only:

CBL Account or Euroclear Account	
Name of Account Holder	

⁷ Otherwise, the form "Restriction in Admission to Derivatives Trading" will have to be submitted.

- Swedish Krona (SEK)** - information obligatory for Clearing Members holding a Clearing License for clearing transactions concluded at Eurex Deutschland, Eurex Zürich⁸, FWB - Multi-Currency

6-Series Account	
Name of Account Holder	

⁸ Otherwise, the form "Restriction in Admission to Derivatives Trading" will have to be submitted.

Application for Set-up / Deletion / Change of Securities Accounts and Clearer Cash Accounts



- Danish Krone (DKK)** - information obligatory for Clearing Members taking part in Clearing transactions at Eurex Bonds, which are settled in DKK.

6-Series Account / CBL / Euroclear Account	
Name of Account Holder	

- Australian Dollar (AUD), Kanadian Dollar (CAD), Japanese Yen (JPY)** - information obligatory for Clearing Members holding a Clearing License for clearing transactions concluded at FWB - Multi-Currency (AUD, CAD, JPY).

6-Series Account	
Name of Account Holder	

3.3 Cash Fee Account

Used for debiting CCP transaction and service fees, transaction feed for Eurex as well as technical and cash default payments.

Per default, CCP transaction fees in the trading currencies Swedish Krona (SEK), Japanese Yen (YEN), Canadian Dollar (CAD), Danish Krone (DKK) and Australian Dollar (AUD) are converted into Euro (EUR). Transaction fees resulting from transactions in Swiss Franc (CHF) cannot be converted⁹.

For direct debiting of Eurex transaction fees, for technical and cash default payments and credits in KRW, the account mentioned under 2.2 will be used.

Optionally, also transaction fees in the currencies British Pound (GBP) and U.S. dollar (USD) can be converted into EUR.

- We would like our CCP transaction fees in the currencies GBP and USD to be converted into EUR.

Please note that these settings will take effect on all markets. Should you wish to limit your decision for conversion, please contact your Key Account Manager.

- Euro (EUR)**

RTGS Account / euroSIC Account	
Name of Account Holder	
BIC of Account Holder	
SWIFT address (if other than BIC)	

Or optional for Specific Lender in the Lending CCP:

CBF Account or CBL Account or Euroclear Bank Account	
Name of Account Holder	

- Swiss Franc (CHF)**

Please provide this account by submitting the form "Eurex Clearing AG - Debit Authorisation Transaction Fees, CCP Transactions and Service Fees, and Technical and Cash Default Payments in CHF" which you can find under the following link: <http://www.eurexexchange.com/exchange-en/resources/forms/>

Or optional for Specific Lender in the Lending CCP:

CBF Account or CBL Account or Euroclear Bank Account	
Name of Account Holder	

**Application for Set-up / Deletion / Change
of Securities Accounts and Clearer
Cash Accounts**



British Pound (GBP)

Name of Payment Bank	
Account No. of Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	
Sort Code of Payment Bank	

U.S. dollar (USD)⁹

Name of Payment Bank	
Account No. of Payment Bank	
BIC of Account Holder	
SWIFT Address (if other than BIC)	

Or optional for Specific Lender in the Lending CCP:

CBF Account or CBL Account or Euroclear Bank Account	
Name of Account Holder	

⁹ Should you wish to convert the CCP transaction fees into Swiss Franc (CHF), U.S. dollar (USD) or British Pound (GBP), please contact your Key Account Manager.

Yen (JPY)¹⁰

Name of Payment Bank	
Account No. of Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	

¹⁰ For Clearing Members holding a Clearing License for OTC Clear interest rate derivatives which settle in JPY.

Taiwan Dollar (TWD)

Name of Payment Bank	
Account No. of Payment Bank	
BIC of Account Holder	
SWIFT address (if other than BIC)	

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27 Mai 2014

Date

* Place

Company stamp and authorized signature (name in capital letters)



FX products: Settlement process description

1. Overview

Trading and Clearing of FX futures and options contracts will result in payment instructions on the expiration date every month that will physically settle on a payment vs. payment basis in CLS. The Options are European style so can only be exercised at the expiration date of the option.

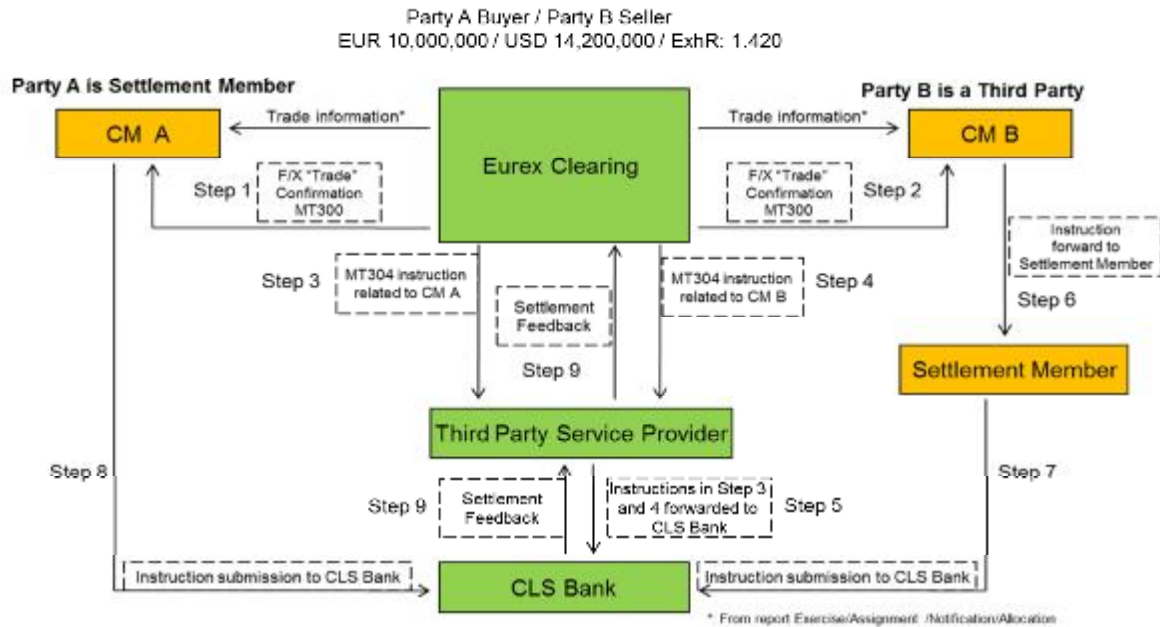
The contracts will go into delivery or can be exercised on third Wednesday of the contract month called expiration date and settled in CLS two days later the expiration date (called settlement day "S"). Any FX futures that have not been closed out or rolled before expiration and FX options that have been exercised and assigned at expiration date will be automatically delivered and exercised on S-2.

Eurex Clearing plans to settle the payment instructions in CLS using the CLS Third party service provider. This means Eurex Clearing will forward its instructions via SWIFT message MT304 to the third party service provider who, after checking the agreed requirements, will forward the instructions to CLS in the morning of S-1. Simultaneously, Eurex Clearing will also be sending the corresponding Clearing Member (CM) instructions to the CM for further processing via Swift message MT300. The CM participating in the clearing of the product group "FX products" will be required to instruct the corresponding instruction into CLS promptly to ensure that Eurex Clearing instructions match with the corresponding CM instructions in CLS by 23:00 CET on S-1. Given only matched instructions can settle in CLS any unmatched instructions will be rejected by 00:00 CET on S-1/S by CLS.

Payment instructions out of the relevant futures and options positions per account will be summarized in the following Eurex reports:

- CE050 "Expiration Payment vs. Payment" (exercised and assigned option positions as well as notified and allocated future positions which will be going in delivery) and
- CE051 "FX Transactions & Instructions" (payment instructions effectively resulting from the CE050 report with appropriate settlement status):
 - summarized on currency rate (final settlement price for futures, strike price for Put/Call options) for each currency pair,
 - consolidated per CM and Non-Clearing Member (NCM).

Settlement process – message flow



Step 1: Eurex Clearing will send F/X "Trade" Confirmations - MT300 messages to CM A, who is a Settlement Member at CLS. These messages will be in line with corresponding Eurex report RPTCE051.

Step 2: Eurex Clearing will send F/X "Trade" Confirmations - MT300 messages to CM B, who is a third party in CLS and will be using a Settlement Member as a third-party service provider. These messages will be in line with the corresponding Eurex report RPTCE051.

Step 3: Eurex Clearing will send MT304 messages to its third-party service provider, who is a Settlement Member at CLS, as settlement instructions for CM A as the counterparty.

Step 4: Eurex Clearing will send MT304 messages to its third-party service provider, who is a Settlement Member at CLS as settlement instructions for CM B as the other counterparty.

Step 5: The third-party service provider will forward instructions received from Eurex Clearing to CLS.

Step 6: The CM B will forward the instruction to the Settlement Member for forwarding to CLS

Step 7: The Settlement Member of CM B will instruct the corresponding instructions into CLS to match them with Eurex Clearing's instructions.

Step 8: The CM A will instruct the corresponding instructions to CLS to match them with Eurex Clearing's instructions.

Step 9: The third-party service provider confirms the completion of the CLS settlement cycle. Once confirmation received, Eurex Clearing releases the margins held and the collateral pledged for the related FX futures and options positions.

Steps 1 to 4 are performed overnight between the last trading day and S-1 (value date -1). Step 5 is performed early on S-1. Step 6 to 8 must be performed on S-1 by 23:00 CET the latest. Any instructions unmatched by midnight are rejected by CLS. Step 9 is performed on S (value date) after the CLS batch, at approx. 09:30 CET.

2. Pre-requisite for trading of FX futures and options

Eurex Clearing requires all interested CMs to have CLS connectivity in place. This can be achieved either by an own CLS Settlement Membership or through a CLS third-party service provider.

Without this infrastructure, CMs and their associated NCMs are not allowed to trade FX products.

3. SWIFT message structure

Below is a sample of an **MT300** SWIFT message instruction sent to a CM by Eurex Clearing. The CM is also a Settlement Member in CLS. In this example, the CM bought Euro and sold U.S. dollar (EURUDS):

Swift Sender: Eurex Clearing	{1:F01EUXCDEFZAXXX000000000}
Swift Receiver: Eurex Clearing Member	{2:I300CLRTDEFFXXXXN}{4:
:15A: New Sequence	:15A:
:20: Sender Reference	:20:TESTXXX52657194
:21: Related Reference	:21:TESTXXX52657194
:22A: Type of Operation	:22A:NEWT
:94A: Scope of Operation	:94A:AGNT
:22C: Common Reference	:22C:CLRTFF0131EUXCFZ
:82A: Party A	:82A:EUXCDEFZXXX
:87A: Party B	:87A:CLRTDEFFXXX
:15B: New Sequence	:15B:
:30T: Trade Date	:30T:20130816
:30V: Value Date	:30V:20130818
:36: Exchange Rate	:36:1,31
:32B: Currency & Amount – Bought	:32B:EUR10000000,
:56A: Intermediary	:56A:CLSBUS33XXX
:57A: Receiving Agent	:57A:XXXXXXXXXXXX ¹
:33B: Currency & Amount – Sold	:33B:USD13100000,
:57A: Receiving Agent	:57A:CLSBUS33XXX

Below is a sample of the corresponding **MT304** SWIFT message instruction sent by Eurex Clearing to its third-party service provider. In this example, the CM bought Euro and sold U.S. dollar (EURUDS):

Swift Sender: Eurex Clearing	{1:F01EUXCDEFZAXXX0198000673}
Swift Receiver: CLS Service Provider	{2:I304XXXXXXXXXXXX}{4:
:15: New Sequence	:15A:
:20: Sender Reference	:20:TESTXXX52657159
:21: Related Reference	:21:TESTXXX52657159
:22A: Type of Operation	:22A:NEWT
:94A: Scope of Operation	:94A:ASET
:83D: Fund	:83D:NA
:82A: Fund Manager	:82A:EUXCDEFZXXX
:87A: Executing Broker	:87A:CLRTDEFFXXX
:15B: New Sequence	:15B:
:30T: Trade Date	:30T:20130816
:30V: Value Date	:30V:20130818
:36: Exchange Rate	:36:1,31
:32B: Currency & Amount – Bought	:32B:USD13100000,
:53A: Delivery Agent	:53A:CLRTDEFFXXX
:56A: Intermediary	:56A:CLSBUS33XXX
:57A: Receiving Agent	:57A:XXXXXXXXXXXX
:33B: Currency & Amount – Sold	:33B:EUR10000000,
:57A: Receiving Agent	:57A:CLSBUS33XXX
:72: Sender to Receiver Information	:72:/BNF/ //OPTIONS (FUTURES)

¹ Refers to CLS Third party provider BIC. This will be provided in due course



Below is a sample of an **MT300** SWIFT message instruction sent to a CM which is not a Settlement Member at CLS itself, but uses a third-party service provider for its CLS business. In this example, the CM bought Euro and sold U.S. dollar (EURUDS):

Swift Sender: Eurex Clearing	{1:F01EUXCDEFZAXXX000000000}
Swift Receiver: Eurex Clearing Member	{2:I300ABCIDEFFXXXXN}{4:
:15A: New Sequence	:15A:
:20: Sender Reference	:20:TESTXXX52657345
:21: Related Reference	:21:TESTXXX52657345
:22A: Type of Operation	:22A:NEWT
:94A: Scope of Operation	:94A:AGNT
:22C: Common Reference	:22C:ABCIFF0131EUXCFZ
:82A: Party A	:82A:EUXCDEFZXXX
:87A: Party B	:87A:ABCIDEFFXXX
:15B: New Sequence	:15B:
:30T: Trade Date	:30T:20130816
:30V: Value Date	:30V:20130818
:36: Exchange Rate	:36:1,31
:32B: Currency & Amount – Bought	:32B:USD13100000,
:56A: Intermediary	:56A:CLSBUS33XXX
:57A: Receiving Agent	:57A:XXXXXXXXXXXX
:33B: Currency & Amount – Sold	:33B:EUR10000000,
:56A: Intermediary	:56A:CLSBUS33XXX
:57A: Receiving Agent	:57A:COMMDEFFXXX

Below is the corresponding counterparty **MT304** from Eurex Clearing to its third-party service provider. In this example, the CM sold Euro and bought U.S. dollar (EURUDS):

Swift Sender: Eurex Clearing	{1:F01EUXCDEFZAXXX0198000673}
Swift Receiver: CLS Service Provider	{2:I304XXXXXXXXXXXX}{4:
:15: New Sequence	:15A:
:20: Sender Reference	:20:TESTXXX52657321
:21: Related Reference	:21:TESTXXX52657321
:22A: Type of Operation	:22A:NEWT
:94A: Scope of Operation	:94A:ASET
:83D: Fund	:83D:NA
:82A: Fund Manager	:82A:EUXCDEFZXXX
:87A: Executing Broker	:87A:ABCIDEFFXXX
:15B: New Sequence	:15B:
:30T: Trade Date	:30T:20130816
:30V: Value Date	:30V:20130818
:36: Exchange Rate	:36:1,31
:32B: Currency & Amount – Bought	:32B:EUR10000000,
:53A: Delivery Agent	:53A:COMMDEFFXXX
:56A: Intermediary	:56A:CLSBUS33XXX
:57A: Receiving Agent	:57A:XXXXXXXXXXXX
:33B: Currency & Amount – Sold	:33B:USD13100000,
:56A: Intermediary	:56A:CLSBUS33XXX
:57A: Receiving Agent	:57A:COMMDEFFXXX
:72:Sender to Receiver Information	:72:/BNF/ //OPTIONS (FUTURES)

4. Settlement Amount Limit

4.1 Process

The following limits are being imposed at CM level on the settlement exposure due for settlement from FX futures and Options contracts on S in CLS in order to manage the liquidity exposure of the Third party service provider. Settlement exposure is calculated by taking into consideration aggregate short positions in the front month contracts across all currencies converted in euros for the respective CM

§ Limit 1 of EUR 500 million per CM enforceable 6 days before settlement (4 days prior to expiry)

If a CM has an overall settlement exposure above the limit 1, the CM will be contacted by Eurex Clearing to ensure that CM starts managing the exposure

§ Limit 2 of EUR 700 million per CM enforceable 4 days before settlement (2 days prior to expiry)

If a CM has an overall settlement exposure above the limit 2, the CM's is obliged to reduce the settlement exposure. In case the CM not able to reduce the exposure below to the limit, Eurex Clearing will close positions of the CM. In such a case, the respective CM will be requested by Eurex Clearing to specify a Eurex user ID which can be used by the Eurex Clearing to address the excess to the settlement amount limit. Any cost/losses incurred as a result of the close out would be assigned to the impacted CM.

The impacted CM will not be allowed to increase the settlement amount above the limit for the particular expiry until the expiration date i.e. S-2. Any new trades done exceeding the limit will be closed out as per above.

4.2 Report for managing the Settlement Amount Limit

§ A new daily overnight report, CE055 – FX Settlement Limit report, will show the projected settlement amount and if there is a breach of the limit, the excess amount above the limit will be shown

5. Late delivery handling

5.1 Introduction

Eurex Clearing intends to settle all payment instructions in CLS but due to reasons below if a CM payment instruction fails to settle in CLS, Eurex Clearing will settle the failed instructions using its payment bank infrastructure on a non payment vs payment basis (i.e. the debit instructions need to be met first before credit instructions can be released).

The reasons for failure to settle in CLS could be –

- Unmatched instructions in CLS by 23:00 CET on S-1. If a CM directly or indirectly fails to input its side of instruction into CLS, this will result in unmatched instructions in CLS
- Insufficient funding by the CM in CLS. If a CM as a Settlement Member or the relevant third party provider if a third party in CLS is unable to provide the required funding, the instructions may not settle in CLS

5.2 Settlement using the payment bank infrastructure

The failed instructions in CLS related to the CM will be netted and settled using Eurex Clearing's payment bank infrastructure. The entities that are part of the payment infrastructure are described below –

EUR	CHF	USD	GBP
Target2	SNB	Bank of America	Barclays plc
EuroSic	CHF SIC Account	Citibank N.A.	Citibank N.A. (London Branch)
		Deutsche Bank Trust Company Americas (DBTCA)	Deutsche Bank AG (London Branch)
		HSBC Bank USA N.A.	JP Morgan Chase N.A.
		JP Morgan Chase N.A.	HSBC Bank plc
		Bank of New York Mellon	Royal Bank of Scotland plc

Based on the net payment instructions, the debit instructions related to the outstanding amounts will be sent to the payment accounts used by the CM. The CM is required to meet the debit instruction by 10:00 CET on S. Once all the debit instructions have been met, the credit instructions will be released by Eurex Clearing.

If the debit instruction is not met by 10:00 CET on S but no CM default has occurred, then Eurex Clearing will act on the same day market to buy the respective currency amount. If Eurex Clearing is not able to act on the same day market for any reason, then the Third Party Service Provider will conduct the respective transactions. Any costs that are incurred by the same day market transaction(s) are covered by the CM that was unable to settle the instructions in CLS and via the payment bank infrastructure.

6. Default handling

There are two scenarios for a CM default as described below –

Scenario 1 - *Default Handling of Derivative Positions*

In case the CM default occurs by the last trading day, the general 'default handling of derivative positions' of Eurex Clearing applies. Once the insolvency proceedings have been opened, all derivative positions of a defaulting CM will be set to close-out netting (in relation to the chosen segregation model).

Scenario 2 - *Default Handling of Pending Deliveries*

If the CM default occurs after midnight on S-1, the 'default handling of pending deliveries' will apply. The settlement instructions matched within CLS cannot be rescinded and will settle in CLS. In such a scenario, Eurex Clearing will step into the delivery process to guarantee delivery of the non-failing member and the defaulting member will be closed-out in line with Eurex Clearing's existing procedures.

Eurex Clearing will act on the same day market to buy the respective currency amount. If Eurex Clearing is not able to act on the same day market for any reason, then the Third Party Service Provider will conduct the respective transactions. Any costs that are incurred by the same day market transaction are covered by Eurex Clearing's lines of defense.

7. Risk

The Risk Based Margining method (RBM) is applied, i. e. one margin class is set up for each currency pair. The FX products will be integrated into Prisma at a later stage.

Products	Yesterday to Today		Today to Tomorrow	
	Premium Margin	Variation Margin	Additional Margin	Futures Spread Margin
FX Options	✓		✓	
FX Futures		✓	for Non-Spreads ✓	for Spreads ✓

For the option pricing model Garman Kohlhagen (Black 76) is used. Margin parameters (MP) are based on an EWMA (Exponentially-Weighted Moving Average) volatility (30 or 250 days) and on a liquidity factor:

- Holding Period 2 days,
- $MP = \text{Volatility}_{EWMA\ 30d\ \text{or}\ 250d} \times \text{Risk Factor} \times \text{Liquidity Factor}$,
- The minimum margin parameter is set at 3.5 percent for non-CHF pairs and 5.5 percent for CHF pairs.

Minimum MP	EURUSD	GBPUSD	USDCHF	EURGBP	EURCHF	GBPCHF
MP [%]	3.5	3.5	5.5	3.5	5.5	5.5

Margin offsets are granted by margin class, i.e. for futures and options on the same currency pairs whereas they are not granted by margin group, i.e. for futures and options on different currency pairs (inherent risks in the settlement procedure). FX products are included in the Standard Clearing Fund. The margin requirement is valid until final settlement of the physical delivery (T+2). After expiration, only the additional margin is required.