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e u r e x c l e a r i n g *circular 126/13*

Date: 4 November 2013
Recipients: All Clearing Members, Non-Clearing Members and Registered Customers of Eurex Clearing AG
Authorized by: Heike Eckert

High priority

Client Asset Protection: Amendments to the Elementary Clearing Model (ECM) – Additional information for the setup in production and/or simulation

Related Eurex Clearing circular: 118/13

Contact: Member Services & Admission, T +49-69-211-1 17 00, memberservices@eurexclearing.com

Content may be most important for:	**Attachments:**
Ü All departments	1. Sample Report CD043 "ECM: Value Based Alloc. Method" 2. Application for Set-up/Deletion/Change of Securities Accounts and Clearer Cash Collateral Accounts for the Elementary Clearing Model (Asset Based) (for simulation and production) 3. Information Schedule

Summary:

As announced in Eurex Clearing circular 118/13, Eurex Clearing will introduce amendments to the Elementary Clearing Model (ECM) on **16 December 2013**. Clearing Members will then be able to distinguish the assets (collateral) and positions held for the account of their clients (omnibus client segregation) from their own collateral and positions within the ECM using either a value based allocation or asset based allocation method.

With this circular, Eurex Clearing provides detailed information on the member simulation, the new end-of-day (EOD) report CD043 including a sample report and the customer roadmap for participation in production.

The timeline for the amendments to the ECM is as follows:

Start of simulation:	**4 November 2013**
Introduction date:	**16 December 2013**

For any questions you may have regarding amendments to the ECM please contact our Member Services & Admission team at tel. +49-69-211-1 17 00 or e-mail: memberservices@eurexclearing.com.

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Client Asset Protection: Amendments to the Elementary Clearing Model (ECM) – Additional information for the setup in production and/or simulation

As announced in the Eurex Clearing circular 118/13, Eurex Clearing will introduce amendments to the Elementary Clearing Model (ECM) on 16 December 2013. Clearing Members will then be able to distinguish the assets (collateral) and positions held for the account of their clients (omnibus client segregation) from their own collateral and positions within the ECM using either a value based allocation or asset based allocation method.

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Start of simulation:	**4 November 2013**
Introduction date:	**16 December 2013**

Member simulation

The member simulation starts on 4 November 2013 and is part of the regular permanent Eurex Simulation environment.

Clearing Members who wish to test the ECM for the value based allocation method can use their existing access to the permanent Eurex Simulation environment. No additional set-up activities are required. All simulation scenarios on the Clearing Member's side will result in changes to report CD043 "ECM: Value Based Alloc. Method". Report CD042 "Daily Settlement Statement" will remain unchanged. Both reports will be distributed to the Common Report Engine according to the regular simulation calendar, i.e. will be available after the batch for the simulation business day 5 November 2013.

Clearing Members who wish to test the ECM for the asset based allocation method need to request a separate pledged securities account set-up in the Eurex Simulation environment by using the attached form "Application for Set-up/Deletion/Change of Securities Accounts and Clearer Cash Collateral Accounts for the Elementary Clearing Model (Asset Based)". A dedicated tick box for simulation is included in the form. The new pledged securities account will be shown in report CD042 and labelled "CLIENTECM". All simulation scenarios will then result in changes to report CD042. Report CD043 will be provided as well but is not relevant for Clearing Members using the asset based allocation method.

Both reports will be distributed to the Common Report Engine according to the regular simulation calendar.

Please be aware that once a Clearing Member has been set up for the asset based allocation method any test cases will not be reflected in report CD043.

The form mentioned above can also be downloaded from the Eurex Clearing website www.eurexclearing.com under the following link:

Resources > Forms

For simulation support to set up the additional pledged securities account please contact our Member Services & Admission team at tel. +49-69-211-1 17 00 or e-mail: memberservices@eurexclearing.com.

New report CD043 “ECM: Value Based Alloc. Method”

This end-of-day report shows the allocation between a Clearing Member’s proprietary collateral (Elementary Proprietary) and the client's collateral (Elementary Omnibus) under the value based allocation method. It lists the margin requirement of the Clearing Member (column “Mrg Req Prop ECM + Shortfall ICM/NOCM”) separately from the margin requirement for the client business (column “Mrg Req Client ECM”). Additionally, it shows the current collateral allocation for the Clearing Member (column “Collateral Prop ECM”) and for clients (column “Collateral Client ECM”) as of the end of the respective business day.

Attached to this circular is a sample of the new report CD043 in TXT and XML format which shows the report’s structure.

For detailed information on the XML structure of the report, please refer to the “Eurex XML Reports – Reference Manual” which can be downloaded from the Eurex Clearing website www.eurexclearing.com under the following link:

Technology > Eurex Release 14.0 > System documentation > Manuals > Technical Manuals

Clearing Members using the asset based allocation method of ECM will also receive report CD043 displaying the value of collateral for proprietary transactions only. All other values will be zero as a value segregation for client transactions does not apply. Details on the segregated client collateral will be provided via report CD042 where the new pledged securities account will be shown. This report is available for Clearing Members only.

Customer Roadmap for production readiness

This section lists the necessary steps for the implementation of amendments to the ECM in production.

1. Clearing Members using the value based allocation method

Clearing Members who would like to participate in the ECM using the value based allocation method are not required to take any actions. On the effective date 16 December 2013 the value based allocation method will be applied per default to all Clearing Members who have not opted for the asset based allocation method.

Segregation of client collateral (for clients’ transactions/positions; Elementary Omnibus Transactions) from the Clearing Member’s proprietary collateral is done automatically on clearing house level. The allocation is based on the margin requirements for proprietary and client positions. Any excess collateral remains assigned to the Clearing Member’s proprietary collateral.

Clearing Members will be able to monitor the allocation via the new report CD043 available via the Common Report Engine.

2. Clearing Members using the asset based allocation method

Clearing Members do not have to migrate to the asset based allocation method by 16 December 2013, but may opt for this method at any time after 16 December 2013. In order to participate in the ECM using the asset based allocation method, Clearing Members need to perform the following set-up activities:

- Step 1: Contact the central securities depository (CSD) and apply for a new pledged securities account;
- Step 2: Specify the account details from step 1 to Eurex Clearing by completing the form „Application for Set-up/Deletion/Change of Securities Accounts and Clearer Cash Collateral Accounts for the Elementary Clearing Model (Asset Based)”;

- Step 3: Select the asset based allocation method by ticking the box “The Asset Based Allocation shall apply” in Part 3 Number 2.1 of the form „Clearing Agreement between Eurex Clearing AG and a Clearing Member” (Appendix 1 to the Clearing Conditions). In addition, the Clearing Member can select in Part 3 Number 2.2 of this agreement to exclude set-off with respect to the Elementary Omnibus Standard Agreement and to exclude coverage of Elementary Omnibus Margin shortfalls through Elementary Proprietary Margin (end-of-day).

Clearing Members who would like to migrate to the asset based allocation method must submit completed admission documents mentioned in step 2 and 3 to Eurex Clearing. They will be contacted by Eurex Clearing to agree on an individual target date for the migration as well as further details of the approach.

By the end of the migration day bilaterally agreed between the Clearing Member and Eurex Clearing, all client collateral in ECM will be booked to the new pledged securities account (Elementary Omnibus Pledged Securities Account). The collateral in the Elementary Omnibus Pledged Securities Account is reported to the Clearing Member in the EOD report CD042 and is labelled “CLIENTECM”.

Amendments to the Clearing Conditions

With Eurex Clearing circular 118/13, the preliminary amendments to the Clearing Conditions, based on the version effective 15 July 2013 have been published. The final version of the amendments for the ECM will be published in a separate Eurex Clearing circular planned for the end of November 2013.

Overview of published documents

An overview of documents which will be published or updated in connection with the introduction of the enhanced ECM can be found in the document “Amended Elementary Clearing Model - Information Schedule“, which is attached to this circular. The document can also be downloaded from the Member Section of the Eurex Clearing website www.eurexclearing.com under the following path:

Member Section > Clearing Resources > Documentation > Client Asset Protection > Manuals > Functional Manuals - ECM

For any questions you may have or any further information you require regarding amendments to the ECM or the Client Asset Protection Service, please contact our Member Services & Admission team at tel. +49-69-211-1 17 00 or e-mail: memberservices@eurexclearing.com.

4 November 2013

Amended Elementary Clearing Model - Information Schedule	Documents available at https://member.eurexclearing.com Clearing Resources > Client Asset Protection	Q IV / 2013		
		10/2013	11/2013	12/2013
Announcement of Elementary Clearing Model Update	--			
Eurex Clearing Conditions - Preliminary Version Amendments to ECM	--			
Admission Form - Preliminary Version for Simulation	Functional Manuals - ECM			
Eurex XML Reports - Reference Manual - Updated Version	--			
Sample Report CD043 ECM: Value Based Alloc. Method	Sample Reports			
Admission Form - Final Version for Simulation and Production	--			
Simulation Period	--		Permanent Simulation	
Eurex Clearing Conditions - Updated Version Amendments to ECM	--			
Launch of amendments to the Elementary Clearing Model	--			✡