clear to trade

eurex clearing *circular 013/11*

Date: February 15, 2011
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Thomas Book

Change of Clearing Conditions in Connection with Risk Protection Enhancement

Related Eurex Circular: 205/10

Contact: Risk Design, RiskDesign@eurexclearing.com

Content may be most important for:	**Attachment:**
➲ All departments	Updated sections of Clearing Conditions for Eurex Clearing AG

Eurex circular 205/10 dated from October 20, 2010 informed on several changes to legal documents of the Eurex Exchanges and Eurex Clearing AG in the context of Eurex Release 13.0. Unfortunately, one of the attachments to the circular was not sent as part of the circular. The attachment in question documents changes to the Clearing Conditions for Eurex Clearing AG in connection with the topic ”Enhancement to Risk Protection” with effective date November 8, 2010. Please find this attachment now attached to this circular.

Eurex Clearing AG apologises for any inconvenience.

Eurex Clearing AG
Mergenthalerallee 61
65760 Eschborn
Mailing address:
60485 Frankfurt/Main
Germany

T +49-69-211-1 17 00
F +49-69-211-1 17 01
customer.support@
eurexchange.com
Internet:
www.eurexclearing.com

Chairman of the
Supervisory Board:
Prof. Dr. Peter Gomez

Executive Board:
Andreas Preuss (CEO),
Jürg Spillmann, Thomas Book,
Gary Katz, Michael Peters,
Peter Reitz

Aktiengesellschaft mit
Sitz in Frankfurt/Main
HRB Nr. 44828
Amtsgericht
Frankfurt/Main

****

CHANGES ARE MARKED AS FOLLOWS:

AMENDMENTS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

****

[...]

Chapter I General Provisions

[...]

Part 9
Legal Relationships between Eurex Clearing AG, Clearing Members and with Link Clearing Houses as well as their Clearing Members

[...]

9.2 Rights and Obligations of Clearing Members of Eurex Clearing AG

[...]

9.2.3 Other Agreements between ~~Banks with a Clearing License pursuant to Chapter I Number 2.1 Paragraph 1 item a or item f ("~~Clearing Members~~")~~ and Non-Clearing ~~Members with regard to the Clearing of Eurex Transactions or EEX Transactions~~

(1) Clearing Member may conclude with Non-Clearing Members with whom they have entered into a NCM-CM Clearing Agreement (Annex to the Clearing Conditions) concerning the execution of the clearing of Eurex Transactions and EEX Transactions (hereinafter jointly referred to as "Transactions"), one or several other arrangements ("Conditions"). ~~Provided that Clearing Members have agreed upon such Conditions with their Non-Clearing Members for execution of the clearing of the transactions of their Non-Clearing Members, the Clearing Member herewith declares that, in case of non-fulfilment of these Conditions by the respective Non-Clearing Member pursuant the following regulations, it is no longer willing to further execute the settlement of Eurex transactions and/or EEX transactions (hereinafter jointly referred to as "transactions") of the concerned Non-Clearing Member~~.

(2) ~~In order to guarantee the fulfilment of the obligations determined between them in connection with the participation in the clearing procedure for Transactions within the meaning of Paragraph 1, Clearing Members may agree with their Non-Clearing Members upon such obligations regulated in Number 9.2.3.1 and 9.2.3.2.~~ An agreement ~~upon such~~with respect to obligations as referred to in Number 9.2.3.1 and Number 9.2.3.2 requires that the orders and quotes to be executed at the Markets or the Transactions of the respective Non-Clearing Members shall initially be verified by means of the system with regard to the fulfilment of fixed Pre-Trade-Limits (Number 9.2.3.1) and other agreed conditions (Number 9.2.3.2). Only in case of fulfilment of these conditions, the orders and quotes of the Non-Clearing Members shall be matched with other orders or quotes ("Matching") or their Transactions shall be included in the clearing by Eurex Clearing AG.

(3) In case orders or quotes of a Non-Clearing Member, which shall be or have already been entered in the system, would lead to or constitute a violation of agreed conditions within the meaning of Number 9.2.3.1 or 9.2.3.2, the respective Market or the Markets shall, parallel to such an entry in the system, preliminarily exclude the concerned Non-Clearing Member under the following provisions from trading at the respective Market or Markets or restrict it to trading of specific products. Provided that the entry of a Transaction via the OTC Trade Entry Facility would lead to a violation of agreed conditions pursuant to Number 9.2.3.1 or 9.2.3.2, the authorization of the Non-Clearing Member to have this Transaction executed by Eurex Clearing AG shall immediately be omitted.

9.2.3.1 Limitation of Orders or Quotes („Pre-Trade Limits")

(1) ~~A condition~~Conditions within the meaning of Number 9.2.3 ~~shall~~are, in particular, ~~be~~ the agreements concluded between a Clearing Member and a Non-Clearing Member of the Markets on the limitation of orders, quotes or Transactions which may ~~not~~ be entered into the system by the Non-Clearing Member or the Clearing Member ("Pre-Trade Limits").

(2) Pre-Trade Limits may include several restrictions or a combination thereof listed in the following:

a. 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:

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

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

- maximum number of contracts per transaction concluded off-exchange, related to specific products („Maximum Wholesale Quantity").

~~b.Maximum number of orders and quotes ("Maximum Number of Transactions") within a certain period ("Time Interval"), with regard to a product and onto an internal position account (Principal, Agent and M-position Accounts);~~

~~c.Maximum number of contracts of all orders and quotes ("Maximum Transaction Quantity") within a certain period („Time Interval"), with regard to a product and onto an internal position account (Principal, Agent and M-position Accounts);~~

~~Maximum number of contracts of all orders and quotes, with regard to a product and onto an internal position account (Principal, Agent and M-position Accounts), which have already been entered into the system of the Eurex Exchanges, thereby differentiating between buy- or sell orders ("Order Book Limits for Working Orders")~~

b. maximum amount relating to the margin collateral or specified parts of the margin collateral, to which the Clearing Member is obliged vis-à-vis Eurex Clearing AG as a result of the conclusion of trades for the Non-Clearing Member.

(3) Upon request of the Clearing Members commissioned by the Non-Clearing Members, the latter are obligated to agree with such Clearing Members upon Pre-Trade Limits ~~and their quantity with regard to a product~~. In this case, Clearing Members or Non-Clearing Members may deposit the Pre-Trade Limits agreed upon ~~with their respective Non-Clearing Members~~ in the system.

9.2.3.2 Other Conditions („Stop-Button")

(1) Upon request by the Clearing Members commissioned by the Non-Clearing Members, and in order to guarantee the clearing process within the meaning of Number 9.2.3 along with the limitation of orders and quotes ("Pre-Trade Limits") regulated in Number 9.2.3.1, the Non-Clearing Members are obligated to agree on additional ~~conditions~~ obligations of the Non-Clearing Member vis-à-vis the Clearing Member as referred to in Number 9.2.3 or additional restrictions with respect to the enter or the execution of orders or quotes as well as the use of the OTC Trade Entry Facility ("Other Conditions").

(2) Provided that such Other Conditions agreed upon with a Clearing Member are not fulfilled by the Non-Clearing Member or the duties of a Non-Clearing Member named in Number 9.2.2 Paragraph 1 and 2 are not fulfilled in due time, the

respective Clearing Member may, by an according entry in the Eurex system ("Stop Button") declare vis-à-vis the Markets and Eurex Clearing AG that it is no longer willing to execute the clearing of transactions concluded at these Markets and of Transactions concluded off-exchange of the concerned Non-Clearing Member. By way of such a system entry ("Stop Button"), the Clearing Member at the same time applies vis-à-vis the Markets and Eurex Clearing AG that the respective Non-Clearing Member shall be excluded from trading at the Eurex Exchanges for the term of non-fulfillment of its above-mentioned duties and that the authorization of participation in the clearing of transactions via the OTC Trade Entry Facility in the system revoked.

(3) Clearing Members may agree with their respective Non-Clearing Members that in the event of exceeding certain values which are pre-agreed in accordance with this Number as Other Conditions, the Non-Clearing Member is restricted to enter and execute orders or quotes and to use the OTC Trade Entry Facility, for the period of such exceedance, and that existing orders or quotes are being cancelled in the system. Subject to this paragraph (3), only those values may be agreed on which may be entered into the system. By way of system-entry, the Clearing Member or the Non-Clearing Member declares that an agreement has been concluded in accordance with this paragraph (3).

9.2.3.3 Non-Fulfilment of Conditions

Provided that Non-Clearing Members agree with their respective Clearing Members upon one or several conditions within the meaning of Number 9.2.3.1 or 9.2.3.2 paragraph (1), and the Non-Clearing Member (a) has breached conditions as referred to in Number 3.3.4.1 or (b) has breached conditions as referred to in Number 3.3.4.2 paragraph (1) and the Clearing Member has made an entry in the Eurex system in accordance with Number 9.2.3.2 paragraph (2) ("Stop Button"), the Clearing Member declares that it is no longer willing to further execute the settlement of Transactions of the concerned Non-Clearing Member. The Management Boards of the Markets and Eurex Clearing AG shall decide on the consequences of a non-fulfilment of conditions by a Non-Clearing Member ~~upon an according electronic declaration of the respective Clearing Member~~ pursuant to the following regulations.

9.2.3.3.1 Exceedance of Pre-Trade Limits

(1) If, upon verification of the compliance with the Pre-Trade Limits deposited in the system of the respective Market by a Clearing Member for a Non-Clearing Member on a business day (Number 9.2.3.1), it turns out that the execution of orders, quotes entered into the system or the entry of Transactions of a Non-Clearing Member via OTC Trade Entry Facilities in the system, exceed the agreed Pre-Trade

Limits, the Clearing Member, as a consequence, is no longer willing to execute the clearing of further transactions of its respective Non-Clearing Member.

(2) In case a Clearing Member is not willing to execute the clearing of Eurex Transactions of a Non-Clearing Member according to Paragraph 1, the Markets shall – immediately and for a respective period - order the suspension of the trading admission of the concerned Non-Clearing Member to trading in specific products with regard to a specific position account pursuant to Number 9.2.3.3.3 (Suspension of Exchange Admission). In addition, the system of the Eurex Exchanges guarantees that a transfer of orders or quotes of the concerned Non-Clearing Member in the order books of the Markets and, as a result, their matching with other orders or quotes, are prevented. Orders or quotes of the concerned Non-Clearing Member already existing in the order books of the Markets shall ~~neither~~ be deleted ~~nor shall their matching with other orders and quotes be prevented~~.

(3) If, due to non-fulfilment of Pre-Trade Limits pursuant to Paragraph 1, a Clearing Member is not willing to execute the clearing of Transactions, the authorization to have Transactions concluded off-exchange cleared by Eurex Clearing AG via usage of the OTC Trade Entry Facilities for the concerned Non-Clearing Member shall immediately be omitted. At the same time, the authorization to use the OTC Trade Entry Facility of the Markets and Eurex Clearing AG is revoked, to such extent as this would result in a non-fulfilment of the conditions agreed upon between Non-Clearing Member and Clearing Member. In addition, the Eurex system prevents that the respective Transactions can be entered into the system and be included in the clearing.

[...]