clear to trade

e u r e x c l e a r i n g *circular 153/13*

Date: 18 December 2013
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Heike Eckert

Client Asset Protection: Collateral management enhanced by "Late Withdrawal of Cash Collateral" feature for pre-funded clients segregated under the Individual Clearing Model

Contact: Member Services & Admission, T +49-69-211-1 17 00, memberservices@eurexclearing.com
Derivatives Clearing Supervision, T +49-69-211-1 12 50, clearing@eurexclearing.com

Content may be most important for:

Ü All departments

Attachments:

1. Application for Client Asset Protection for Set-up/ Deletion/Change of Securities and Cash Accounts for Collateral for individual segregated NCMs/RCs
2. Fax form: Late Withdrawal of Cash Collateral

Summary:

In order to increase efficient allocation of cash collateral in the context of the Individual Clearing Model (ICM), Clearing Members will be allowed to withdraw cash collateral from Eurex Clearing up to the amount used to pre-fund overnight margin calls for ICM-segregated clients by the Clearing Member for an extended time period. This service focuses on Clearing Members offering ICM segregation to their clients.

The service is available with immediate effect in production. Using the permanent simulation environment, the service can be tested upfront.

Client Asset Protection: Collateral management features enhanced by "Late Withdrawal of Cash Collateral" for pre-funded clients segregated under the Individual Clearing Model

In order to increase efficient allocation of cash collateral in the context of the Individual Clearing Model (ICM), Clearing Members will be allowed to withdraw cash collateral from Eurex Clearing up to the amount used to pre-fund overnight margin calls for ICM segregated clients by the Clearing Member for an extended time period. This service focuses on Clearing Members offering ICM segregation to their clients.

The service is available with immediate effect in production. Using the permanent simulation environment, the service can be tested upfront.

Functional changes and enhancements

Eurex Clearing offers to extend the cut-off times to withdraw clearing currency cash collateral of a Clearing Member offering the ICM for its clients. This optional service avoids double funding of a Clearing Member in case an ICM client covers its own margin requirement after the general cut-off time for cash collateral withdrawal at 09:30 CET.

Clearing Members intending to use the new service are required to designate the ICM-segregated collateral pools that are considered for a late withdrawal of cash collateral using the attached form "Application for Client Asset Protection for Set-up/Deletion/Change of Securities and Cash Accounts for Collateral for individual segregated NCMs/RCs", which is also available on the Eurex Clearing website www.eurexclearing.com under the following link:

Resources > Forms > Client Asset Protection

For the designated ICM pools Eurex Clearing aggregates the shortfall amounts in the Clearing Member's clearing currency (Reservation Amount) within the end-of-day processing and reports the Reservation Amount via the new report CD235. The Reservation Amount is the maximum available cash amount for a late withdrawal until at 13:30 CET for Swiss francs (CHF) and 14:30 CET for euro (EUR) on the next day, provided the following prerequisites are met:

- Sufficient remaining collateral to cover the Clearing Member's margin requirement,
- Sufficient available cash amount in the requested currency,
- Sufficient calculated cash amount (Reservation Amount) for the late withdrawal.

In case CHF and EUR are sufficiently available for a late cash withdrawal, Eurex Clearing reserves the Clearing Member's clearing currency first and may top up with the other currency. Other currencies than CHF and EUR are not part of this service.

The reserved cash amount is excluded from interest calculation on cash investments.

Example: Calculation of the Reservation Amount

A Clearing Member has three ICM-segregated clients. At the end of the day, NCM1/RC1 has a shortfall of EUR 10, NCM2/RC2 has no shortfall and NCM3/RC3 has a shortfall of EUR 2. Together with the shortfall of EUR 15 for the Clearing Member's proprietary and Elementary Clearing Model (ECM) client collateral pools, an end-of-day margin call for the total shortfall of EUR 27 would be initiated.

Eurex Clearing calculates the aggregated shortfalls as a Reservation Amount of EUR 12.

	Prop and ECM client accounts	ICM-segregated NCM 1/RC 1	ICM-segregated NCM 2/RC 2	ICM-segregated NCM 3/RC 3
Daily Margin Requirement	EUR 95	EUR 50	EUR 20	EUR 30
Securities Collateral	EUR 80	EUR 40	EUR 25	EUR 28
Daily Shortfall	EUR 15	EUR 10	EUR 0	EUR 2

Total shortfall EUR 27 (covered by cash collateral in the proprietary account)
Pre-funded cash collateral for ICM-segregated clients: EUR 12 = Reservation Amount

Calculation of the Late Withdrawal Amount

At 09:30 CET, Eurex Clearing checks the cash amount in CHF and EUR available for late withdrawal by calculating the cash balances in CHF and EUR. The available cash balances in CHF and EUR are the basis for calculation of the Late Withdrawal Amount which is at maximum the Reservation Amount. In above example, the cash balance of EUR 27 is sufficient. Therefore, the Clearing Member can request a Withdrawal Amount of EUR 12, provided NCM1/RC1 and NCM3/RC3 deposit additional collateral in their segregated collateral pools.

Cash Collateral in the proprietary account: Before			Cash Collateral in the proprietary account: After	
EUR:	27	• **NCM/RC 1 & 3 deposit 10 & 2 security collateral to cover the shortfall** • **NCM/RC 1 & 3 segregated collateral pools will be updated accordingly** • **CM withdraws EUR 12**	EUR: 15	In this example, CM can withdraw 12 EUR as NCM/RC's margin requirement is covered by non-cash collateral. The remaining EUR 15 cover CM's margin requirements and thus not available for later withdrawal
CHF:	0		CHF: 0	
USD:	0		USD: 0	
GBP:	0		GBP: 0	

Withdrawal process

The Clearing Member will be informed about the Reservation Amount by the new report CD235. A description can be found in the Eurex XML Reports – Reference Manual on the Eurex Clearing website under the following link:

Technology > Eurex Clearing classic system > System documentation > Network, interfaces & reports > Reports

At 09:30 CET, the Clearing Member can check the current cash balance via the **Collateral Status Detail** window in Eurex @X-tract Clearing GUI. Once per day per currency CHF and EUR, the Clearing Member is able to withdraw cash collateral until 13:30 CET for CHF and until 14:30 CET for EUR, provided the withdrawal will not create a shortfall in the Clearing Member's standard collateral pool. The withdrawal has to be requested via the attached fax template "Late Withdrawal of Cash Collateral", which is available on the Eurex Clearing website under the following link:

Resources > Forms > Client Asset Protection

After additional checks, Eurex Clearing will instruct the payment.

If you have any questions or require further information, please contact Derivatives Clearing Supervision at tel. +49-69-211-1 12 50 or e-mail clearing@eurexclearing.com.

18 December 2013