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e u r e x c l e a r i n g *circular 159/13*

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Recipients: All Clearing Members, Non-Clearing Members and Registered Customers of Eurex Clearing AG
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Implementation of Equities Liquidation Group and IRS Liquidation Group

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Content may be most important for:	**Attachments:**
Ü All departments	none

Summary:

Eurex Clearing implements the first two Liquidation Groups (LGs): the Equities Liquidation Group and the IRS Liquidation Group. LGs comprise products with similar risk characteristics, between which margin offsets will be granted and which will be liquidated simultaneously in case of a Clearing Member's default.

The go-live of the Equities LG and the IRS LG triggers:

- the implementation of a Default Management Committee (DMC) for each of these LGs, in accordance with Chapter I Part 1 Number 7.5.1 (1) of the Clearing Conditions for Eurex Clearing AG (Clearing Conditions), and
- the segmentation of the General Clearing Fund, in accordance with Chapter I Part 1 Number 6.2.1 of the Clearing Conditions to become effective.

As of 13 January 2014, a complete list of all products comprised in each respective LG will be available on the Eurex Clearing website under the link:

Risk management > Risk parameters

The implementation of the Equities LG and the IRS LG has been approved by the Executive Board of Eurex Clearing AG on 4 December 2013 and by the Supervisory Board of Eurex Clearing AG on 12 December 2013, after previous consultation with the Risk Committee. The changes will come into effect on **13 January 2014**.

Implementation of Equities Liquidation Group and IRS Liquidation Group

Eurex Clearing implements the first two Liquidation Groups (LGs): the Equities Liquidation Group and the IRS Liquidation Group. LGs comprise products with similar risk characteristics, between which margin offsets will be granted and which will be liquidated simultaneously in case of a Clearing Member's default.

Eurex Clearing defines a distinctive holding period for each LG, which indicates both the time horizon underlying the margin calculations and the expected time frame in which the Default Management Process is expected to be finalized. With the margin methodology Eurex Clearing Prisma margin offsets are granted within each LG, but not across multiple LGs. Further, the Default Management Process is executed on LG-level, i.e. the products within one particular LG are liquidated simultaneously, while the liquidation of different LGs is likely to be executed overlapping in time, but not necessarily simultaneously.

Eurex Clearing implements LGs in a staggered approach. Ultimately, all products cleared by Eurex Clearing will be clearly assigned to any particular LG. Meanwhile, Eurex Clearing will consult the Risk Committee with respect to any change in existing LGs or the implementation of new LGs.

Equities Liquidation Group

The Equities LG comprises all equities index derivatives and all equities single stocks derivatives, cleared by Eurex Clearing, as summarized in Table 1. The holding period for the Equities LG will be four days. Please note that equities dividend (index) derivatives and equities volatility (index) derivatives are not included in the Equities LG.

Liquidation Group	Equity Derivatives	Currency	Holding Period
1	**EQ (Index) Derivatives,** *EQ Single Stocks, OTC EQ Derivatives*	EUR	4
	EQ (Index) Derivatives, *EQ Single Stocks, OTC EQ Derivatives*	CHF	4
	EQ (Index) Derivatives, *EQ Single Stocks, OTC EQ Derivatives*	USD	4
	EQ (Index) Derivatives, *EQ Single Stocks, OTC EQ Derivatives*	GBP	4

Table 1: Equities LG

IRS Liquidation Group

The IRS LG comprises all IRS transactions, cleared by Eurex Clearing, as summarized in Table 2. The holding period for the IRS LG will be five days.

Liquidation Group Name	Products
Liquidation Group IRS	All OTC Interest Rate Derivative Transactions in products as described on the Eurex Clearing website under the link: **Cleared markets > EurexOTC > EurexOTC Clear > Interest rate swaps**

Table 2: IRS LG

Please note that once Eurex Clearing Prisma will be available for listed fixed income products, the IRS LG will be transformed into a Fixed Income LG, which will then comprise all IRS transactions and all listed fixed income transactions, cleared by Eurex Clearing.

As of 13 January 2014, an overview of all products comprised in each respective LG will be available on the Eurex Clearing website www.eurexclearing.com under the link:

Risk management > Risk parameters

Default Management Committees

The go-live of the Equities LG and the IRS LG triggers the implementation of a Default Management Committee (DMC) for each of these LGs, in accordance with Chapter I Part 1 Number 7.5.1 (1).

DMCs advice and assist Eurex Clearing in executing the Default Management Process, in case of a Clearing Member's default. Particularly, with respect to the definition of hedging strategies and the execution of Default Management Auctions, Eurex Clearing utilizes the expertise brought to the Clearing House in form of DMCs.

DMCs will be staffed with employees (traders) of pre-selected Clearing Members and each DMC consists of three to four DMC Members. DMC Members have to be available within a short period of time in case of a Clearing Member's default, and for two default simulations per year.

Clearing Members who wish to volunteer for participation in the Equities DMC or the IRS DMC, are invited to do so by sending an e-mail to the following address:

DMP_Inbox@deutsche-boerse.com

Segmentation of the General Clearing Fund

The go-live of the Equities LG and the IRS LG triggers the segmentation of the General Clearing Fund, in accordance with Chapter I Part 1 Number 6.2.1 to become effective.

The segmentation of the Clearing Fund ensures that those Clearing Members' contributions are used first, who have been active in the LGs in which Eurex Clearing experiences losses during a respective Default Management Process.

In accordance with Article 28 EMIR, Eurex Clearing received the Risk Committee's advice with respect to the implementation announced in this circular.

The implementation of the Equities LG and the IRS LG has been approved by the Executive Board of Eurex Clearing AG on 4 December 2013 and by the Supervisory Board of Eurex Clearing AG on 12 December 2013, after previous consultation with the Risk Committee. The changes will come into effect on **13 January 2014.**

For more information, please contact Risk Control on tel. +49-69-211-1 24 52, fax +49-69-211-1 84 40 or e-mail: risk@eurexclearing.com.

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