clear to trade

eurex clearing *circular 029/11*

Date: April 1, 2011
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Jürg Spillmann

Margin Parameters and Equity Collateral Haircuts: Change of Update Process

Related Eurex Clearing Circular: 080/10
Contact: Risk Operations, tel. +49-69-211-1 24 52, e-mail: risk@eurexchange.com

Content may be most important for:

- Middle + Backoffice
- IT/System Administration
- Auditing/Security Coordination

Attachments:
none

Summary:

Effective **April, 18, 2011**, the Executive Board of Eurex Clearing AG decided to change the basis for the computation of the volatility component of margin parameters for equity and equity-style trading instruments as well as haircuts on equity collateral from an equally weighted average to an exponentially weighted moving average (EWMA) following the same approach which is already used for cash market instruments.

The overall process of publishing the updated risk parameters will remain unchanged: the information will be available on the website of Eurex Clearing. It will also be sent to the Members' MISSes. However, as the frequency of updating the risk parameters will be increased to daily, Eurex Clearing will no longer announce a change in the parameters via circulars.

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

T +49-69-211-1 24 52
F +49-69-211-1 84 40
risk@
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

Margin Parameters and Equity Collateral Haircuts: Change of Update Process

Currently, Eurex Clearing determines daily the margin parameters for equity and equity-style cash market instruments which are not used as underlying ISINs for derivative products based on an exponentially weighted moving average (EWMA). Margin parameters for other equity and equity-style cash market instruments are calculated monthly based on equally weighted volatilities.

Effective November, 26, 2010, Eurex Clearing introduced a methodology for the dynamic calculation of collateral haircuts that is harmonized with the determination of margin parameters for equity and equity-style trading instruments and reflects the respective inherent risk profile. However, in order to achieve more precise and risk-adequate values, effective April, 18, 2011, the Executive Board of Eurex Clearing AG has decided to change the basis for the computation of the volatility component of margin parameters for equity and equity-style trading instruments as well as haircuts on equity collateral consistently to an exponentially weighted moving average (EWMA).

Since the more recent prices are given more importance to the final volatility value, the resulting volatilities are expected to change more frequently than they do today. Consequently, margin parameters, spread margin parameters and equity collateral haircuts are reviewed daily and could change on a daily basis effective end of day.

In general, the overall process of publishing the updated risk parameters will remain unchanged.

Additionally, the following parameter files will continue to be provided electronically on a daily basis to the Member Integration System Server ("MISS"):

- FPPARM – Margin Group Parameters
- FPMGBP – Securities Margin Class and Group Information File

The margin parameters and spread margin parameters will be available on the Eurex Clearing website under the following links:

http://www.eurexclearing.com/download/clearing/risk/MarginParameterEstimationCircular.xls
http://www.eurexclearing.com/download/clearing/risk/SpreadMarginParameters.xls

As the frequency of updating risk parameters will be increased, Eurex Clearing will no longer publish circulars regarding changes to the margin parameters, spread margin parameters and equity collateral haircuts.

An updated overview of the haircuts on equity collateral will continue to be published on the Eurex Clearing website under the following link:

http://www.eurexclearing.com/download/clearing/risk/AdmissibleSecurities.zip

A Member-specific list of collaterals and the respective haircuts will also continue to be sent on a daily basis to the Members' MISSes in report "CD031 – Daily Collateral Valuation".

For any questions you may have, please contact the Risk Operations Helpdesk on tel. +49-69-211-1 24 52 or via e-mail to: risk@eurexchange.com.

April 1, 2011