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eurex clearing *circular 274/08*

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Recipients: All Trading Members of Eurex Repo GmbH, all Clearing Members of Eurex Clearing AG and Vendors

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GC Pooling®: Product Extension

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Content may be most important for:	**Attachment:**
➲ Front Office/Trading ➲ Middle + Backoffice	Amended sections of the Clearing Conditions for Eurex Clearing AG, effective November 24, 2008

Summary:

With this circular Eurex Clearing AG announces the introduction of a second Euro GC Pooling® basket on November 24, 2008. The Euro GC Pooling EXTended Basket will cover all eligible securities listed in the European Central Bank's (ECB) Eligible Assets Database (EAD) that fulfill the risk management requirements of Eurex Clearing AG. The repo trades in the new basket will be processed through the existing Euro GC Pooling infrastructure in place at Eurex Repo, Eurex Clearing AG and Clearstream Banking.

The Tri-Party Euro GC Basket will be replaced by the new product.

In addition, French bonds were accepted as eligible collateral for the GC Pooling market and the Eurosystem Collateral Management Services by October 27, 2008. The scope extension became feasible following the approval of the ECB Governing Council to use the direct and the relayed link from Clearstream Banking Luxembourg and Clearstream Banking Frankfurt to Euroclear France as assessed settlement links for the collateralization process of the Eurosystem's credit operations.

With the introduction of CCP Release 4.1 on October 27, 2008, the rate change and closing processing for open repos was adjusted to harmonize with market practices.

Kindly forward this product announcement to all involved departments in your company.

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HRB Nr. 44828
Amtsgericht Frankfurt/Main

GC Pooling®: Product Extension

Euro GC Pooling EXTended Basket

With this circular Eurex Clearing AG announces the introduction of an additional Euro GC Pooling® basket on November 24, 2008. All Eurex Repo participants currently assigned to GC Pooling will be able to trade both, the existing Euro GC Pooling Basket (ISIN: DE000A0AE077, name: Euro GC ECB-Basket) and the new Euro GC Pooling EXTended Basket (ISIN: DE000A0WKKX2, name: Euro GC ECB-EAD-EXT Basket). The repo trades in the new basket will be processed through the existing Euro GC Pooling infrastructure in place at Eurex Repo, Eurex Clearing AG and Clearstream Banking, i.e. including the established Gross Delivery Management and settlement services. The new basket will be offered with following terms: Overnight, TomNext, SpotNext, SpotTerm, Tender, FlexTerm.

The Euro GC Pooling EXTended Basket will cover all eligible securities listed in the European Central Bank's (ECB) Eligible Assets Database (EAD) that fulfill the risk management requirements of Eurex Clearing AG. The product design reflects the recent EAD extensions due to the ECB's reassessment of the risk control framework effective since October 22, 2008. The basket will be composed of around 28,000 euro-denominated EAD securities – excluding all Asset Backed Securities (ABS), Mortgage Backed Securities (MBS) and other securitized bonds of any issuer and several T-bills, Commercial Papers (CP) and Credit Deposits (CD) of e.g. corporate issuers and non-agency credit institutions. Put in the ECB terminology, this means the following assets will not be eligible as GC Pooling collateral:

- all securities of asset type "AT11" (i.e. complete "Liquidity Category IV")
- the securities of "AT03" of the so-called Issuer Group 3 and
- the securities of "AT03" of the Issuer Group 4.

Collateral in the new basket received from a cash taker can be re-used exclusively for refinancing GC Pooling EXTended Basket contract. Re-use for any other claims, e.g. towards ECB/Deutsche Bundesbank, will not be supported. Thereby the existing Euro GC Pooling Basket will remain unchanged with the re-use of received collateral for refinancing Euro GC Pooling Basket contract and within the framework of ECB/Deutsche Bundesbank open market operations.

In order to meet the respective business conditions of Eurex Repo GmbH and Eurex Clearing AG, a GC Pooling participant is not allowed to collateralize a GC Pooling Basket transaction with "own issues" - i.e. assets issued by the same company. Exempt from this regulation are Own Issues that are Pfandbrief-style Bonds and Jumbo-Pfandbrief-style Bonds, as well as Government Bonds. Compliance will be monitored by Eurex Clearing AG and Clearstream Banking.

For regulatory details, please refer to the amended sections of the Clearing Conditions for Eurex Clearing AG attached to this circular. For general details regarding simulation and organizational participant readiness, please refer to the Eurex Repo GmbH Product Announcement of October 6, 2008.

Decommissioning of Tri-Party Euro GC Basket Offering

Due to the product launch of the new GC Pooling basket the three Tri-Party Euro GC baskets to be settled via Clearstream Banking Luxembourg become obsolete. Therefore the respective ISINs (DE000A0LDY16, DE000A0LR266, DE000A0LR274) will be delisted.

Euro GC Pooling including French Bonds

In addition, about 560 French bonds were approved as eligible collateral for the GC Pooling market and the Eurosystem Collateral Management Services by October 27, 2008. The scope enhancement became feasible following the approval of the ECB Governing Council to use the direct and the relayed link from Clearstream Banking Luxembourg and Clearstream Banking Frankfurt to Euroclear France as assessed settlement links for the collateralization process of the Eurosystem's credit operations. Hence, the Euro GC Pooling Basket

consists of Eurobonds, government bonds, covered bonds and agency bonds from Austria, Belgium, Luxemburg, Germany, Italy, the Netherlands and France.

Euro GC Pooling participants have therefore access to a wider range of securities usable as collateral within the framework of ECB/Deutsche Bundesbank open market operations as well as for new Euro GC Pooling EXTended Basket claims. This specifically provides the counterparties liquidity in an efficient and secured way and allows to benefit from Clearstream's Collateral Management Services by including these assets in their collateral pool.

Open Repos Modification Request Processing with CCP Release 4.1

With the introduction of CCP Release 4.1 on October 27, 2008, the rate change and closing processing for open repos changed to harmonize with market practices.

Rate changes for Open Repos can be triggered by a Trade Modification Request. Previous to the adjustment, the repo interest rate was effective on the next business day, i.e. on T+1. With CCP Release 4.1 a rate change of T is applicable when the CCP Open Repos Fixing takes place at the beginning of T+2. In case of multiple valid rate change requests received during one business day, only the final rate is stored for application on T+2. If e.g. two valid rate changes are requested for the same repo on consecutive days, so the second rate is received before the first rate has become active. In this case the first rate is only applicable for day T+2, while the second rate effectively replaces it on T+3.

In case a rate change is triggered directly before a closing request, the processing was as follows: Previous to the adjustment, a valid rate change did not become effective anymore, if on the same day a closing request (C+2) for this open repo was processed. In the CCP Open Repo Fixing process the amounts were calculated except for the repurchase day, still considering the currently effective rate for the last interest day(s) instead of the last effective rate.

With CCP Release 4.1 the rate meant to be active on the interest day(s) before the repurchase are considered in the fixing calculation process. Hence rate changes already stored for future application during the remaining interest period after the closing request will actually become effective.

For inquiries about trading the new product, the Eurex Repo Functional Helpdesk will be available on telephone +41-58 854 24 24. For inquiries regarding CCP, please call the CCP Functional Helpdesk on +49-69-211-1 19 40. Simulation-related questions will be answered on telephone +49-69-211-1 51 59.

Frankfurt, November 7, 2008

[...]

Chapter IV
Clearing of Transactions at Eurex Repo GmbH

Part 1
General Provisions

If and to the extent that the clearing of transactions concluded through the System of Eurex Repo GmbH (Number 2.1) has been agreed upon between Eurex Clearing AG and Eurex Repo GmbH (in the following "Repo Transactions") or other, equivalent regulations have been reached, the provisions set forth in Chapter I shall also apply to the clearing of Eurex Repo Transactions, to the extent that the following rules do not provide otherwise.

1.1 Clearing Licenses

1.1.1 Granting of Clearing Licenses

(1) A Clearing License is required in order to participate in the clearing of Eurex Repo Transactions concluded through the System of Eurex Repo AG; Eurex Clearing AG shall grant such License upon written application.

(2) Upon request, central banks or development banks of the Federal Republic which are under supervision of a Federal Ministry indicated by Eurex Clearing AG, and international organisations may be released wholly or partially from the obligation to meet the requirements pursuant to Clause 1 and Number 1.1.2.

1.1.2 Prerequisites for Clearing Licenses

(1) With regard to the prerequisites to be fulfilled within the scope of granting of the clearing license, Chapter I Number 2.1 and 2.2 applies.

(a) Evidence of technical connection to the systems of Eurex Clearing AG,

(b) in the event of participation in the clearing for ~~Euro~~ GC Pooling® Repo transactions, of the participation admission and technical connection to the Collateral Management System Xemac® („Xemac®") of Clearstream Banking AG („CBF"), including the possibility of participation in the international Collateral Management, i.e.

aa) either via own participation authorization in the Collateral Management System Xemac®, or

bb) via a respective settlement agreement with another institute which is authorized to participate in the Collateral Management System Xemac®.

(c) ~~in the event of participation in the clearing for Triparty Euro GC Basket Repo transactions, evidence of participation admission and technical connection to the Collateral Management System CmaX of Clearstream Banking S.A.~~(cancelled)

(3) The applicant shall – insofoar as it intends to use the gross delivery management service (Chapter I Number 1.6) also optionally offered by Eurex Clearing AG vis-à-vis Clearing Members and settlement institutions (Chapter I Number 2.2 Paragraph 6) in connection with the implementation of the clearing of Eurex Repo Transactions – provide evidence of a technical and functional connection to the respective interface of the technical systems used by Eurex Clearing AG pursuant to the specifications set forth by Eurex Clearing AG.

(4) In case the gross delivered management service offered by Eurex Clearing AG (Chapter I Number 1.6) is supposed to be used by a settlement institution within the meaning of Chapter I Number 2.2 Paragraph 6 on behalf and for the applicant or the Clearing Member, the standard agreement provded by Eurex Clearing AG pursuant to Chapter I Number 2.2 Paragraph 6 shall be concluded. Chapter I Number 2.2 Paragraph 6 and 7 apply mutatis mutandis.

1.2 Provision of Margin

(1) In connection with ~~Eurc~~ GC Pooling Repo transactions, the provision of margin (including the Additional Margin), with regard to the securities assigned within the scope of the Front-Leg, also in case of cross-border collateral provision, shall be calculated directly by the margin administration system Xemac® of ~~Clearstream Banking AG~~CBF. Also, the securities admissible as securities serving as collateral in connection with the delivery of GC Pooling Repo transactions shall be determined by Xemac on basis of the Special Conditions for Collateral Management ("SB Xemac®"). The possibility of requiring additional collateral pursuant to Chapter I Number 3.2 remains unaffected. For the provision respectively collection of margin, the provisions of Chapter I Number 3.1 and 3.2 apply.

(2) ~~In connection with Triparty Euro GC Basket Repo transactions, the provision of margin shall be calculated directly through the Collateral Management System CmaX of Clearstream Banking S.A. with reference to the securities assigned within the scope of the front-leg, the provisions of the underlying Collateral Management Service Agreements shall form the basis for such calculation. Furthermore, an Additional Margin shall be calculated by Eurex Clearing AG pursuant to the provisions of Chapter I Paragraph 3. The possibility to require additional margin according to Chapter I Number 3.2 remains unaffected. The provisions of Chapter I Number 3.1 and 3.2 apply to the provision respectively the collection of margin.~~(cancelled)

(3) In addition to the provisions of Paragraph 1 and 2, the provisions of Chapter I Number 3 shall apply with regard to the basic priniciples of the provision of margin and - unless aforementioned paragraphs state otherwise - the obligation to provide margin.

1.3 Setoff Procedure

Regarding GC Pooling Repo transactions, the setoff of claims and liabilities is – in deviation to Chapter I Number 1.4 – subject to the provisions of the SB Xemac.

Part 2
Clearing of Transactions at Eurex Repo GmbH

2.1 Eurex Repo Transactions Concerned

(1) A Eurex Repo Transaction is a purchase/sale of securities and their simultaneous forward re-purchase/re-sale. Thus, such transaction is a combination of a purchase agreement ("front-leg") with simultaneous re-purchase agreement ("term-leg") of securities of the same type and category at a certain point in time.

(2) Eurex Clearing AG will realise the settlement or clearing of Eurex Repo Transactions to the extent that the underlying securities of the respective Eurex Repo Transaction are settled by Eurex Clearing AG and the banks for central depository of securities recognised by Eurex Clearing AG or respectively by the Custodians or Central Securities Depositories and that the prerequisites pursuant to Paragraph 3 are fulfilled.

(3) Eurex Clearing AG shall determine in consultation with Eurex Repo GmbH, which kind of Eurex Repo Transactions or securities underlying these Eurex Repo transactions shall be included in the Clearing. Clearing Members will be notified by Eurex Clearing AG by circular as well as through electronic publication in the internet, available on the internet pages of Eurex Clearing AG (www.eurexchange.com), as regards those securities transactions that are included in the Clearing. In connection with ~~Euro~~ GC Pooling® Repo transactions, the notification for included securities shall be carried out in the Xemac® System of ~~Clearstream Banking AG~~CBF.

2.2 General Provisions

(1) For the settlement of Eurex Repo Transactions, Chapter I Number 1.5 applies, unless otherwise provided in Paragraph 2. With regard to the securities admitted to delivery of Triparty Euro GC Basket Repo transactions, the participating Clearing Members shall receive a report on the available assets respectively held in their depositories; such report is divided into rating categories and shall be provided by Clearstream Banking S. A. on a daily basis.

(2) The procedure for delivery and payment resulting from Eurex Repo Transactions, the following provisions shall apply in addition to Chapter I Number 1.5:

a) Purchase Agreement (Front Leg):

All physical deliveries and payments shall be concurrently performed between the Clearing Member obligated to deliver and Eurex Clearing AG, and, accordingly, between Eurex Clearing AG and the Clearing Member which is to receive delivery on the agreed delivery day of the Front Leg. Physical deliveries shall be made through a bank for central depository of securities determined by Eurex Clearing AG or respectively through a Custodian or Central Securities Depository, and payments shall be made through the corresponding account determined by such bank for central depository of securities or respectively by such Custorian or Central Securities Depository.

b) Repurchase Agreement (Term Leg):

All physical deliveries and payments shall be concurrently performed between the Clearing Member obligated to deliver and Eurex Clearing AG, and, accordingly, between Eurex Clearing AG and the Clearing Member which is to receive delivery on the agreed delivery day of the Term Leg. Physical deliveries shall be made through a bank for central depository of securities determined by Eurex Clearing AG or respectively through a Custodian or Central Securities Depository, and payments shall be made through the corresponding account determined by such bank for central depository of securities or respectively by such Custorian or Central Securities Depository.

c) Physical Deliveries:

Eurex Clearing AG shall, with respect to the possession of the securities delivered to it pursuant to Items a and b, act as an intermediary of the Clearing Members which are obligated to deliver in order to subsequently deliver such securities to the Clearing Members which are to receive delivery. With respect to the settlement of transactions concluded by Clearing Members, the transfer of ownership in respect of the securities to be delivered will thus be performed directly between the Clearing Members involved.

d) Delivery with regard to ~~Euro~~ GC Pooling® Repo transactions:

In case of ~~Euro~~ GC Pooling® Repo transactions, the delivery instructions regarding existing delivery- and payment obligations shall be given by Eurex Clearing AG on basis of the securities to be delivered; such securities shall be selected by ~~the Collateral Management System~~ Xemac® of ~~Clearstream Banking AG~~ pursuant to the ~~Special Conditions Collateral Management System (~~SB Xemac®~~)~~ and additional contracts for the international Collateral Management in their current version. An obligation to grant authorization within the meaning of Chapter I Number 1.5 Paragraph 7 also exists with regard to the execution of an exchange ("substitution") of securities assigned in connection with a ~~Euro~~ GC Pooling® Repo transaction.

For the procedure regarding deliveries and payments pursuant to Paragraph 1, the following deviating provisions apply:

The transfer of ownership regarding the securities to be delivered between the Clearing Members and Eurex Clearing AG, and vice versa, shall be carried out, depending on the account relevant for such transfer, pursuant to German law or pursuant to the laws of the Grand Duchy of Luxembourg and pursuant to the additional contracts having been used as basis by the parties.

e) ~~Delivery with regard to Triparty Euro GC Basket Repo transactions:~~

~~In case of Triparty Euro GC Basket Repo transactions, the delivery instructions regarding existing delivery- and payment obligations shall be given by Eurex Clearing AG on basis of the securities to be delivered; such securities shall be selected by the Collateral Management System CmaX of Clearstream Banking AG pursuant to the applicable Collateral Management Service Agreements (for Collateral Givers/Receivers), and by the supplemental AutoAssign Supplement, in their current version. An obligation to grant authorization within the meaning of Chapter I Number 1.5 Paragraph 7 shall also exist with respect to the execution of an~~

exchange ("substitution") of securities assigned in connection with a Triparty Euro GC Basket Repo transaction.

Regarding the procedure of deliveries and payments pursuant to Paragraph 1, the following applies:

All physical deliveries and payments shall be carried out directly between the Clearing Members and Eurex Clearing AG and respectively between Eurex Clearing AG and the Clearing Members to be delivered (delivery versus payment) on the settlement day. The physical deliveries shall be executed via the securiy depositories of Eurex Clearing AG held with Clearstream Banking S.A.;the payment shall be executed via the respective cash settlement account of Eurex Clearing AG with Clearstream Banking S.A.

The transfer of ownership regarding the securities to be delivered between the Clearing Members and Eurex Clearing AG and vice versa is executed pursuant to the laws of the Grand Duchy of Luxembourg and pursuant to the Collateral Service Agreements taken as basis by the parties.(cancelled)

2.3 Daily Settlement

(1) For each delivery of the underlying security to the respective Eurex Repo Transaction which has not yet been performed, unrealized profits and losses will be daily determined on the basis of the current market prices and set off against the collateral provided. The amount of the collateral to be provided shall equal the difference between the price at which the transaction was concluded and the daily settlement price for such business day.

(2) The daily settlement price shall be determined by Eurex Clearing AG after close of trading and notified to the Clearing Members.

(3) For unfulfilled deliveries within the context of Euro GC Pooling® Repo transactions, an evaluation of the securities to be delivered, which are selected by the Collateral Management System Xemac® pursuant to Paragraph 1 and 2, will be carried out pursuant to Number 2.2 Paragraph 2 d). The same applies with regard to securities, which have been selected in this respect by the Collateral Management System CmaX pursuant to Number 2.2 Paragraph 2 e) for the delivery of Triparty Euro GC Basket Repo transactions.

2.4 Performance

(1) A delivery obligation arising out of a Eurex Repo Transaction can only be satisfied by the respective underlying securities which – in case of GC Pooling Repo transactions – are specifically defined by Xemac, claims from safekeeping abroad (WR-Credit) or security credits (insofar consistently described as "securities").

(2) Eurex Clearing AG shall deliver the securities due for delivery to the Clearing Members entitled to delivery.

(3) Provided that for the fulfilment of delivery obligations of originally transferred or assigned securities, which have been transferred, within the context of the Term Leg of an Euro GC Pooling® or Triparty GC Basket Repo transaction, have been substituted during the term of the transaction, these

alternatively assigned or transferred securities shall apply as underlying to the Eurex Repo transaction for the fulfillment of delivery obligations.

(4) Paragraphs 1 to 3 shall apply to the legal relationship between General Clearing Members or Direct Clearing Members and their Non-Clearing Members mutatis mutandis.

2.5 Payment of Interests (Coupon Compensation)

If interests are paid on the underlying security during the term of a Eurex Repo Transaction, e.g. during the Purchase Agreement and the Repurchase Agreement, Eurex Clearing AG shall arrange for the credit of the accrued amount of interests to the Clearing Member which has sold the respective securities. Besides, Eurex Clearing AG shall arrange for the charge of an amount equal to the amount of interests to the Clearing Member which has purchased the respective securities. Cash settlement shall be made through the account of the Clearing Members involved with the Central Bank of Germany - Main Office in Frankfurt / Main, with Euroclear Bank S.A./N.V. in Brussels or with Clearstream Banking Luxembourg S.A. In case of ~~Euro~~ GC Pooling Repo transactions, the ~~respective~~ compensation payment~~s~~ shall be initiated ~~on behalf of~~via Eurex Clearing AG through ~~the respective relevant Collateral Management systems pursuant to the applicable provisions and contracts~~Xemac. ~~As far as securities which have been assigned in the course of a Triparty Euro GC Basket Repo transaction are concerned, the compensation shall immediately executed by Clearstream Banking S.A. pursuant to the applicable Collateral Management Service Agreements.~~

2.6 Default

(1) Default in delivery shall be governed by the following procedure:

a) Default on the delivery day of the Front Leg:

In the event that a Clearing Member which is obligated to deliver fails to transfer the underlying securities on the delivery day of the Front Leg of the respective Eurex Repo Transaction and pursuant to the instructions of Eurex Clearing AG, Eurex Clearing AG shall be entitled and, on request of the Clearing Member which did not receive delivery in a timely manner, obligated to set the present business day, at the latest the delivery day of the Term Leg, as an advanced repurchase date of the Term Leg. As a consequence thereto, the mutual obligations arising out of the Eurex Repo Transaction which had originally been agreed upon, shall be offset against each other so that the parties, with the exception of the Repo interests agreed upon, do not owe each other any further payment or delivery. The payable Repo interests shall be calculated on the basis of the period of default, in each case for the period from the purchase date (inclusive) until the business day to which the Term Leg was advanced (exclusive).

At the same time, Eurex Clearing AG shall be entitled to set an earlier date as repurchase date for the Term Leg of the equivalent Eurex Repo Transaction concerned between Eurex Clearing AG and the Clearing Member which did not receive delivery from Eurex Clearing AG in a timely manner; the legal consequence thereof will be the same as described above. In connection with the delivery of ~~Euro~~ GC Pooling® Repo transactions the procedure pursuant to Clause 1 to 4 shall apply, if the Clearing Member obliged to deliver shall not dispose of the necessary bulk of securities, which are admissible for the delivery in the respective basket, on delivery day in its named collateral pool. Eurex Clearing AG shall be, if necessary, informed of this matter by ~~Clearstream Banking AG~~CBF. ~~Clause 1 to 4 shall also apply in the event the Clearing Member obligated to deliver in connection with the delivery of Triparty Euro GC Basket Repo transactions~~

~~does not possess a sufficient amount of securities on its accounts serving as securities' source accounts for the Collateral Management Service Agreement CmaX on the delivery day; such securities being allowed for delivery in the respective basket. Eurex Clearing AG shall be notified thereof by Clearstream Banking AG.~~

b) Default on the delivery day of the Term Leg

In the event that a Clearing Member which is obligated to deliver fails to deliver the underlying securities on the delivery day of the Term Leg of the respective Eurex Repo Transaction and pursuant to the instructions of Eurex Clearing AG, Eurex Clearing AG shall be entitled and, on request of the Clearing Member which did not receive delivery in a timely manner, obligated to make a replacement purchase with respect to the undelivered securities as from the fifth day following the delivery date of the Term Leg and to deliver these to the Clearing Member which did not receive delivery in a timely manner. Eurex Clearing AG may determine at its complete discretion how replacement purchases of securities are to be made and up to which maximum purchase price such securities may be purchased.

(2) Measures set forth in Paragraph 1 shall be binding on and accepted by the Clearing Member which did not receive delivery in a timely manner.

(3) Any costs arising from the measures taken in accordance with Paragraph 1 must be paid by the defaulting Clearing Member.

(4) The right to claim further damages shall be excluded for Eurex Clearing AG as well as for the Clearing Member which did not receive delivery in a timely manner.

(5) Furthermore, Chapter I Number 7.1 respectively 7.2 shall apply for delay or technical delay.

[...]