clear to trade

eurex clearing *circular 056/13*

Date: 16 May 2013
Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Heike Eckert

⚠ **Action required** ⚠ **High priority**

Changes regarding security collateral fee

Related Eurex Clearing circular: 075/12

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Content may be most important for:

Ü Front Office/Trading
Ü Middle + Backoffice
Ü IT/System Administration

Attachments:

1. Updated sections of the Price List for Eurex Clearing AG
2. Amended report CB235
3. Schema files and text report structures:
   - ccp_cb235.xsd
   - CB235_blank_SD.txt
   - ccp_reports_common_structs.xsd
   - ccp_reports_data_types.xsd

Summary:

Effective **27 May 2013**, the following changes regarding the calculation of the daily security collateral fee will be implemented:

1. Termination of the monthly manual reimbursement for reused securities, i.e. implementation of an automated solution
2. Modified consideration of segregated collateral pools
3. Change in formula for determining security collateral fee basis
4. Change in design of CCP report CB235

Additionally, effective **17 June 2013**, the Executive Board of Eurex Clearing AG has decided to implement a reduced security collateral fee rate charged to reused securities into the Eurex Clearing AG price list.
This circular contains a description of the changes.

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

Changes regarding security collateral fee

Several changes regarding the calculation of the daily security collateral fee will be implemented. In conjunction with CCP Release 8.2, these will come into effect on 27 May 2013.

1. Termination of monthly manual reimbursement for reused securities/introduction of an automated solution

Eurex Clearing allows GC Pooling® cash providers to reuse securities received in repo transactions to satisfy margin requirements at Eurex Clearing. These reused securities are currently not subject to the security collateral fee of five basis points per year. At present, in order to exclude reused securities from the fee, a reimbursement equal to the amount charged to the reused securities is made in the following billing period.

As of 27 May 2013, Eurex Clearing will implement an automated solution enabling reused securities to be charged differently from the regular securities collateral fee (currently five basis points per year). As the security collateral fee for reused securities will be calculated in an automated solution from 27 May 2013 onwards, reimbursing the previously charged fees in the following billing period will no longer be necessary. The last reimbursement for fees charged to reused securities will take place in June 2013 for the period from 1 May to 26 May 2013.

Additionally, effective 17 June 2013, the Executive Board of Eurex Clearing AG has decided to implement a reduced security collateral fee rate charged to reused securities into the Price List for Eurex Clearing AG. Thereafter, the fee rate for reused securities will be three basis points per year. However, due to current market conditions, the application of this charge will be suspended until further notice. Eurex Clearing will maintain the option of applying the charge in the future.

The corresponding changes in the Price List for Eurex Clearing AG can be seen in attachment 1.

Pursuant to Number 16 Section 3 of the Price List, the amendments and additions to the Price List as communicated with this circular shall be deemed to have been accepted by the respective Clearing Member unless such Clearing Member's written objection is submitted to Eurex Clearing AG within ten (10) business days after publication.

2. Modified consideration of segregated collateral pools

Clearing Members may have numerous associated segregated collateral pools (e.g. for Non-Clearing Members and Registered Customers). As these collateral pools are segregated, they contain the individual margin requirement per pool along with the corresponding collateral delivered. The security collateral fee is calculated at each individual collateral pool level for the Clearing Member’s non-segregated collateral pool and for all associated segregated collateral pools. For margin calls, if a segregated collateral pool is insufficiently collateralized, it is checked if the Clearing Member’s non-segregated pool is sufficiently collateralized to cover the shortfall in the segregated pool. In this situation, a Clearing Member’s non-segregated collateral pool is used to cover the undercollateralized pool(s). Following this logic for the security collateral fee, a Clearing Member’s non-segregated collateral pool will now also be taken into consideration when calculating the security collateral fee for undercollateralized segregated collateral pools. In such cases, the collateral shortfall will be determined per segregated collateral pool and the sum of all shortfalls will be added to the margin requirement of the Clearing Member before the fee is calculated for the Clearing Member’s non-segregated pool.

Thereafter, the fee will be calculated for the segregated pools. In this way, a Clearing Member’s non-segregated collateral pool is also used to cover shortfalls in segregated pools for fee purposes. However, the Clearing Member remains flexible in the management of its associated segregated pools.

3. Change in formula for determining security collateral fee basis

The current formula for calculating the security collateral fee basis is:

Margin requirement
– cash collateral
= fee calculation basis

This formula was originally chosen to avoid charging the fee to any overcollateralization in securities. In order to consider situations in which any undercollateralization is present and a cash margin call takes place immediately the following morning, the formula for determining the fee basis will be amended in the following way:

MAX (0, MIN [securities, margin requirement – cash])

The smaller amount of the securities actually delivered to cover margin requirements or the margin requirement minus cash will be the fee basis. If this number is greater than zero, it will be charged with the fee rate. This method not only continues to guarantee that any overcollateralization is not charged, but also that any cash delivered during a margin call scenario is also not charged.

4. Change in design of CCP report CB235 Daily Security Collateral Fee Statement

Due to the changes described in sections 1. - 3., certain changes will be made in the Daily Security Collateral Fee Statement CB235. Columns will be added to show the amount charged for reused securities. Furthermore, regarding section 2., collateral shortfalls will also be shown in a separate column on the report. The amount shown in this column is the shortfall for that particular pool. As in the current report, the margin requirement will be shown as well. This amount will be calculated while taking into consideration any exemptions to the fee (e.g. OTC-IRS Registered Customers). In order to make the fee basis transparent, columns will also be added for the value of the securities actually delivered to cover margin requirements and for the value of the margin requirement minus cash collateral (see section 3. above). An example of the new report format can be seen in attachment 2.

For report CB235, a simulation phase for Clearing Members will take place on the following dates: 14 May, 16 May, 21 May and 23 May 2013. A Eurex Clearing Information was published on 26 April 2013 describing the technical changes in report CB235. These can also be seen in attachment 3.

16 May 2013

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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[…]

10. Service Fees for Collaterals

10.1 Service Fees for Eligible Margin Assets in the Form of Securities

For eligible margin assets in the form of securities or book-entry securities (Wertrechte) delivered as cover, a fee in the corresponding clearing currency will be charged daily in the amount of 0.05% p.a. <u>For eligible margin assets in the form of securities or book-entry securities (Wertrechte) which are delivered through the GC Pooling reuse functionality, a fee in the corresponding clearing currency will be charged daily in the amount of 0.03% p.a.</u> The calculation of the fee will be performed act / 365 based on the value of the eligible margin assets in the form of securities or book-entry securities (Wertrechte) delivered to cover margin requirements which are entered on the internal margin account (Chapter 1, Part 2, Number 4.2) and the segregated internal margin account (Chapter 1, Part 3, Number 4.1.2) of the clearing member. Therefore,

a) eligible margin assets in the form of securities or book-entry securities (Wertrechte) entered on the margin account whose delivery is not required to cover margin requirements,

b) eligible margin assets in the form of cash,

c) contributions to the Clearing fund

d) funds provided for the fulfilment of liable equity capital requirements and

e) margin requirements determined for OTC Interest Rate Derivative Transactions relating to Registered Customers

are not part of the calculation basis.

[…]

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*                                                                        *
*                     C O N F I D E N T I A L                            *
*                                                                        *
*                   DAILY SECURITY COLLATERAL FEE STATEMENT              *
*                                                                        *
*                   XXXXX                                                *
*                                                                        *
*                   AS OF DATE:                99-99-99                  *
*                                                                        *
*                   RUN DATE  :                99-99-99                  *
*                                                                        *
*                   BEGINNING OF REPORT                                  *
*                                                                        *
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CLEARING MEMBER: XXXXX POOL ID: XXXXXXXXXXXXXXX CLEARING CCURRENCY: XXX

Adjusted RequiredMargin	Collateral Shortfall	CashColl Amount	ReqMargnFeeCalc minus CashColl	SecurityValue Amount	ReuseColl Amount	SecurityColl Fee	ReuseSecurity Coll Fee
999999999999.99	999999999999.99	999999999999.99	999999999999.99	999999999999.99	999999999999.99	99999999.9999	99999999.9999

CLEARING MEMBER: XXXXX POOL ID: XXXXXXXXXXXXXXX CLEARING CCURRENCY: XXX

Adjusted RequiredMargin	Collateral Shortfall	CashColl Amount	ReqMargnFeeCalc minus CashColl	SecurityValue Amount	ReuseColl Amount	SecurityColl Fee	ReuseSecurity Coll Fee
999999999999.99	999999999999.99	999999999999.99	999999999999.99	999999999999.99	999999999999.99	99999999.9999	99999999.9999

Total month-to-date in (XXX):	999999999999.9999	999999999999.9999

* * * END OF REPORT * * *