clear to trade

# eurex clearing *circular 079/11*

**Date:** November 3, 2011
**Recipients:** All Clearing Members of Eurex Clearing AG and Vendors
**Authorized by:** Thomas Book

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

## Amendments to the Process of Collateral Provisioning to Eurex Clearing via Xemac®

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**Content may be most important for:**

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

**Attachments:**

1. Updated sections of the Clearing Conditions for Eurex Clearing AG
2. Application form: Request for Reuse of GC Pooling Collateral for Eurex Margining
3. Application form: Application & Power of Attorney for the use of a German Settlement Institution for provision of Securities via Xemac® for the Reuse of GC Pooling

**Summary:**

Effective **November 21, 2011**, the Executive Board of Eurex Clearing AG decided to enhance the collateral processing of Eurex Clearing via Clearstream Banking AG's collateral management system Xemac®. The changes affect the Eurex Clearing Standard Collateral Pools as well as the Reuse of GC Pooling® for margining.

The Xemac® collateralisation process for the Standard Collateral Pools will be changed from a manual single securities allocation to a claim amount driven process ("Forderungsbeträge"), while Xemac® will consider the Eurex Clearing securities concentration limits when allocating securities.

As of the same date, the GC Pooling® Reuse Service will be modified. Only the securities received by a cash provider of the Eurex Repo GC Pooling® ECB Basket transaction will be acceptable for reuse. With this amendment, the specific Basket ISIN Haircut will be removed.

The scope of the GC Pooling® Reuse Service will be extended to all GC Pooling® Baskets.

Members using Clearstream Banking Frankfurt (CASCADE/Creation) or SIX SIS for their collateral provisioning to Eurex Clearing AG are not affected by these changes.

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

# Amendments to the Process of Collateral Provisioning to Eurex Clearing via Xemac®

With this circular Eurex Clearing announces enhancements to the process of providing collateral to Eurex Clearing through Xemac®, effective November 21, 2011. The changes affect the Eurex Clearing Standard Collateral Pools and the GC Pooling® Reuse for Eurex Clearing margining.

**Eurex Clearing Standard Collateral Pools**

Today, the collateralisation of Eurex Clearing requirements regarding Margining, Clearing Fund contribution and Company Capital substitutes in Xemac® is performed by manually selecting, allocating and withdrawing individual securities. As of November 21, 2011, this will change to a claim amount-driven process ("Forderungsbeträge"). The Clearing Member will then be able to determine the claim amount. According to this claim amount Xemac® will automatically allocate own ("Eigene" – "E") securities as collateral for the respective collateralisation purpose according to Eurex Clearing's provisions for collateral, i.e. apply the Eurex Clearing concentration limits and valuation criteria per ISIN for eligible bonds, equities and equity-style instruments.

**Eurex Clearing Reuse Service**

Reuse of GC Pooling® collateral for Eurex Clearing margining will be enhanced in a way that the currently eligible GC Pooling® ECB Basket (ISIN DE000A0AE077) will be reusable up to the exposure amount the Clearing Member has built up as a cash provider. Unlike today, only GC Pooling® collateral that a cash provider has received ("Transferred/Transferierte" – "T" securities) will be allocated under the Xemac® Contract Conclusion "GC Pooling® for Eurex Margining". E securities will not be allocated by Xemac® under this contract anymore. With this change, the specific Basket ISIN Haircut will not be required to be applied anymore by Eurex Clearing.

The reuse claim amount allocated to Eurex Clearing has to be determined by the Xemac® participant in accordance with the maximum value of received securities.

Should, on a settlement day of a GC Pooling® collateral repurchase transaction (term leg), the cash provider exposure amount fall below the reused claim amount allocated to Eurex Clearing, Xemac® will submit an automatic request for reduction of the claim amount to Eurex Clearing. If the margin requirement is still covered by the reduced reuse claim amount, the reuse claim amount will automatically be reduced, and the GC Pooling® transaction can settle. Should the remaining collateral not be sufficient to cover the margin requirement, the claim amount reduction request will be rejected and the GC Pooling® trade cannot settle at this point in time. The Member will have to provide other collateral before the reuse claim amount can be reduced and the GC Pooling® transaction is allowed to settle. It is up to the Clearing Member to manage the margin collateralisation levels accordingly and to ensure an in-time settlement of GC Pooling® transactions.

The scope of the GC Pooling® Reuse Service will be extended to the GC Pooling® Equity Basket (ISIN DE000A1EZNP6) and the GC Pooling® ECB EXTended Basket (ISIN DE000A0WKKX2). Maintenance of dedicated claim amounts per GC Pooling® Basket up to the cash provider claim amount will technically be made in the same way as for the reuse of the GC Pooling® ECB Basket:. The collateral will be valuated in Xemac® in accordance with the GC Pooling® concept, i.e. with Xemac® prices and European Central Bank haircuts. The reuse service extension will become effective on December 1, 2011.

As of November 21, 2011, the claim amounts allocated in Xemac® will be reflected in the Eurex Clearing Graphical User Interface (GUI) as well as in Eurex Clearing reports RPTCD020 "Collateral Movement and Coverage", RPTCD031 "Daily Collateral Valuation" and RPTCD080 "Monthly Collateral Movement". In addition, the newly introduced report RPTCD037 "Claim Amount Based Collaterals" will show the single allocated securities' ISINs with their nominal amount for the respective Eurex Clearing Standard Pool.

The Eurex Clearing GUI will not provide any longer information on the collateral value of the single securities but the actual claim amounts only. Information about the collateral valuation of securities is available in Xemac®.

Clearing Members wishing to participate in the Reuse of the GC Pooling® baskets for Eurex Clearing margining are requested to apply using the attached forms under 2. and 3. For Clearing Members who are already participating in the Reuse of the GC Pooling® ECB Basket this is not required, as for them, the Reuse service will be enabled immediately for all baskets.

Eurex Clearing will start the set-up process for the additional baskets in due course before the effective date December 1, 2011. Once the application has been processed, Eurex Clearing will create the Xemac® Contract Conclusions "GC Pooling® for Eurex Margining" for all baskets. The Xemac® Contract Conclusion has to be confirmed by the Clearing Member or Settlement Institution, if applicable. The participants will then be requested to initially enter a claim amount of zero.

Please return the relevant form(s) to Member Services & Admission via fax to +49-69-211-1 17 01.

Should you have any questions or require more detailed information please contact the above-mentioned Sales teams of Eurex Repo or Clearstream Banking.

Please find attached the amendments to the Clearing Conditions for Eurex Clearing AG as well as the relevant application forms.

The updated, complete Clearing Conditions for Eurex Clearing AG will also be available for download from the Eurex Clearing website as of November 21, 2011, under the following path:

**www.eurexclearing.com > Documents > Rules & Regulations > Clearing Conditions**

For direct access to the document click on the following link:
http://www.eurexclearing.com/documents/regulations/clearing_conditions_en.html

Please find further details about the Collateral Management Services in the corresponding brochure which can be downloaded from the Eurex Clearing website under the following path:

**www.eurexclearing.com > Risk Management > Collateral Service > Collateral Management Services**

For direct access to the document click on the following link:
http://www.eurexclearing.com/risk/collateral_service/collateral_management_services_en.html

November 3, 2011

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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[…]

# Chapter I
# General Provisions

[…]

## Part 2
## Elementary Clearing Model Provisions

[…]

### 6 Margin

[…]

**6.6** Delivery of Eligible Margin Assets in the form of Securities

**6.6.1** In order to provide Eligible Margin Assets in the form of Securities as cover in respect of Margin, the Clearing Member shall transfer Eligible Margin Assets in the form of Securities to its relevant Pledged Securities Account unless otherwise provided in this Number 6.6.

(1) The Clearing Member shall instruct Clearstream Banking AG or SIX SIS Ltd. in a timely manner to transfer the Securities to its Pledged Securities Account and procure that Clearstream Banking AG or SIX SIS Ltd., as applicable, then informs Eurex Clearing AG of such transfer.

(2) Each Clearing Member shall be responsible for the management of any Securities credited to the Pledged Securities Account.

(3) In the Clearing Agreement, the Clearing Member will grant a pledge to Eurex Clearing AG over all Securities which are at present or will in the future be credited to the relevant Pledged Securities Account.

**6.6.2** To the extent that the Clearing Member provides Eligible Margin Assets in form of Swiss book-entry securities, the Clearing Agreement will provide for the assignment for security purposes of such Swiss book-entry securities to Eurex Clearing AG.

**6.6.3** The security purpose (*Sicherungszweck*) of the pledges and the assignments for security purposes (in case of Swiss book entry securities) granted to Eurex Clearing AG pursuant to this Number 6.6 is to secure all claims arising under all Non-Covered Transactions (as defined in Number 1), Covered Transactions (as defined in Number 1) and all other claims of Eurex Clearing AG against the Clearing Member under any of their Clearing Agreements.

**6.6.4** Notwithstanding Number 6.6.1, a Clearing Member may also provide Securities by pledge or assignment for security purposes by using the Collateral Management System Xemac ("**Xemac**") of Clearstream Banking AG on the basis of the applicable provisions of the Special Conditions for Collateral Management ("**SC Xemac**"). In connection with the provision of Margin to Eurex Clearing AG via Xemac, a Clearing Member may also use Securities which it has received as collateral – in accordance with Number 3.3~~.1~~ of the Terms and Conditions for Participation and Trading on Eurex Repo GmbH – in relation to GC Pooling ~~ECB Basket~~ Repo transactions (Re-use within the meaning of No. 28 Paragraph 1 (b) SC Xemac). Notwithstanding Number 6.6.1, a Clearing Member participating in the trading of GC Pooling Repos and using the Re-use related type of contract in Xemac may, upon request, provide Margin in Xemac also via the account of a settlement institution within the meaning of Chapter IV Number 1.1.2 Paragraph 2 (b), provided that such settlement institution is domiciled in the Federal Republic of Germany.

[…]

# Request for Reuse of GC Pooling Collateral for Eurex Margining (GC Pooling Members only)

Eurex Clearing AG
60485 Frankfurt am Main
Germany

Fax: +49-(0)69-2 11-1 17 01

**Name of Clearing Member:**

* _____

**Contact person**

* First Name _____

* Last Name _____

* Phone _____ * Fax _____

* E-mail _____

* Street No _____ * Address _____

* Zip Code _____ * City _____

* Country _____

* CCP Member ID

We request the Reuse of GC Pooling Collateral for Eurex Margining service

☐ as soon as possible (earliest effective date: November 26, 2010)

☐ effective from: _____
Date

Main Account

| | | | | 0 0 0 0 |
|---|---|---|---|---|

Name of Account Holder

CCP Member ID of Settlement Institution (if Account Holder)

| | | | | |
|---|---|---|---|---|

* Date _____ * Place _____ Company Stamp and two authorized signatures _____

# Application & Power of Attorney for the use of a German Settlement Institution for provision of Securities via Xemac for the Reuse of GC Pooling Collateral

Eurex Clearing AG
Member Services & Admission
60485 Frankfurt am Main
Fax Frankfurt: +49-(0)69-2 11-1 17 01

**Applicant**:

| | |
|---|---|
| _____ | _____ |
| Name of the Account Holder /Settlement Agency | Name of the Clearing Member |

**Address :**

| | |
|---|---|
| _____ | _____ |
| Street /-House No. | |
| _____ | _____ |
| Additional Street Address | |
| _____ | _____ |
| Zip Code / City | |
| _____ | _____ |
| Country | |

**Contact Person:** _____ _____
First Name / Last Name

| | |
|---|---|
| _____ | _____ |
| Telephone / Fax | |
| _____ | _____ |
| E-Mail | |

As Clearing Member of Eurex Clearing AG we request the allowance to use a German Settlement Institution for provisioning of Securities through Xemac® in the framework of the Reuse of GC Pooling Collateral and according to Chapter I Number 3.4 Paragraph 3 of the Clearing Conditions. The above mentioned Settlement Institution will instruct on their below mentioned account and make the necessary declarations on our behalf, through the Clearstream Banking AG Collateral Management System, for the purpose of granting securities interest to Eurex Clearing AG. This relates to such securities or claims for securities held on fiduciary basis, booked on the respective account of the Settlement Institution, which are in our ownership. .
For this purpose we issue the following Power of Attorney.
We, the undersigning parties are familiar with the Special Conditions for Collateral Management (SB Xemac®) of Clearstream Banking AG and accept them, as being amended from time to time, as the basis for Collateral Management in the aforementioned sense.

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Power of Attorney

We hereby grant to the above mentioned Settlement Institution Power of Attorney to provide to Eurex Clearing AG through the Collateral Management System Xemac at any time and on our behalf with the requested amount of securities collateral according to Chapter I Number 3.4 of the Clearing Conditions. This is limited to such securities which are available on the below mentioned account and relates to such securities or claims for securities held on fiduciary basis, booked on the respective account of the Settlement Institution, which are in our ownership.

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| **Account Holder Institution** | **Account No.** |
|---|---|
| | |

## Application & Power of Attorney for the use of a German Settlement Institution for provision of Securities via Xemac for the Reuse of GC Pooling Collateral

In case of our default as Clearing Member, according to chapter I part 7 (“Default”) of the Clearing Conditions, Eurex Clearing AG is allowed to sell the pledged securities in the open market without prior notice and to demand the transfer of the securities directly from Clearstream Banking AG to an account specified by Eurex Clearing AG.

This Power of Attorney remains valid until revocation to Eurex Clearing AG.

| | | |
|---|---|---|
| _____ | _____ | _____ |
| Date | Place | Company stamp and signature of the Clearing Member |
| _____ | _____ | _____ |
| Date | Place | Company stamp and signature of the Account Owner / Settlement Institution |