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eurex clearing *circular 144/13*

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Recipients: All Clearing Members of Eurex Clearing AG and Vendors
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Euro GC Pooling®: Extension of trading hours for overnight transactions

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Content may be most important for:

- Ü Middle + Backoffice
- Ü IT/System Administration

Attachments:
Updated sections of the Clearing Conditions for Eurex Clearing AG

Summary:

Currently, Euro GC Pooling® transactions with front legs to be settled on the same day (Euro GC Pooling® overnight transactions) can be concluded on the Eurex Repo® trading platform until 16:00 CET. Up to this point in time, Eurex Clearing performs the clearing and enters into these transactions upon conclusion.

Starting **19 December 2013**, Eurex Clearing will extend clearing of Euro GC Pooling® overnight transactions in order to enable an extension of trading hours on Eurex Repo® until 17:00 CET.

A threshold of EUR 1 billion for pending Euro GC Pooling® cash provider transactions due to lack of cash is implemented for Euro GC Pooling® overnight transactions concluded after 16:00 CET.

Trading hours for trading in other currencies as well as non-overnight transactions will not be affected.

Irrespective of the extension of trading hours, the Clearing Conditions for Eurex Clearing AG have been amended with regard to the delayed settlement in non-euro currencies.

Euro GC Pooling®: Extension of trading hours for overnight transactions

Details on the introduction of the extension of trading hours for Euro GC Pooling® transactions

In recent years, Eurex Clearing and Clearstream Banking have introduced various technical improvements to intraday settlement efficiency and service enhancements in order to enable an extension of trading hours for Euro GC Pooling® overnight transactions in ECB basket (ISIN: DE000A0AE077) and ECB EXTended basket (ISIN: DE000A0WKKX2). Starting 19 December 2013, trading hours for these transactions will be extended.

Due to the remaining shortened settlement period of 40 minutes between end of trading (17:00 CET) and end of settlement (17:40 CET) the Clearing Members are asked to exercise the disposition and preparation of these trades with great care:

- Cash providers are advised to provide liquidity as soon as possible on the TARGET2 accounts used for Euro GC Pooling® transactions.
- Close coordination between the trading desks and the collateral management team is required. Clearing members are asked to perform the disposition of securities at an early stage in order to avoid delays in settlement due to an insufficient disposition of securities.

Affected products

The extension of trading hours refers only to transactions concluded in both GC Pooling® ECB baskets with front legs to be settled on the same day as the trade date.

Any non-euro GC Pooling® transactions, Euro GC Pooling® transactions with front legs not to be settled on the same day, GC Pooling® Equity basket and GC basket transactions or special repo transactions are not affected by this extension.

CCP services

The reference times for the settlement of Euro GC Pooling® overnight transactions will be changed as follows:

	Current reference time (CET)	New reference time (CET)
Cut-off time for overnight-transactions	16:00	17:00
End of acquisition of GC Pooling® Collaterals	16:45	17:40
End of RTS settlement	17:20	17:40

The shaping block size for trades concluded after 16:00 CET will be set to EUR 50 million. This size deviates from the usually applied shaping block size of EUR 200 million.

Cash funding

The cash funding process for transactions after 16:00 CET remains unchanged. Cash funding for GC Pooling® basket transactions is made on the same TARGET2 accounts for Clearstream Banking Frankfurt (CBF) customers and on the same dedicated cash accounts for Clearstream Banking Luxembourg (CBL) customers as are used for regular GC Pooling® transactions. For CBL customers, direct debit or credit will continue to be executed from or to the dedicated TARGET2 accounts.

Threshold for pending Euro GC Pooling® overnight transactions after 16:00 CET

A threshold of EUR 1 billion for transactions concluded after 16:00 CET is introduced. Should a participant have pending transactions amounting to EUR 1 billion or more due to a lack of cash for the purchase of securities, the participant has to reduce the amount of pending transactions below the threshold within ten minutes. Should the threshold be exceeded for more than ten minutes, Eurex Clearing has the right to act in line with Chapter I, Paragraph 14.2.2 of the Clearing Conditions for Eurex Clearing AG ("Disciplinary Procedures; Contractual Penalties"). The settlement status of any transaction can be enquired real time in the online systems of Eurex Clearing and Clearstream Banking.

Collateral management

Xemac and CmaX will continue to be available for participants until 17:45 CET. Participants who intend to reuse securities which they have received in late Euro GC Pooling® overnight transactions as collaterals with Deutsche Bundesbank or Banque Centrale du Luxembourg should account for the short time frame.

GC Pooling® cash providers may re-use received securities to fulfil their margin requirements vis-à-vis Eurex Clearing. If such re-used securities are required to perform a GC Pooling® settlement, the reduction of the re-use amount can currently be effected until 17:15 CET. With immediate effect, this will be possible until 17:25 CET.

Risk management

As Euro GC Pooling® overnight transactions may settle until 17:40 CET, considerable changes in the margin requirement may occur until a late point in time. Please note that intraday margin calls are possible after 18:00 CET.

Fees

Fees for Euro GC Pooling® basket transactions concluded during the extended trading hours correspond to the current regulations for Euro GC Pooling® transactions and are the same as for transactions concluded before 16:00 CET. For details, please refer to the Terms and Conditions for Participation and Trading on Eurex Repo GmbH, the Price List for Eurex Clearing AG and the Fee schedules of Clearstream Banking AG and Clearstream Banking SA.

Adjustment of the Clearing Conditions for Eurex Clearing AG in case of delivery default

Eurex Clearing is entitled to charge an expense allowance for the delayed settlement of GC Pooling® transactions that are scheduled for the first Same Day Settlement run of the day (SDS1) by Clearstream Banking AG (forward front legs and all GC Pooling® term legs). Please note that this expense allowance may incur for USD GC Pooling® transactions too, if settlement has not been executed by 11:30 CET.

Pursuant to Chapter I, Part 1, Number 17.2.2 of the Clearing Conditions for Eurex Clearing AG (Clearing Conditions), each Clearing Member or Non-Clearing Member or Registered Customer accepts each amendment and addition to the Clearing Conditions, unless it objects by written notice to Eurex Clearing AG before the end of the business day prior to the actual effective date of such amendment or addition to the Clearing Conditions. The right to terminate the Clearing Agreement and the Clearing License according to Chapter I, Part 1, Number 2.1.4 Paragraph 1 of the Clearing Conditions shall remain unaffected.

4 December 2013

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CHANGES ARE MARKED AS FOLLOWS:

AMENDMENTS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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[...]

Chapter IV Clearing of Transactions at Eurex Repo GmbH (Eurex Repo)

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 "**Eurex 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

[...]

1.2 Provision of Margin

(1) In connection with GC Pooling Repo transactions, the determination of the margin requirement (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 Xemac of CBF. During calculation, Xemac shall, according to the provisions of the Special Conditions for Collateral Management ("**SC Xemac**"), consider the respective currency in which the underlying transaction has been concluded. 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 "SC Xemac". Other than described in Sentence 1, Eurex Clearing AG may demand that, in excess of the margin requirement calculated by Xemac, Additional Margin has to be provided in accordance with the calculation method published pursuant to Chapter I Part 1 Number 3.1.8. The possibility of requiring additional Margin pursuant to Chapter I Part 1 Number 3.3 together with Chapter I Part 2 Number 6.3 or Chapter I Part 3 Subpart A Number 5.3, in particular for collateralisation of exchange rate risks in case of foreign currency transactions, remains unaffected. This in particular applies

for the collateralisation of exchange rate risks in case of foreign currency transactions and as well for the delivery of securities as collateral which qualify as own issues in the meaning of the Terms and Conditions for Participation and Trading on Eurex Repo GmbH ("**GTC´s Repo**") in relation to the Clearing Member. With regard to securities which become own issues during the term of the Transaction, this provision applies also. The Clearing Members are obliged to refrain from provisioning of such own securities as collateral. For the provision respectively collection of Margin, the provisions of Chapter I Part 1 Number 3.2 together with Part 2 Number 6 or Part 3 Subpart A Number 5 and~~,~~ Subpart C Number 4 apply.

[...]

Part 2 Clearing of Transactions at Eurex Repo GmbH

2.1 Eurex Repo Transactions Concerned

[...]

2.2 General Provisions

(1) For the settlement of Eurex Repo Transactions, Chapter I Part 1 Numbers 1.2.5 and 1.4 applies, unless otherwise provided in Paragraph 2. With regard to the securities admitted to delivery of ~~Triparty Euro~~ GC ~~Basket~~ Pooling 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 Part 1 Numbers 1.2.5 and 1.4:

[...]

(d) Delivery and payment with regard to GC Pooling Repo transactions:

In case of 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 Xemac of pursuant to the SB Xemac and additional contracts for the international Collateral Management in their current version. An obligation to grant authorisation within the meaning of Chapter I Part 1 Number 1.4.2 Paragraph (6) also exists with regard to the execution of an exchange ("**substitution**") of securities assigned in connection with a 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. The provision of Chapter I Part 1 Number 1.4.2 Paragraph (4) and (7) applies with the proviso that the payment is settled via the account of the Clearing Member which is determined for settlement in the currency of the underlying transaction.

With regard to GC Pooling transactions settled in Euro on a Business Day other than the trade date, ~~A~~any delivery or payment incumbent on the Clearing Member must be made available for settlement ~~on the day of delivery or payment respectively~~ in such a way that the Clearing Member is able to fulfil its obligations vis-à-vis Eurex Clearing AG for the relevant day of performance during the first Same Day Settlement run of the day ("**SDS1**") of Clearstream Banking AG. With regard to GC Pooling transactions settled in currencies other than Euro on a Business Day other than the trade date, any delivery or payment incumbent on the Clearing Member must be made available for settlement in such a way that the Clearing Member is able to fulfil its obligations vis-à-vis Eurex Clearing AG until 11:30 a.m. CET on the relevant day of performance.

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2.6 Failure to Deliver

(1) Any failure to make a payment or delivery when due shall be governed by the following procedure:

(a) Failure to Deliver by the delivery day of the Front Leg:

In the event that a Clearing Member which is obliged to deliver fails to transfer the underlying securities on the delivery day of the Front Leg (as per Number 2.2.(2) a)) 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 time, obliged 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 time; the legal consequence thereof will be the same as described above. In connection with the delivery of GC Pooling Repo transactions the procedure pursuant to Sentence 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 and the underlying currency, on delivery day in its collateral pool. Eurex Clearing AG shall be, if necessary, informed of this matter by CBF.

If, as opposed to the provisions in Chapter IV Number 2.2 Paragraph (2) (d), a Clearing Member does not comply with its obligation to perform during SDS1 with regard to GC Pooling transactions in Euro or until 11:30 a.m. CET with regard to GC Pooling transactions in currencies other than Euro respectively, it may – irrespective of the above provision – be in intraday default. To the extent a Clearing Member is in intraday default, Eurex Clearing AG may charge an expense allowance of EUR 2,000~~.00~~ for each defaulting GC Pooling Repo Transaction to cover its operative additional expenditure. Furthermore, Eurex Clearing AG shall be entitled to invoice the Clearing Member – until such point in time on which the obligation to perform is fulfilled – for any interim financing costs incurred, up to the value of the STOXX GC Pooling ~~Overnight~~ EUR ON Index ("**SGCP~~I~~ON**") published by Bloomberg or Reuters plus 50 basis points p.a., in relation to the value of the underlying GC Pooling Transaction or the due cash amount respectively.

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2.7 Investment limits for pending Euro GC Pooling transactions after 4:00 p.m. CET

With regard to GC Pooling transactions concluded at Eurex Repo GmbH after 4:00 p.m. CET on a trading day and whose delivery day of the Front Leg coincides with their trade date, the following special provisions shall apply:

The aggragate cash amount of the affected GC Pooling transactions of a Clearing Member, the Front Leg of which has not yet been completely fulfilled and with regard to which the respective Clearing Member is the buyer of the Front Leg ("**Pending Cash Provider Transactions**") is not to exceed EUR 1,000,000,000 (in words: One billion) (the "**Investment Limit**"). With regard to GC Pooling transactions in currencies other than Euro, such amount shall be determined by currency conversion of the cash amount into Euro.

If the aggragate cash amount of the Pending Cash Provider Transactions of a Clearing Member exceeds the Investment Limit at any point in time, the Clearing Member must ensure that there are sufficient amounts in the relevant currency available on the relevant accounts in order that Pending Cash Provider Transactions can be fulfilled without undue delay – and in any event, no later than 10 minutes from the time the Investment Limit has been exceeded – thus ensuring compliance with the Investment Limit thereafter. If the Clearing Member does not comply with such obligation, the Clearing Member shall have to pay to Eurex Clearing AG a contractual penalty pursuant to Chapter 1 Part 1 Number 14.2.2 on the aggregate cash amount of all Pending Cash Provider Transactions.

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