X-pand into the Future

e u r e x *circular 217/05*

Date: Frankfurt, November 10, 2005
Recipients: All Eurex members and vendors, CCP members
Authorized by: Daniel Gisler

⚠ **High Priority**

Intraday Margin Calls - Additional Currency US Dollar

Related Eurex Circulars: 013/02, 106/05
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Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Coordination	None

Summary:

Pursuant to chapter I, section 1.3.3 of the Clearing Conditions for Eurex Clearing AG, Eurex Clearing AG may demand, at any time during the exchange trading day, a higher or supplementary margin (Intraday Margin Call) from a Clearing Member. A description of this process was published in Eurex circular 013/02 on February 4, 2002 and Eurex circular 106/05 on June 28, 2005.

The possibility for Clearing Members to fulfill an intraday margin call will be further enhanced, as Eurex Clearing AG will accept U.S. dollar cash from **November 21, 2005** on. U.S. dollar cash will solely be accepted for the purpose of intraday margin call coverage and will be released by Eurex Clearing AG upon member request from the following business day on, after the overnight margin requirements have been fully covered in euro or Swiss francs cash or other eligible collateral respectively.

This circular informs about the details regarding the intraday margin process for U.S. dollar cash.

If you have any questions or request further information, please contact the Customer Support team at tel. +49-69-211-1 17 00 or fax +49-69-211-1 17 01.

Intraday Margin Calls - Additional Currency US Dollar

Background

Pursuant to chapter I, section 1.3.3 of the Clearing Conditions for Eurex Clearing AG, Eurex Clearing AG may demand, at any time during the exchange trading day, a higher or supplementary margin (Intraday Margin Call) from a Clearing Member. A description of this process was published in Eurex circular 013/02 on February 4, 2002 and Eurex circular 106/05 on June 28, 2005.

Clearing Members have the right to either pledge additional collateral or reduce risk by closing out respective positions.

In case members wish to pledge cash collateral, they depend on the availability of required payment infrastructures, currently being provided by German Central Bank (Deutsche Bundesbank) regarding euro payments and Swiss National Bank (SNB) with regard to Swiss francs payments, respectively.

In answer to requests from market participants, Eurex Clearing AG will accept intraday margin payments in U.S. dollar cash as of **November 21, 2005**. This feature has been requested to support the Clearing Members' risk management.

Participation in this service is optional. It remains the member's choice whether to pledge eligible collateral and, in case of cash, in which currency the member wishes to pledge the collateral (in euro, Swiss francs or U.S. dollars).

Process flow

In general, existing rules and process descriptions regarding intraday margin calls do apply:

Eurex Clearing AG detects an increased risk position that requires an intraday margin call (initially in euro or Swiss francs).

- Market Supervision starts the intraday margin call procedure and informs the member via telephone and fax.
- Market Supervision requires a statement from the member whether the risk will be covered by cash, collateral or risk reduction. The member has a timeframe of 30 minutes to make its decision.
- After 30 minutes, the member may ask for another 30 minutes to cover the risk situation.
- Eurex reserves the right to contact the member again before the end of the second 30 minutes if the risk situation requires special attention.

Assumption: The Clearing Member wants to meet the intraday margin call in U.S. dollars.

- Via fax (as mentioned above), Market Supervision will provide all necessary information, such as BIC code and (converted) U.S. dollar amount to enable the Clearing Member to perform a respective S.W.I.F.T. order.
- The Clearing Member must transfer the required U.S. dollar amount in the given time to the U.S. dollar account of Eurex Clearing AG with Deutsche Bank, N.Y. For the transaction, the timeline as outlined in the Clearing Conditions (see Eurex Circular 013/02) applies.
- Market Supervision will monitor all payment receipts online via an electronic banking tool and S.W.I.F.T.
- Please note: U.S. dollar margin payments will be used to cover intraday margin calls only. As the member still owes the initial currency, the U.S. dollar payments will be excluded from overnight margin calculation.
- On the following day, the Clearing Member is obliged to meet its overnight margin requirement in euro (or Swiss francs). As soon as Market Supervision has received confirmation from either Deutsche Bundesbank or Swiss National Bank, the U.S. dollar amount will be released (credited) upon the Clearing Member's request (Collateral Pledge/Release FAX form), using the detailed payment instruction information provided by the Clearing Member.

Due to the costs this new process will generate, Eurex Clearing AG will, for the time being, not pay any interest on US dollar cash collateral. After six months, Eurex Clearing AG will discuss all financial aspects in the Eurex Clearing Committee and come to a conclusion regarding interest payments on US dollar cash collateral.

Frankfurt, November 10, 2005

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