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# eurex clearing *circular 043/16*

**Date:** 31 March 2016
**Recipients:** All Clearing Members of Eurex Clearing AG and Vendors
**Authorized by:** Matthias Graulich

## Notification of required CFTC Filing: Submission of swaps for the CFTC's Mandatory Clearing Determination

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| **Content may be most important for:** | **Attachment:** |
|---|---|
| ➲ All departments | Submission of Swaps for the Commission's Mandatory Clearing Determination |

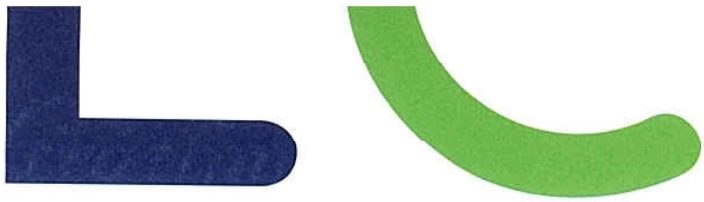
Pursuant to Commodity Futures Trading Commission ("CFTC") Regulation §39.5(b) Eurex Clearing AG, which as of 1 February 2016 is a Derivatives Clearing Organization ("DCO") registered with the CFTC, is required to submit to the CFTC the swaps it clears under its DCO status so that the CFTC may consider a mandatory clearing determination.

In addition, CFTC Regulation §39.5(b)(viii) requires Eurex Clearing to notify Clearing Members of this CFTC filing. This filing is provided as an attachment to this circular.

This CFTC filing relates only to Eurex Clearing's operations in the United States as a DCO. Eurex Clearing does not believe this filing will have any effect on its operations.

If you have any questions or require further information, do not hesitate to contact Eric Seinsheimer, Group Legal & Regulatory Affairs at e-mail eric.seinsheimer@eurexchange.com or tel. + 1 312 5 44-10 87.

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Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington, DC 20581

March 23, 2016

**Re: Submission of Swaps for the Commission's Mandatory Clearing Determination**

Dear Mr. Kirkpatrick,

Eurex Clearing AG ("Eurex Clearing"), a derivatives clearing organization ("DCO") registered with the Commodity Futures Trading Commission (the "Commission" or "CFTC"), is submitting the following contracts (the "Contracts") for the Commission's mandatory clearing determination under Commission Regulation 39.5(b):

**Interest Rate Swaps:**

*Products:*
Single currency interest rate swaps ("IRS")
Forward rate agreements ("FRA")
Overnight index swap ("OIS")
Single currency basis swaps
Zero coupon swaps
Spot and forward starts
Compounding - flat and straight (for IRS and basis swaps)
Linear interpolation of stub periods
Front and back stubs (for IRS and OIS)
Negative interest rates
Variable notional - amortizing and roller coaster (for IRS and basis swaps)
Variable index spread on floating rates that can differ period per period (IRS and basis swaps)
Fixed coupon rates that can differ period per period (IRS and basis swaps)
IMM - International Monetary Markets - roll dates

*Currencies:*
Euro, U.S. dollar, British pounds, Swiss franc, and Japanese yen

*Terms:*
Swaps entered into under ISDA® 2000/2006 and German Master Agreements – standard swaps and forward rate agreement with standard day count and business day conventions, fee legs, constant notionals, front or back stubs and floating rate indexes for each currency.

eurex clearing

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Heike Eckert (Deputy CEO),
Matthias Graulich,
Thomas Laux,
Erik Tim Müller

Aktiengesellschaft mit
Sitz in Frankfurt/Main
HRB Nr. 44828
USt-IdNr. DE194821553
Amtsgericht
Frankfurt/Main

| Type | Currencies | Maturity | Supported types | Other characteristics |
|---|---|---|---|---|
| IRS | EUR, GBP, USD | Up to 50 years | Plain vanilla (fixed/float)<br>Basis/tenor (float/float) | ISDA, German framework<br>Constant notionals<br>Front, end stubs, forward starts<br>EUR (Euribor) and GBP (Libor), 1m, 3m, 6m, 12m<br>USD, CHF and JPY (Libor) 1m, 3m, 6m<br>Zero Coupon<br>Variable notional – amortizing & roller coaster<br>Negative interest rates<br>IMM roll dates<br>Variable spreads & fixed coupons<br>Compounding |
| | CHF, JPY | Up to 30 years | | |
| OIS | EUR, GBP, USD, CHF, JPY | Up to 30 years | Plain vanilla (fixed/float) | |
| FRA | EUR, GBP, USD, CHF, JPY | Up to 2 years | Plain vanilla (fixed/float) | |

The Contracts were cleared by Eurex Clearing prior to its registration as a DCO with the Commission pursuant to the Commission's Order dated 1 February 2016 (the **"DCO Order"**). Under the DCO Order, Eurex Clearing will be authorized to provide clearing services for the swaps listed in the above table for U.S. Clearing Members as well as their customers under Section 5b of the Commodity Exchange Act after Eurex Clearing meets the CFTC's "straight-through processing" requirements. On 1 February 2016, in light of this delayed effectiveness, the CFTC extended previously provided relief to permit Eurex Clearing to continue to clear proprietary positions in interest rate swaps for U.S. Clearing Members. The Contracts are identical to those subject to this relief.[1]

Pursuant to Commission Regulation 39.5(a)(1), Eurex Clearing is eligible to clear the Contracts as Eurex Clearing was clearing the swaps at the time of its registration as a DCO.

Required Information under Commission Regulation 39.5(b)(3)

***The existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data***

As of 18 March 2016, Eurex Clearing had the following approximate notional outstanding by product and currency:

**Total**

| **Product** | **EUR (bn)** |
|---|---|
| Swap | 301.4 |
| OIS | 15.1 |
| FRA | 7.4 |
| BasisSwap | 6.2 |
| **Total** | **330.1** |

[1] See Attachment A, CFTC Letter No. 14-156, http://www.cftc.gov/idc/groups/public/@lrlettergeneral/documents/letter/14-156.pdf.

The following charts provide product breakdowns by currency as of 18 March 2016:

**EUR**

| Product | EUR (bn) |
|---|---|
| Swap | 178.4 |
| OIS | 13.6 |
| FRA | 1.3 |
| BasisSwap | 0.2 |
| **Total** | **193.4** |

**CHF**

| Product | EUR equivalent (bn) |
|---|---|
| Swap | 119.6 |
| OIS | 1.5 |
| FRA | 6.1 |
| BasisSwap | 5.9 |
| **Total** | **133.1** |

**GBP**

| Product | EUR equivalent (bn) |
|---|---|
| Swap | 2.3 |
| OIS | 0 |
| FRA | 0 |
| BasisSwap | 0 |
| **Total** | **2.3** |

**JPY**

| Product | EUR equivalent (bn) |
|---|---|
| Swap | 0 |
| OIS | 0 |
| FRA | 0 |
| BasisSwap | 0 |
| **Total** | **0** |

**USD**

| Product | EUR equivalent (bn) |
|---|---|
| Swap | 1.2 |
| OIS | 0 |
| FRA | 0 |
| BasisSwap | 0.08 |
| **Total** | **1.3** |

Updated daily figures for the above notional exposures are provided daily at: http://www.eurexclearing.com/clearing-en/cleared-markets/eurex-otc-clear/interest-rate-swaps/clearing-volume.

In addition, settlement prices are provided at: http://www.eurexclearing.com/clearing-en/cleared-markets/eurex-otc-clear/interest-rate-swaps/settlement-prices.

***The availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the contract on terms that are consistent with the material terms and trading conventions on which the contract is then traded***

Eurex Clearing already has a well-developed rule framework and support infrastructure for clearing the Contracts. Eurex Clearing intends to leverage this existing operational capacity when clearing the Contracts on the DCO. Eurex Clearing ensures that it has the appropriate risk management, operations, and technology capabilities in place to ensure that it is able to liquidate positions in the Contracts in an order manner in the event of a default. The Contracts are subject to margin and clearing fund requirements set forth the Clearing Conditions of Eurex Clearing AG (the "Clearing Conditions"), which are available at: https://www.eurexclearing.com/clearing-en/resources/rules-and-regulations.

***The effect on mitigation of systemic risk, taking into account the size of the market for such contract and the resources of the DCO available to clear the contract***

The benefits of central clearing of the Contracts through Eurex Clearing are significant, including reduction of counterparty risk, margin and collateral efficiencies, client asset segregation, and legal certainty. With an overall collateral pool of EUR 51 billion, Eurex Clearing's stress-tested lines of defense, and with over 150 Clearing Members from 16 countries, Eurex Clearing has the necessary resources to clear the Contracts from a market size and resources perspective.

***The effect on competition, including appropriate fees and charges applied to clearing***

Eurex Clearing does not believe that its clearing of the Contracts will have a negative or material impact on the competition. The fee schedules for the Contracts are attached as Exhibit A.

***The existence of reasonable legal certainty in the event of the insolvency of the relevant DCO or one or more of its Clearing Members with regard to the treatment of customer and swap counterparty positions, funds and property***

Eurex Clearing observes the "Principles for financial market infrastructures" published by the Committee on Payment and Settlement Systems and International Organisation of Securities Commissions (the "PFMIs"). In February 2015 Eurex Clearing published an assessment of its compliance with the PFMIs, including the conclusion that it fully complies with the PFMIs. This assessment and conclusion was reviewed and validated by KPMG as an independent outside auditor. This assessment is available at: http://www.eurexclearing.com/blob/148684/58e6fe89e3f54ebe169e530ac2235b43/data/cpss-iosco-pfmi_assessment_2014_en.pdf.

As part of this assessment, Eurex Clearing's default management procedures were assessed to be certain in the event of its or its Clearing Members' insolvency with regard to the treatment of customer and counterparty positions and collateral.

Eurex Clearing also has previously provided a legal memorandum to the Commission on the ring-fenced treatment of cleared swaps customer collateral pursuant to Part 22 of the Commission's regulations.

A potential insolvency of Eurex Clearing and the operation of default management procedures under the Clearing Conditions would be governed by German Law, except for certain Clearing Conditions that relate to cleared swaps customer collateral that are governed by U.S. federal laws.

Further information (CFTC Regulation §39.5(b)(iii-viii)

Product terms of the Contracts are market standard and follow the 2000 and 2006 ISDA Derivatives Definitions.

Participant eligible standards are the same as Eurex Clearing's general Clearing Member standards.

There are no additional price sources required as prices are readily available from the price sources already used by Eurex Clearing.

Eurex Clearing has a sound framework for the comprehensive management of all material risks. In this regard Eurex Clearing has established documented policies, procedures, and systems to identify, monitor, and manage such risks.

The rules, policies, and procedures that apply to the clearing of the Contracts are set forth in the Clearing Conditions, which are publicly available at: https://www.eurexclearing.com/clearing-en/resources/rules-and-regulations. Prior the DCO Order, Eurex Clearing made amendments to the Clearing Conditions in relation to the clearing of the Contracts through the DCO. Eurex Clearing notified Clearing Members of these amendments via circulars.

Eurex Clearing plans to provide a circular to Clearing Members that attaches this submission and will provide Clearing Members with the opportunity to comment shortly.

If you have any questions, please contact Eric Seinsheimer, US Compliance Officer, Eurex Clearing AG, at eric.seinsheimer@eurexchange.com or (312) 544-1087.

Yours faithfully,



Eric Seinsheimer
US Compliance Officer, Eurex Clearing AG