Eurex Clearing AG

Response to the FSB Questionnaire on Continuity of Access to FMIs for firms in resolution

Date: 31 July 2023
Eurex Clearing’s Response to the FSB Questionnaire on Continuity of Access to FMIs for firms in resolution

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Introduction

On 14 August 2020, the Financial Stability Board (FSB) published\(^1\) a questionnaire to collect information on continuity of access to financial market infrastructures (FMIs) for firms in resolution. A revised version of the questionnaire was published by the FSB on 20 August 2021\(^2\), replacing the 2020 version, Eurex Clearing considers the latest available version for the response to the questions. The questionnaire is the result of a workshop held in May 2019 on the implementation of the FSB's *Guidance on Continuity of Access to Financial Market Infrastructures for a Firm in Resolution*\(^3\).

On 31 July 2023, this questionnaire was revised following an evaluation of stakeholders' initial experience with the process. While most respondents found the questionnaire template useful, a number of suggestions were also made, which were incorporated into the questionnaire where possible. However, no major changes were made to the questionnaire itself in order to minimise the burden on FMIs in updating their responses.

Maintaining access to FMIs during and post-resolution is an essential objective for an effective resolution scheme. Eurex Clearing, as one of the leading global CCPs, is fully aware of its role in the financial markets and the responsibility this entails – also during the resolution of a Clearing Member. Against this background, Eurex Clearing has responded to the FSB questionnaire and commits to update its response as necessary to inform entities using Eurex Clearing’s services and their resolution authorities on what actions Eurex Clearing can take prior and during the resolution of a Clearing Member, and how Eurex Clearing can support continued access during resolution.

Eurex Clearing’s updates to the questionnaire compared to the 2021 questionnaire version mainly relate to changes in wording and an updated representation of the licenses Eurex Clearing holds.

The questionnaire covers the following topics:

1) general information on Eurex Clearing and its legal structure;
2) information on the rulebook / contractual provisions regarding termination;
3) the phase prior to resolution, during signs of distress at the FMI participant;
4) the resolution phase; and
5) arrangements and operation processes to facilitate continued access in resolution.

Where relevant, the answers are preceded by references to Eurex Clearing Conditions. As the Clearing Conditions themselves are not static, this questionnaire is not static either. Eurex Clearing may therefore update this questionnaire upon changes to the Clearing Conditions or if deemed necessary.

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\(^1\) FSB Continuity of Access to FMIs for firms in resolution: streamlined information collection to support resolution planning - Financial Stability Board

\(^2\) Continuity of access to FMIs for firms in resolution: Streamlined information collection to support resolution planning (revised version 2021) - Financial Stability Board (fsb.org)

\(^3\) Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution - Financial Stability Board (fsb.org)
Part I: Legal entity and general contract/service information:

0. Please provide:

a) the date of the most recent version of the answers to this questionnaire, and

31 July 2023

b) an overview of the changes made since the previous version

The changes in comparison to the previous questionnaire mainly relate to changes in the wording and an updated representation of the licenses Eurex Clearing holds.

1. Please provide the following details:

a) Full Legal Name

Eurex Clearing AG (Eurex Clearing)

b) Legal Entity Identification Number (LEI)

529900LN3S50JPU47S06

c) Jurisdiction of incorporation and registered number in the relevant corporate registry

Eurex Clearing is registered in the Commercial Register of Frankfurt am Main (Germany) under number HRB 44828.

d) Supervisory, resolution or other relevant regulatory authority responsible for overseeing the activities of your organisation in (i) the relevant jurisdiction(s) of incorporation, and (ii) if different from the jurisdiction of incorporation, the relevant jurisdiction(s) of operation. Where an FMI is overseen by more than one regulatory authority, please also indicate which is the principal/ home regulator of the FMI and the relevant function(s) regulated by the respective authorities.

Home Regulators (Germany)

- Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) (also National Resolution Authority)
- Deutsche Bundesbank

Further supervisors on basis of different licenses that Eurex Clearing holds globally

United States

- Commodity Futures Trading Commission (CFTC)

Japan

- Japan Financial Services Agency (JSFA)

Hong Kong

- Securities and Futures Commission (SFC)

Canada

- Ontario - Ontario Securities Commission (OSC)
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- Québec - Autorité des Marchés Financiers (AMF)

Singapore
- Monetary Authority of Singapore (MAS)

Switzerland
- Swiss National Bank (SNB)
- Swiss Financial Market Supervisory Authority (FINMA)

United Kingdom
- Bank of England (BoE)

e) The ownership arrangement of the legal entity (e.g. is it majority owned by its users?)

Eurex Clearing is a stock corporation incorporated in Germany under German law and a wholly owned subsidiary of Eurex Frankfurt AG which is wholly owned by Deutsche Börse AG. A more detailed legal structure can be found on [https://www.eurex.com/ex-en/find/about-us/organizational-structure](https://www.eurex.com/ex-en/find/about-us/organizational-structure).

2. Please provide the following information:

a) Hyperlink to the published FMI disclosure template under the Disclosure Framework for Financial Market Infrastructures.


b) a list or description of services provided, including a summary of the key ongoing access requirements that you require of members for each service (including operational, financial, and capital requirements).

Eurex Clearing provides central counterparty clearing services for

- Eurex Deutschland (Exchange traded derivatives)
- EurexOTC Clear (Over-the-counter (OTC) derivatives),
- Frankfurt Stock Exchange (Equities, bonds and ETFs),
- Eurex Repo GmbH (Repo Market, GC Pooling, HQLAx Market, eTriParty Repo Market),
- Eurex Non-Deliverable Forwards Clearing (NDFs)

The list of cleared products and descriptions of services offered is constantly updated and available on the Eurex Clearing website, in the “Clear” section in the headline: [https://www.eurex.com/ec-en/](https://www.eurex.com/ec-en/)

The services provided by Eurex Clearing cover trade management (trade capture and post-trade management), risk management, collateral management and delivery management. The overview of services provided by Eurex Clearing is available on the website, in the “Services” section in the headline: [https://www.eurex.com/ec-en/](https://www.eurex.com/ec-en/)

Eurex Clearing has established clear and transparent admission criteria per clearing license. The admission requirements are set forth in the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) in Chapter I Part 1 Number 2 for the general prerequisites, in Chapter II thorough VIII for special prerequisites for the relevant transaction type and in the FCM
Regulations of Eurex Clearing AG (FCM Regulations) in Chapter I Number 2 as well as Chapter II Part 1 Number 1.1 and Part 2 Number 2.1.3.

Eurex Clearing’s admission criteria constitute the following requirements to be met by the relevant applicant (inter alia):

- Applicant required to have regulatory status (i.e. needs to be supervised by the competent authorities in the EU or the relevant third country),
- Applicant is subject to regulatory own funds requirements,
- Applicant is required to have access to specific cash and securities accounts,
- Applicant required to provide the minimum contribution to Eurex Clearing’s Default Fund,
- Applicant established technical and functional connection to the systems of Eurex Clearing,
- Applicant has determined an employee as emergency contact for Eurex Clearing.

3. Do your members/ clients access your services directly or through an intermediary?

Clearing Members (CM) have direct access to the services offered by Eurex Clearing. This applies in particular to the General Clearing Members (GCM) and Direct Clearing Members (DCM). Direct/ indirect clients can access Eurex Clearing through an intermediary (meaning a Clearing Member), whereby the relationship remains solely between the CM and client.

An ISA Direct Clearing Member has a membership that combines elements of the DCM membership and traditional service relationship in client clearing. The principal relationship of the ISA Direct Clearing Member is with Eurex Clearing, but support of a so-called Clearing Agent is required. A Clearing Agent must be a GCM in the respective market of the ISA Direct Clearing Member.

4. Do your members/ clients need a specific software or IT programme to receive your services? If the answer is 'yes', is such software/ IT programme your proprietary product or a specific third-party product (please also consider whether specific plug-ins that you require clients to run only run in combination with certain software, e.g. Microsoft products)?

Yes, members and clients need access to specific software to receive Eurex Clearing’s services. The specific software is a proprietary product.

A member is obliged to connect to the clearing systems using at least one of the following alternatives:

- a Multi-Member-Service Operator (former Multi-Member MISS-Provider)
- a leased line combined with a back-up leased line
- a leased line combined with a back-up Internet line (virtual private network (“VPN”) connectivity)
- via using two separate Internet lines (VPN connectivity)

Leased lines are provided and operated by Eurex Clearing. Clearing Members are responsible for ordering and maintaining their own Internet lines.
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Connections to the clearing of Eurex Clearing are also available through an Internet-based service. Clearing Members are responsible for the establishment, transmission reliability and access to the Internet-based connection.

The following diagram provides an overview of the interface between the Eurex Clearing back-end and the participants:

Figure 1: Eurex Clearing interface landscape

The right-hand side of the overview shows the graphical user interfaces (GUIs) to which participants have access.

5. If your contracts are all governed by one governing law, please specify which governing law this is. If there are different governing laws, please specify the main governing laws applicable and explain whether this is dependent on the location of the services provided or as negotiated with the members/client, or any other reason.

Eurex Clearing provides clearing services under two separate rule books: the Clearing Conditions and the FCM Regulations.

(i) Clearing Conditions

The Clearing Conditions are governed by German law (Chapter I Part 1 Number 17.1.1 Clearing Conditions). German law applies irrespective of the jurisdiction of the relevant Clearing Member.

As the Clearing Conditions only provide for so-called principal-to-principal-clearing-models, the jurisdiction of a direct or indirect client is irrelevant.

(ii) FCM Regulations

The FCM Regulations are reserved for the clearing of swap transactions via Futures Commission Merchants (FCMs) having their registered seat in the United States of America. The FCM Regulations are governed by the laws of the United States and of the State of New York (Chapter I No 16.1.1 FCM Regulations).

The FCM Default Rules, containing the relevant provisions applicable in case of the default of an FCM Clearing Member, are governed by German law. Main reasons for this are (i) that Eurex Clearing intends to perform the identical default management process with respect to defaulting FCM Clearing Members as it does
with respect to Clearing Members and (ii) that Eurex Clearing only operates one Default Fund for the clearing under both rule books. To achieve that all (non-defaulting) Clearing Members (irrespective of whether they clear under the Clearing Conditions or the FCM Regulations) are treated equally and on the basis of the same laws, Eurex Clearing has chosen that the FCM Default Rules are governed by the same laws as the equivalent default rules under the Clearing Conditions.

6. Are there any other service providers or FMIs (for example, CSDs, payment systems or other infrastructure) that a member / client would need to have access to in order to receive your services? Please provide the names of those types of service providers and their regulatory status, where applicable.

Yes, Clearing Members must have access to other service providers in order to receive Eurex Clearing's services. As part of a Clearing Member's admission criteria, the following external accounts are required:

**Cash Accounts**

Eurex Clearing requires cash accounts for the provision of margin collateral or Default Fund Contributions as well as for product related payments such as variation margin, premium, etc. Eurex Clearing predominately settles cash flows for EUR and CHF in central bank money. Settlement in commercial bank money only takes place, if Eurex Clearing or the Clearing Members do not participate in the central bank's payment infrastructure. Eurex Clearing defines the eligible central and commercial banks and publishes them on its webpage: https://www.eurex.com/ec-en/services/collateral-management/cash-collateral.

**Securities Accounts**

Clearing Members are not required to open securities accounts to provide margin collateral or Default Fund Contributions in the form of securities. If a Clearing Member would like to provide securities as collateral for margin or Default Fund purposes, securities account may be held at the following central securities depositories:

- Clearstream Banking AG (CBF) licensed as central securities depository and supervised by BaFin,
- Clearstream Banking S.A. (CBL) licensed as central securities depository and supervised by the Commission de Surveillance du Secteur Financier (CSSF) and the Luxembourg Central Bank (BCL), and
- SIX SIS Ltd. (SIX SIS) licensed and supervised by the Swiss National Bank (SNB).

**Settlement Accounts**

Settlement securities accounts are required by Clearing Members for the physical delivery of securities and must be held at a settlement location and linked to a corresponding cash account. Eligible settlement locations are:

- CBF,
- CBL,
- Euroclear UK & Ireland (EUI) licensed as central securities depository and supervised by the Bank of England and the English Financial Conduct Authority,
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- Euroclear Bank S.A. licensed as central securities depository and supervised by the National Bank of Belgium (NBB) and the Financial Services and Markets Authority (FSMA),
- Euroclear Belgium, Euroclear France, Euroclear Netherlands (ESES) licensed as central securities depository and supervised by the Belgium Financial Market Authority, the Banque de France, the French Autorité des Marchés Financiers, the French Authority for the Financial Markets (AFM) and the De Nederlandsche Bank (DNB), and
- SIX SIS.

7. Does your operating framework recognise the continued operations of FMI participants once they enter into resolution (e.g. as under the Bank of England’s Resolvability Assessment Framework, or the Single Resolution Board’s Expectations for Banks)?

According to the Clearing Conditions, the initiation of resolution measures with respect to the relevant Clearing Member pursuant to the Single Resolution Mechanism Regulation (Regulation (EU) 806/2014) or the national laws applicable to the relevant Clearing Member implementing the Bank Recovery Resolution Directive (Directive 2014/59/EU) does not constitute a termination event with respect to the Clearing Member concerned.

Access to Eurex Clearing can be maintained, if:

(i) the Clearing Member fulfils all obligations towards Eurex Clearing, and

(ii) none of the termination events under Chapter I Part 1 No 7.2 of the Clearing Conditions is triggered.

This is in line with the FSB’s Key Attributes and with Article 68 (3) BRRD.
Part II: Rulebook / Contractual provisions regarding termination

8. Discretionary termination rights.

a) Rule Book / Participation agreement provisions: which provisions give rise to a right to terminate a service user’s access? Are the FMI’s termination provisions disclosed publicly? If so, please provide any link(s) to that information.

Under the Clearing Conditions, the applicable termination provisions are regulated under Chapter I Part 1 Number 7 in connection with the relevant Elementary Clearing Model Provisions, Individual Segregated Account Provisions and ISA Direct Provisions such as:

- Chapter I Part 2 Subpart A Number 6,
- Chapter I Part 4 Number 8, and
- Chapter I Part 6 Subpart A Number 10.

Under the FCM Regulations, the applicable termination provisions are regulated under Chapter I Number 9.

Both, the Clearing Conditions as well as the FCM Regulations can be downloaded from the website:


b) Are these provisions based solely on objective criteria, or can the FMI exercise judgement when triggering termination?

The Clearing Conditions and the FCM Regulation differentiate between automatic and non-automatic termination events.

An automatic termination event is only foreseen in case of the commencement of insolvency proceedings with respect to a Clearing Member (Chapter I Part 1 Number 7.2.2 Clearing Conditions; Chapter I Number 9.2.2 FCM Regulations). As this termination event is triggered automatically upon the commencement of insolvency proceedings with respect to the relevant Clearing Member, Eurex Clearing has no discretion with respect to the exercise of the termination right.

The vast majority of the termination events enumerated in the rulebooks qualify as non-automatic termination events. Such events are triggered by the occurrence of an event, but Eurex Clearing still has some discretion with respect to the exercise of the termination right.

Eurex Clearing has defined the following non-automatic termination events:

- Failure to Pay or; Failure to Deliver Margin
- Failure to comply with Clearing Conditions
- Failure to comply with Clearing License prerequisites
- Repudiation or objection to amendments to the Clearing Conditions
- Insolvency-related Events
- Violation of Regulatory Provisions
- Regulatory Actions
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- Opening of Reorganisation or Restructuring Proceedings and Similar Measures (Clarification: not qualifying as recovery and resolution measures under the BRRD/national implementation acts)
- Change in Law and other similar Causes
- Non-compliance with Outsourcing Agreements
- Termination for serious cause

c) Does the FMI use ‘forward looking’ indicators that may trigger termination, and if so, which ones?

No, Eurex Clearing does not use ‘forward looking’ indicators as termination triggers.

d) Do the FMI’s provisions envisage that (i) financial stress on the participant’s side (as defined in its provisions – please provide the definition of such stress) and/or (ii) a resolution event (recognised in the relevant jurisdiction) qualifies as a material change that may trigger termination?

No, Eurex Clearing is not entitled to terminate solely due to the occurrence of a financial stress with respect to a Clearing Member.

Furthermore, Eurex Clearing is also not entitled to exercise any termination right in case of the commencement of recovery or resolution measures. The Clearing Conditions/ FCM Regulations do not foresee any termination right in case of the commencement of such measures.

e) During stress or resolution of the member, are actions by other FMIs taken into account as possible indicators or triggers for termination?

Chapter I Part 2 Subpart A Number 6.2.1 (iii), Part 4 Number 9.1 (iii) or Part 6 Subpart A Number 10.2 (ii) Clearing Conditions / Chapter I Number 9.2.1 (2) (c) FCM Regulations entitle Eurex Clearing to suspend the clearing service with respect to a Clearing Member, if a termination or suspension of the Clearing Member's membership with another CCP has occurred.

However, the mere occurrence of a suspension or termination of the Clearing Member by another CCP as such does not entitle Eurex Clearing to exercise a termination right with respect to such Clearing Member. The right to suspend clearing shall only give Eurex Clearing sufficient time to review the current economic situation of the relevant Clearing Member.

However, due to the drastic consequences that a termination decision has for the Clearing Member itself and for Eurex Clearing (if it subsequently turns out that the termination was not justified), Eurex Clearing very carefully considers all options available to it in case a termination event occurs.

f) Are there any other relevant provisions regarding termination? If so, please explain why they are necessary for the FMI to enable rights for termination.

With respect to client-related transactions of a Clearing Member relating to Direct Clients, the Clearing Conditions generally provide that prior to exercising any termination right with respect to such client-related transactions, Eurex Clearing is required to commence porting
procedures (Chapter I Part 2 Subpart C Number 8 and Chapter I Part 4 Number 10). Only if the porting fails, Eurex Clearing is entitled to terminate the client-related transactions. The FCM Regulations also provide for such porting procedures under Chapter I Number 9.4.

9. Suspension or restriction of membership.

a) Does your framework allow for suspension or restriction of a participant’s membership rather than termination? If yes, what exactly does this imply (for instance, limiting the right to enter new transactions in the system)? Please explain any differences to termination.

Yes, both rulebooks allow the suspension of clearing.

Pursuant to Chapter I Part 2 Subpart A Number 6.2, Part 4 Number 9.1 and Part 6 Number 10.2 of the Clearing Conditions and pursuant to Number 9.2.1 (2) of the FCM Regulations, Eurex Clearing is entitled to suspend or limit the clearing of new transactions by a Clearing Member provided that one of the following events has occurred with respect to such Clearing Member:

i. a Termination Event has occurred with respect to the Clearing Member,

ii. the existence of an unremedied breach by the Clearing Member of any of its Clearing Agreements,

iii. a limitation or suspension of clearing is necessary to contain the exposure to the Clearing Member;

iv. a suspension or termination of the Clearing Member's membership by another clearing house;

v. commencement of Disciplinary Procedures as defined in the Clearing Conditions/ FCM Regulations against a Clearing Member; or

vi. any other event in respect of the Clearing Member that could materially impact the ability of that Clearing Member to perform its obligations under the Clearing Conditions/ FCM Regulations.

A clearing suspension only limits the clearing of new transactions, whereas the clearing continues in respect to all transactions already established prior to the suspension.

In case of a termination, the entire clearing relationship between Eurex Clearing and the relevant Clearing Member (including all netting sets and all transactions combined under each netting set) is terminated and, after Eurex Clearing has rebalanced itself by entering into replacement transactions via auctions or individual purchase arrangements with other Clearing Members, a combined close-out amount for each netting set (considering the current value of each single transaction under the netting sets on the basis of the prices for the replacement transactions) will be calculated by Eurex Clearing.

b) Is there a specific timeline for a suspension period before it leads to termination of membership, and are there circumstances where suspension may be lifted without a termination of membership?

No, there is no specific time limit or threshold which, if reached, leads to a termination.

However, if an non-automatic termination event occurs with respect to a Clearing Member, Eurex Clearing carefully monitors the economic situation of the Clearing Member and the development of the cleared portfolio. One of the most important key factors Eurex Clearing considers are the current margin requirement and the value of the provided margin collateral.
The purpose of a clearing suspension is to prevent the Clearing Member from establishing further exposure in a situation, where a termination event has already occurred, but Eurex Clearing has not yet declared termination, or in situations such as those enumerated under items (ii) to (vi) under question 9. a) above, where the occurrence of a termination event is likely to happen in the future.

Another purpose of the suspension is to allow the Clearing Member to cure the relevant event which has led to the suspension.

Thus, Eurex Clearing will immediately lift the clearing suspension if the Clearing Member proves to Eurex Clearing that the suspension event has ceased to exist.

10. Critical FMI service rules, contractual arrangements, or procedures should reflect any legal restrictions on termination and suspension of access because of an FMI service user entering into resolution (FSB 2017 Guidance, 1.1).

If your FMI also has the option to suspend rather than terminate membership, please specify for each answer whether and how it would differ for suspension. Please also note Question 4, which asks about the details of suspension in your FMI’s provisions.

a) In what way do your rules, contractual arrangements and procedures reflect this?

Please refer to Eurex Clearing’s answer under item 9. a) above.

b) Do such arrangements include the effect of parent or affiliates entering resolution?

No, Eurex Clearing’s rulebooks do not include any cross-default provisions in case of the default of an affiliate of a Clearing Member.

c) Do you have any plans to amend or otherwise change, or have you recently changed your rules, contractual arrangements or procedures to address legal restrictions on termination of access in the event that an FMI service user enters resolution? If so, please provide details of the proposed/applied changes.

The current version of the Clearing Conditions/ FCM Regulations does not provide for a termination right in case of the occurrence of recovery or resolution measures with respect to a Clearing Member ordered by the competent resolution authorities.

11. Triggers, procedure and consequences of termination of FMI participation.

a) Triggers: in which situations would termination be considered? Is participation/membership generally terminated in case of financial stress? Are these criteria clearly outlined in the rulebook or other contractual documentation (please include the relevant references)?

Eurex Clearing will only consider terminating the clearing relationship with a Clearing Member upon the occurrence of a (non-automatic) termination event. The occurrence of financial stress does not stipulate a termination event.

For the avoidance of doubt, in case of the occurrence of an insolvency termination event with respect to a Clearing Member, the clearing relationship is terminated automatically in accordance with the Clearing Conditions/ FCM Regulations.

See question 8 b) for a summary of the termination trigger.
b) Please explain the management and monitoring around the termination process - steps and timelines of the escalation and decision-making, as well as of the implementation of termination. (Please provide concrete examples, if any, of participation/membership terminations and flag, where relevant, any changes made to the termination process since).

The key objectives of default management procedures (DMP) include minimising further losses for the defaulting Clearing Member, winding down its positions in an orderly manner and to prevent the CCP and the other non-defaulting Clearing Members from any losses. The event of a Clearing Member’s default is assumed to be highly correlated to market stress and may be subject to further endogenous disruptions of the market. Given the impossibility of predicting the nature of future crises and potential defaults, the DMP is designed to be sufficiently flexible to take different default scenarios into account.

The escalation process and decision to terminate a Clearing Member is usually taken within 1 hour(s) unless there is an explicit decision to grant a grace period to give the relevant Clearing Member the chance to resolve the situation without exercising a termination right.

All termination cases Eurex Clearing has dealt with in the past have been automatic trigger events taking place over the weekend, i.e. the termination of the Clearing Member was declared before the market opening.

These key components and the general DMP are described under Chapter 1 Part 1 Number 7.5 of the Clearing Conditions and Number 4 of the FCM Default Rules. Additionally, dedicated Default Management Committee (DMCs) Rules and Default Management Auction Rules outline further details with respect to the implementation of DMCs and default management auctions.

c) What are the consequences of termination on the participant/member’s ability to access the FMI’s services? Would the firm be able to complete the processing of any outstanding transactions (e.g. not accepted for clearing or settlement, or in process but not complete) it has in the FMI’s systems, or are these cancelled or liquidated?

Upon the occurrence of an automatic insolvency termination event or the declaration of a termination by Eurex Clearing due to the occurrence of a non-automatic termination event, the entire clearing relationship between Eurex Clearing and the relevant Clearing Member shall be terminated including all cleared transactions under the relevant netting sets.

Upon termination, Eurex Clearing immediately initiates its Default Management Process to rebalance it again by entering into replacement transactions via auctions or individual purchase arrangements with other Clearing Members.

Once Eurex Clearing is rebalanced again, Eurex Clearing will calculate the final close-out amount for each netting set considering the market value of all transactions combined in the relevant netting set, based on the prices achieved when entering into replacement transactions.

In case the Clearing Member owes Eurex Clearing any close-out amount, Eurex Clearing will enforce any pledged securities collateral provided by the Clearing Member. If Eurex Clearing owes the close-out amount to the Clearing Member, Eurex Clearing will pay the relevant close-out amount to the Clearing Member and will release or re-transfer any securities collateral delivered by the Clearing Member.

As a consequence of a termination, the relevant Clearing Member will no longer have access to the clearing services provided by Eurex Clearing.
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d) Would the decision to terminate participation/membership be notified ex ante (i.e. before it takes effect) to the competent authorities of (i) the direct participant and/or of (ii) the FMI? Would this decision be communicated ex ante to the participant itself? On both aspects, how long in advance of actual termination would such notifications occur?

Generally, before delivering a termination notice to the relevant Clearing Member declaring the termination, Eurex Clearing – when reasonable – will always attempt to contact the Clearing Member to consult with the Clearing Member about the occurrence of a termination event and whether the termination event can be cured. Eurex Clearing is not in a position to make a statement as to how far in advance it would contact the Clearing Member as this strongly depends on the individual case.

In addition, upon the occurrence of a termination event with respect to a Clearing Member, Eurex Clearing is required under applicable regulatory law to report the occurrence of such termination event to the Federal Financial Supervisory Authority (BaFin) and the Commodity Futures Trading Commission (CFTC) prior to the declaration of termination.

e) What impact would a participant/member's termination have on their parent/subsidiaries' direct membership in the FMI?

The rulebooks of Eurex Clearing do not foresee any cross-default provisions. Thus, no termination or suspension rights would be triggered with respect to the other affiliates. Eurex Clearing would most likely only increase the internal monitoring of the affiliates and change the internal credit rating for the affiliates.

f) Does the FMI have cross-default provisions in its rule set? Could it put a member in default because of an affiliate's insolvency or of an indirect participant/client's default or do the rules explicitly prevent or exclude such automatic termination (as long as other obligations are being met)?

The rulebooks of Eurex Clearing do not foresee any cross-default provisions.

g) What assistance would the FMI provide with the porting (within the FMI) of the participant's direct and/or indirect positions/outstanding transactions to a parent/subsidiary membership, third party successor or bridge entity?

Please see questions 36, 37, and 38.

h) Please discuss any other points related to termination.

Eurex Clearing considers all relevant issues to be sufficiently covered by the answers above.

12. FMIs should retain the ability, as specified in rules or contractual arrangements, to terminate, suspend or restrict participation or continued provision of services where the firm fails to meet obligations or where safe and orderly FMI operations could be compromised (FSB 2017 Guidance, 1.1).

a) Under what conditions, if any, could safe and orderly FMI operations be at risk from maintaining participation of a service user in resolution?

Provided that the relevant Clearing Member that is subject to a recovery or resolution measure fulfils its contractual obligations arising from all open transactions cleared with Eurex Clearing,
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Eurex Clearing considers the risks to Eurex Clearing to be acceptable, as Eurex Clearing also has a strong interest in saving the Clearing Member. However, this drastically changes, if the Clearing Member no longer meets its obligations. In such a case, it must be clear that Eurex Clearing must be able to exercise its termination rights under the applicable laws.

b) Which indicators, if any, can a participant use to anticipate that such a scenario may occur?

Whether a Clearing Member fulfils its obligations lies in its own hands, so the Clearing Member should be able to anticipate a termination itself.

13. Are there any further aspects or issues to mention in relation to the provisions for termination or suspension of membership? If possible, please provide concrete examples of specific factors that were considered in the past when assessing whether to exercise judgement to terminate or suspend a participant's access. Please elaborate.

A termination decision is the most important decision a CCP can take, as it has the most drastic consequences for the terminated Clearing Member as well as the CCP, if it subsequently turns out that the termination was not justified, which could lead to large compensation claims against the CCP.

Thus, Eurex Clearing also carefully monitors how other FMIs (in particular CCPs) deal with the relevant Clearing Member. Further, to ensure that Eurex Clearing exercises its rights in a reasonable way, it carefully considers all its options and the interests of the relevant Clearing Member. Eurex Clearing always considers termination as the absolute last resort if no other measure can help. This is always the case if the risks for Eurex Clearing and the other Clearing Members reach a level where Eurex Clearing's exposure is no longer covered by the margin collateral and default fund contributions of the defaulted Clearing Member.
Part III: Prior to resolution, during signs of distress at the participant

The questions in this section assume a situation of stress, in which one of the FMI's (direct) participants/members, or an affiliate company, exhibits signs of distress. Please distinguish in case there are differences between situations of idiosyncratic vs. market stress. To avoid duplication, respondents may cross-reference other answers when appropriate.

14. What management and monitoring process(es) does the FMI have in place to identify a situation of stress of a (direct) FMI participant or its affiliate?

Irrespective of resolution state or other insolvency related events, Eurex Clearing closely monitors the credit quality of its participants using detailed credit assessments, which are reviewed at least annually or on an ad hoc basis, if required. Based on the credit rating, Clearing Members may get assigned credit limits in order to prevent counterparts with lower credit quality to build up excessive exposure. Therefore, in case of deteriorating credit quality, Eurex Clearing may impose a credit limit on the member in question. Credit limits are twofold, depending on the particular trading portfolio: credit risk thresholds can be defined either as maximum margin requirement and/or as maximum notional exposure.

In addition, credit rating downgrade may lead to revising the defined wrong-way risk limits which are applicable to a counterpart’s collateral pool and to its notional exposure.

Eurex Clearing’s Credit, Concentration and Wrong Way Risk (CCWWR) Framework is incorporated in the Clearing Conditions (Chapter I Part 1 Number 1.6.2-1.6.4) and allows for a timely, effective and reasonable mitigation of any limit breaches such as:

- Substitutions of collateral
- Restrictions on the collateral accepted by the participant
- Review of limits (credit limits, concentration and wrong way risk limits)
- Collection of additional margins (Supplementary Margin)

For detailed information on CCWWR Framework please refer to the website of Eurex Clearing: https://www.eurex.com/ec-en/services/risk-management/credit-concentration-wrong-way-risk

15. Which indicators does the FMI consider as part of its management and monitoring in order to determine whether its participants/members face difficulties due to idiosyncratic and/or market stress (outside of entry into resolution)?

In order to maintain a base of Clearing Members with high credit quality, the credit worthiness of each counterpart, regardless its role (e.g., CCP member, treasury counterpart, settlement or payment location etc.) is reassessed on an on-going basis. The maximum interval for these reassessments is set to one year. Counterparts with lower credit quality are subject to even more intensive monitoring.

Eurex Clearing maintains a “watch-list” for those counterparts requiring more intensive monitoring due to credit risk considerations.

Ongoing monitoring of counterparts includes, besides the standard risk management practices, such as real-time shortfall monitoring leading to potential intraday margin calls, close monitoring of news, stock prices, CDS spreads, volatilities and other credit relevant information that is frequently available.

For counterparts with lower credit qualities, tailored limits are set for the various roles and monitored daily, and any limit breach is rectified as soon as possible. In the event that set limit utilizations reach a certain level, early warning thresholds are defined in order to implement appropriate measures to mitigate the increased credit risk imposed by those clients.
For a detailed description of the indicators set as part of the CCWWR Framework please refer to the website of Eurex Clearing:


16. What risk mitigation actions could the FMI take under its rules / internal procedures vis-à-vis the participant or member? Which of those potential actions are likely, i.e. to be expected by the firm? How would risk mitigation vary in the event of mild, moderate, and severe stress situations at a participant/member? Could actions be taken even though the participant/member meets its obligations?

Eurex Clearing requires its Clearing Members to meet margin requirements, even intraday. If an intraday margin call is requested, the Clearing Member has a maximum of 30 to 60 minutes to deliver the requested margin. If a margin request cannot be met, Eurex Clearing has the right to terminate the membership.

The risk-mitigating measures are always in line with the CCP’s rulebook and are predictable. There are standardized processes in place, which are triggered and known to the participant in advance, e.g., charge of supplementary margin in case of stress testing limit breaches. However, these processes are not rigid, and the rulebook leaves room for different measures, if deemed necessary in certain situations. Furthermore, Eurex Clearing has a comprehensive (early warning) limit framework and adequate governance processes in place to identify slowly developing critical situations for a participant at an early stage. This enables Eurex Clearing to proactively approach the participant in due time and to select the risk-mitigating measure that best avoids any negative market and member impacts.

a. Risk mitigation actions to be potentially taken by Eurex Clearing may include:
   - internal rating downgrade;
   - request for higher quality collateral;
   - limitation/reduction of risk tolerance or position size;
   - margin calls (lower operational limits, supplementary margins); and
   - increased monitoring.

b. Quantitative or qualitative reporting requirements to maintain access always depend on the circumstances. If all obligations for maintaining a clearing license as stated in the Clearing Conditions of Eurex Clearing are fulfilled, there will be no termination initiated. A cooperative and pro-active information policy by the Clearing Member and its competent authority is always beneficial.

17. What self-reporting requirements are placed on the member/participant in a situation of stress (e.g. additional reporting, increased reporting frequency; evidence of operational and financial capacity)? Please provide any templates or overviews of required data points, where available.

Any self-reporting requirements, whether quantitative or qualitative, are always ad hoc applicable depending on the circumstances. There are no predefined self-reporting requirements envisaged specifically for a stress situation.
18. Please explain the methodology used to calibrate additional membership requirements (including operational, financial and capital requirements) for a member/client in financial stress outside of resolution.

There is no predefined set of additional membership requirements horizontally applicable for a member/client in financial stress related to resolution.

For any risk mitigation actions potentially applicable in such a case, please refer to question 16.

Eurex Clearing defines general requirements which must be fulfilled by all Clearing Members (Chapter 1 Part 1 Number 2.1 of the Clearing Conditions) and special requirements defined in Chapters II–IX for the relevant markets cleared.

Please refer to Clearing Conditions, Chapter I Part 1 Number 2.1 ("Clearing License")/ 2.1.2 (1) ("General Prerequisites for Clearing Licenses")

Further details on the admission requirements are described on the website of Eurex Clearing: https://www.eurex.com/ec-en/join/admission-requirements/clearing-member

19. Please describe for each of the below risk mitigation actions, in as far as they form part of the FMI’s set of potential risk mitigation actions: (i) whether these actions are discretionary or pre-determined, e.g., would the FMI follow a required set of actions, which may be described in its rule book; (ii) in which way, if at all, the FMI could deviate from the predetermined procedure so as to either disregard a mandated risk mitigation action or adopt a non-standard action?

i. Increasing membership contributions (e.g., default fund/loss sharing contributions), mandating pre-funding, restricting withdrawal of deposits;

ii. Increasing initial/variation margin/collateral requirements, restricting collateral types, removing cross-margining facilities; increasing liquidity obligations;

iii. Removing credit lines, reliance on parental guarantees or securities borrowing facilities;

iv. Enforcing trading controls including position limits, restricting markets;

v. Termination or suspension of participation/membership.

Generally, all the above listed risk mitigation actions (i–v) can be applied discretionarily, and it is decided ad hoc if and which risk mitigation action will be enacted, except for (v), which automatically applies in case of insolvency of the Clearing Member.

For more information on the supplementary margin, please refer to Clearing Conditions, Chapter I Part 1 Number 3.5. Usually, supplementary margin applies in a pre-determined way (based on CCWWR and stress testing results) and does not relate to the financial situation of the Clearing Member, but rather to its exposure toward the CCP.

Changes in credit rating may directly lead to a change in margin limit. The rating may be changed by an ad hoc Credit Committee meeting.

20. Please answer question 19 also for other risk mitigation actions, if any, that are not mentioned here and would likely be taken.

n/a
21. In a situation of idiosyncratic or market stress, in which one of the FMI’s (direct) participants/members, or an affiliate company, exhibits signs of distress, communications and notifications may be necessary. Please distinguish in the below in case there are differences between a situation of idiosyncratic vs. market stress.

a) What notifications or communications would the FMI undertake to the participant/member, their competent and/or resolution authority, the FMI’s competent and/or resolution authority, the stressed firm’s settlement agent, and other stakeholders, and when? Would any of these be based on an obligation for the FMI to notify?

Eurex Clearing may stay in contact with the institution in financial distress and its competent and/or resolution authority in order to understand what measures the bank adopts to address the crisis and take accordingly internal actions, if necessary and deemed suitable.

Eurex Clearing is furthermore in close contact with its own competent and/or resolution authority and communicates any relevant and legally required information. However, there is no obligation for Eurex Clearing to notify any of the above-mentioned stakeholders according to its rulebook prior to resolution.

b) Do you have a specific communication plan for this, or does your approach leverage existing crisis communication mechanisms? In both cases, please describe the main features of the approach.

There is no specific communication plan for the event of a Clearing Member in distress. An emergency communication plan is only applied for the case that Eurex Clearing has already triggered its Default Management Procedure.

Clearing Members have the obligation to maintain contact details continuously, for Eurex Clearing to be able to trigger communication at any time directly with the appropriate responsible individuals.

c) Does the FMI need to get consent from the firm or inform the firm prior to a notification or communication?

n/a

d) Do the communication/notification protocols require specific factors to be considered, for example legal implication, market impact, etc.?

n/a

e) Are your communication protocols standardised across participants or do they take into account the specificities of firms’ participation and roles in respect of the FMI?

n/a

22. Alleviating uncertainty for the FMI.

a) Which actions could the firm or the relevant authorities take in order to alleviate uncertainty for the FMI, and reduce the risk that the FMI may take com actions that may have an adverse financial impact on the firm?

If all obligations for maintaining a clearing license, as stated in the Clearing Conditions of Eurex Clearing, are fulfilled, there is no need for any additional measures. A cooperative and
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pro-active information policy by the Clearing Member and its competent authority is always beneficial.

A cooperative and pro-active information policy towards the CCP is always preferable and will reduce uncertainty. We therefore encourage the establishment of crisis communication channels, which should be leveraged in a crisis to the highest extent possible. We note the importance of developing a standardized approach for resolution measures and underline the necessity to align “post-decision” processes.

Short and clear communication lines between all relevant parties (Clearing Member in resolution, resolution authority and the CCP) are crucial during and post-resolution, but also beforehand. Therefore, it is highly recommended to have a designated contact person for the CCP at the Clearing Member and at the resolution authority. In this way, ambiguity can be avoided.

b) Which data / quantitative information and what qualitative information might you need to receive from the participant and/or RA in order to allow the participant to maintain access (please consider the three levels of access mentioned in footnote 3)? Please specify by when you would need each piece of information, if appropriate.

It always depends on the circumstances which data / quantitative information is required to maintain access. If all obligations for maintaining a clearing license, as stated in the Clearing Conditions of Eurex Clearing are fulfilled, there is no need for any additional measures or information. A cooperative and pro-active information policy by the bank and its competent authority is always beneficial.

c) What other actions could be taken ex-ante to avoid a temporary interruption of services or the risk of some transactions remaining unexecuted?

Provided that the Clearing Member or the competent authority reassures Eurex Clearing that all obligations as outlined in the Clearing Conditions (see also question 22 b) are fulfilled, there is no risk of a temporary disruption of services.

d) Please discuss any other considerations.

n/a

23. Considering adverse financial impact of FMI risk mitigation actions on direct/indirect participants.

a) Some actions, designed to protect the FMI, may precipitate the failure of the relevant participant/member or worsen its position at the time of resolution. How does the FMI consider this when deciding to protect itself?

Eurex Clearing is fully aware of its role in the financial markets and the responsibility this entails. Before any decision is taken, the Executive Board of Eurex Clearing will always weigh up the pros and cons of each potential alternative and action it may take. Eurex Clearing will discuss the different alternatives with its competent authority in order to avoid negative effects on the financial markets and the real economy as far as possible.

b) Does the FMI take into account the impact on indirect participants of actions taken in response to a direct participant/member facing financial stress?
Eurex Clearing is aware of its responsibility as a neutral Financial Market infrastructure (FMI) and will act in the best interest of the market as a whole.

24. Possible differences in treatment of domestic and foreign FMI service users entering into resolution.
   a) Do you differentiate in your treatment of domestic and foreign FMI service users, and if so in what way?
   The distinction between domestic and foreign jurisdictions is being considered when calculating the wrong-way risk, i.e., the risk we are exposed to in case of a counterparty's default arising from instruments - which when being liquidated - are likely to decrease in value as they are linked to the credit quality of the counterparty. In this context, the dedicated wrong-way risk limits consider the home country of the counterparty and the home country of the issuers within the counterparty's collateral pool and portfolio. In some circumstance, Eurex Clearing may have to distinguish the legal framework it applies due to the jurisdiction of the Clearing Member.

   b) Among foreign users, is there a distinction for users from certain jurisdictions? If so, what are those distinctions?
   Please refer to the response under a).

25. Safeguards in jurisdictional legal frameworks.
   a) How do you assess whether the resolution framework of the jurisdiction in which a firm resides provides adequate safeguards to the provider of critical FMI services?
   According to the Clearing Conditions of Eurex Clearing, the initiation of resolution measures with respect to the relevant Clearing Member pursuant to the Single Resolution Mechanism Regulation (Regulation (EU) 806/2014) or the national laws applicable to the relevant Clearing Member implementing the Bank Recovery Resolution Directive (Directive 2014/59/EU) does not constitute a termination event with respect to the Clearing Member concerned. Eurex Clearing analyses the legal framework of every jurisdiction that is eligible for a clearing membership and ensures adequacy of its Clearing Conditions and risk procedures.

   b) From which regulatory regimes (e.g. countries) do you accept service users?
   An up-to-date overview of permissible jurisdictions for Clearing Members and clients is available on the Eurex Clearing website:

26. Are there any further aspects or issues to mention in relation to interaction between the FMI and a participant in financial stress? Do you have any examples of past experiences where the FMI has utilized its powers in relation to a member undergoing stress? What actions were undertaken and what were the outcomes? Could this example be indicative of actions that may be taken in a future case?
Another aspect to mention in relation to interaction between Eurex Clearing and Clearing Members in financial stress is the convention of the so-called Emergency Committee (EmCo). The EmCo is an internal panel, which is convened, if a Clearing Member default trigger (Termination Event) occurs, or in case of “early warning” (Clearing Member in financial distress). It is convened by the Chief Risk Officer (CRO) of Eurex Clearing, who chairs the panel. The EmCo is a decision-preparing forum comprising of senior managers, as well as subject matter experts of Eurex Clearing and other Deutsche Börse Group entities. Its purpose is to coordinate the creation of an overall view on the situation and facilitate the Eurex Clearing Executive Board’s decision-taking process regarding the Clearing Member’s termination or risk mitigating actions.

In the past, there have been no examples where Eurex Clearing has used its termination powers in relation to a member undergoing stress, apart from cases where a Clearing Member has been declared insolvent.

There was one scenario, where an early warning led to a deteriorating credit rating and additional risk and notional limits were imposed as a result. This did not lead to termination.

There was one situation, where early warning did not lead to any risk mitigating measures.
Part IV: During and after resolution

27. When the FMI becomes aware of a participant entering a resolution process, which actions would the FMI be likely to take vis-à-vis the participant? Could actions be taken even though the participant/member meets its obligations?

According to the Clearing Conditions of Eurex Clearing, the initiation of resolution measures with respect to the relevant Clearing Member pursuant to the Single Resolution Mechanism Regulation (Regulation (EU) 806/2014) or the national laws applicable to the relevant Clearing Member implementing the Bank Recovery Resolution Directive (Directive 2014/59/EU) does not constitute a termination event with respect to the Clearing Member concerned.

Access to Eurex Clearing can be maintained, if:

(i) the Clearing Member fulfils all obligations towards the CCP, as defined in the Clearing Conditions; and

(ii) None of the termination events, as outlined in the Clearing Conditions, materialize (Chapter 1 Part 1 Number 7.2.1 and 7.2.2 – summarized below).

Termination Events / Insolvency Termination Event

Eurex Clearing has defined in its Clearing Conditions the following automatic and non-automatic termination trigger events:

(i) Automatic trigger event:
   • Official announcement of insolvency

(ii) Non-automatic trigger events:
   • Failure to Pay; Failure to Deliver Margin
   • Failure to comply with Clearing Conditions
   • Failure to comply with Clearing License prerequisites
   • Repudiation or objection to amendments to the Clearing Conditions
   • Insolvency-related Events
   • Violation of Regulatory Provisions
   • Regulatory Actions
   • Opening of Reorganization or Restructuring Proceedings and Similar Measures
   • Change in Law and other similar Causes
   • Non-compliance with Outsourcing Agreements
   • Termination for serious cause (aus wichtigem Grund)

If during the resolution state, the affected Clearing Member does not fulfill its obligations towards Eurex Clearing or any of the above-mentioned termination event(s) materialize, as Eurex Clearing is entitled to terminate the clearing relationship and trigger the default management process according to Chapter 1 Part 1 Number 7.5 of the Clearing Conditions. On the contrary, if the participant/member meets its obligations no actions shall be taken from Eurex Clearing.
28. Please explain the methodology used to calibrate additional membership requirements (including operational, financial and capital requirements) for a member/client in resolution. To what extent does the FMI take into account the resolution strategy and tools applied to a member to determine their financial and operational requirements? Does the FMI consider anything specific in its methodology in relation to ring-fenced or specifically safeguarded entities?

Eurex Clearing has not defined any specific/ additional provisions in the Clearing Conditions for Clearing Members entering resolution. Therefore, the resolution strategy and tools applicable or the ring-fenced or specifically safeguarded entities are not being particularly considered to determine additional membership requirements, since there are no such requirements in place just as a result of entering the resolution state.

Resolution itself does not trigger additional:

- Margin requirements;
- Default Fund contributions;
- Reporting towards Eurex Clearing

For example, Eurex Clearing would not demand a cash collateral transfer just as a result of the initiation of resolution measures in respect to a Clearing Member. During resolution, Clearing Members shall fulfill all their obligations towards the CCP, as defined in the Clearing Conditions. In case of under-collateralization, *mutatis mutandis* the affected Clearing Member must provide eligible margin collateral, as defined by Eurex Clearing. It is however recommended that the member in resolution pro-actively contacts the CCP in order to demonstrate that the resolution state will not be an obstacle to fulfilling the requirements. This provides more assurance to the Executive Board of Eurex Clearing and could reduce the likelihood/magnitude of usage of the potential mitigating actions outlined in question 19.

29. Please describe for each of the below risk mitigation actions, in as far as they form part of the FMI's set of risk mitigation actions upon a participant entering a resolution process (in addition to actions that would be taken prior to resolution): (i) whether these actions are discretionary or pre-determined, e.g., would the FMI follow a required set of actions, which may be described in its rule book; (ii) in which way, if at all, the FMI could deviate from the predetermined procedure so as to either disregard a mandated risk mitigation action or adopt a non-standard action; (iii) how/when the following risk mitigation actions would be communicated to the participant.

i. Temporary suspension of certain activities (and if so, which activities);

ii. Potential requirements to contribute additional margin or amounts to default or guarantee funds, secure additional liquidity commitments (including on an intra-day basis), or to pre-fund part or all of payment and settlement obligations;

iii. Potential changes to operational or information requirements, including those needed because certain services might not be available;

iv. Potential requirements that may apply in relation to a bridge institution or a third party purchaser to which functions have been transferred.

As described under questions 27 and 28, there is no set of risk mitigation actions either discretionary or predetermined that Eurex Clearing may take upon a participant entering the resolution process just as a legal consequence of the latter. The same approach is applied to any Clearing Member in distress, irrelevant of the state of recovery, resolution or neither.

Please refer to the response under 22 a).
30. Please answer question 29 also for other risk mitigation actions, if any, that are not mentioned here and that would likely be taken.

n/a

31. In what way should a service user prepare for resolution-related risk mitigation measures by the FMI to maximize the likelihood of maintaining access? Does the FMI provide any documented guidance on this to its participants/members, and/or to their RAs?

As already described in questions 27 and 28, there is no set of risk mitigation actions either discretionary or predetermined that Eurex Clearing may take when a participant enters the resolution process, just as a legal consequence of the latter.

32. What impact would a member/participant’s resolution have on any parent or subsidiary’s direct membership at the FMI?

As already described in questions 27 and 28, there is no impact on continued access to Eurex Clearing’s services; *mutatis mutandis*, if a member/participant is entering into resolution, this shall not have any impact on any parent or subsidiary’s direct membership at the CCP, as long as it fulfills all its obligations towards the CCP, as defined in the Clearing Conditions.

33. In a situation of idiosyncratic or market stress in which one of the FMI’s (direct) participants/members, or an affiliate company, enters resolution, communications and notifications may be necessary. Please distinguish in the below in case there are differences between a situation of idiosyncratic vs. market stress.

a) What notifications or communications would the FMI undertake to the participant/member, their competent and/or resolution authority, the FMI’s competent and/or resolution authority, the firm’s settlement agent, and other stakeholders, and when? Would any of these be based on an obligation for the FMI to notify?

There is no obligation for Eurex Clearing to notify the Clearing Member, its competent and/or resolution authority, the Eurex Clearing’s competent and/or resolution authority, the firm’s settlement agent, and other stakeholders following a resolution of a Clearing Member.

What is currently being discussed at the level of the Resolution Authority and CCP level is the exact opposite, i.e., the information flow from the Resolution Authority towards the CCP. Resolution authorities should inform CCPs about the resolution of a Clearing Member as soon as possible, and if possible, in advance of the firm’s entry into resolution.

b) Do you have a specific communications plan for this or does your approach leverage existing crisis communication mechanisms?

n/a- please refer to the response under a).

c) Does the FMI need to get consent from the firm or inform the firm prior to a notification or communication?

n/a- please refer to the response under a).
d) Do the communication/notification protocols require specific factors to be considered, for example legal implication, market impact, etc.?

n/a - please refer to the response under a).

e) Are your communication protocols standardized across participants or do they take into account the specificities of firms' participation and roles in respect of the FMI?

n/a - please refer to the response under a).

f) Would your members / clients be able to leverage any preparations your organization has undertaken to access the necessary communication infrastructure to deliver the increased extent of communications that may be needed to respond to a resolution and any restructuring of a member/client (such as increased call volumes to call centers)?

Please refer to the response under g).

g) What management and monitoring arrangements would apply for these crisis communications and notifications? Would you have a dedicated team or a point of contact for receiving and initiating all communications that relate to a member/client entity in resolution or any related restructuring?

There is no dedicated point of contact in case of resolution. The affected Clearing Member and responsible Resolution Authority should contact:

Dmitrij Senko (Chief Risk Officer, Eurex Clearing AG)
Oliver Haderup (Chief Compliance Officer, Eurex Clearing AG)

General Mail: CCP-Regulation@eurex.com; DMP_Inbox@deutsche-boerse.com

34. Alleviating uncertainty for the FMI. (As requested in Part II, if the responses to sub-questions a.-f. below have been documented in rulebook/contractual provisions or other documents, please reference.)

a) What actions (such as communication) could the participant or authorities take in order to alleviate uncertainty for the FMI about the participant’s situation, and thereby reduce the risk that the FMI may take risk mitigation actions that may have a further adverse financial impact on the participant?

The more information a CCP has about the facts and circumstances surrounding the resolution of a given Clearing Member, the more likely it is that a CCP will be able to effectively support the Clearing Member's continued access to the CCP in resolution and promote the stability of the broader financial system.

The below listed considerations and areas of information could be helpful to Eurex Clearing with respect to the resolution of a Clearing Member. These include, but are not limited to:

- Notification to the CCP that a participant (or its parent) is entering resolution as soon as practicable, preferably in advance of the public notice to minimize adverse reactions and maximize the likelihood of safe and orderly continued access to CCP;

- Intended timing of release of critical information – e.g., if predefined items for release are determined and timing of such release;
“Resolution tools” that, if utilized, would impede continued participation in the CCP or would result in systemic risk;

If certain services, particularly those provided to a CCP (and/or to CCP participants), will be delayed or cease to be provided where a CCP participant (or its parent) enters into resolution (e.g., settlement and custody bank services);

Updated financial and organizational information, as it becomes available, on a CCP participant (or its parent) that is subject to resolution;

Expectations on whether and when (as well as how long) liquidity will flow to or from a CCP participant (or its parent), particularly relative to satisfying obligations to the CCP, including obligations in multiple currencies;

Expectations as to the treatment of assets of a CCP participant with a foreign parent subject to resolution; and Implications of using different resolution strategies (e.g. bail-in versus bridge bank as resolution plan tools).

b) Assuming that the authorities and the affected member/client may not be able to share relevant information before the commencement of the resolution process, would that represent a material issue that could determine how your organization responds to the fact that a member/client has been placed in resolution?

Although the entry of a Clearing Member into resolution is not a trigger event for Eurex Clearing - either automatically or not - (as long as at least the obligations to Eurex Clearing pursuant to its rulebook continue to be fulfilled), access may be terminated or suspended, if the timelines of Eurex Clearing are not met (e.g. timelines for collecting margin). The business-as-usual normal risk management procedures of the CCP could eventually lead to the termination of a member, thus affecting the resolution scheme and its very purpose, i.e. of ensuring business continuity. Therefore, the timely disclosure of information by the affected member/authorities to Eurex Clearing could help to prevent this.

c) Which data/quantitative information would the FMI need to receive from the participant and/or RA in order to allow the participant to maintain access (please consider the three levels of access mentioned in footnote 3)? Please specify by when you would need each piece of information, if appropriate, including when you would need to be informed prior to resolution measures.

There is no data/quantitative information that Eurex Clearing needs to receive from the Clearing Member and/or the resolution authority to allow the participant to maintain access to the CCP. Access will continue to be granted and will not be interrupted only due to the entry into resolution status.

d) Which qualitative information would the FMI need to receive from the participant and/or RA in order to allow the participant to maintain access to the FMI? Please specify by when you would need each piece of information, if appropriate, including when you would need to be informed prior to resolution measures.

There is no data/qualitative information that Eurex Clearing needs to receive from the Clearing Member and/or the resolution authority to allow the participant to maintain access to the CCP. Access will continue to be granted and will not be interrupted only due to the entry into resolution status.
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e) What other actions could be taken ex-ante to avoid a temporary interruption of services or the risk of some transactions remaining unexecuted?

n/a

f) Please discuss any other considerations.

n/a

35. Considering adverse financial impact of FMI risk mitigation actions on direct/indirect participants.

a) Some actions, designed to protect the FMI, may worsen the position of the participant at the time of resolution and as a result may also affect other participants. How does the FMI consider this when deciding to protect itself?

Eurex Clearing is fully aware of its role in the financial markets and the responsibility this entails. Before any decision is taken, the Executive Board of Eurex Clearing will always weight up the pros and cons of each potential alternative and action it may take. Eurex Clearing will discuss the different alternatives with its National Competent Authority (NCA) in order to avoid negative impacts on the financial markets and the real economy as far as possible.

b) Does the FMI take into account the impact on indirect participants of actions taken in response to a direct participant/member entering into resolution?

The only actions taken by the FMI that are likely to affect indirect participants (Direct or Indirect Client of the Clearing Member) are the imposition of position limits or halting the Clearing Member from clearing. It is, therefore, recommended for clients of the Clearing Member to ensure multiple points of access to the CCP. Please note that clients can initiate a clearer change process in order to re-establish access to the CCP/avoid position limits.

36. FMI rules and contractual arrangements should allow a bridge institution to maintain its predecessor’s participation (membership) during a resolution process (FSB 2017 Guidance, 1.1). (As requested in Part II, if the responses to the sub-questions below have been documented in rulebook/contractual provisions or other documents, please reference.)

a) Please explain how the FMI rules, contractual arrangements and/or procedures reflect this.

According to the Clearing Conditions of Eurex Clearing, the initiation of resolution measures with respect to the relevant Clearing Member pursuant to the Single Resolution Mechanism Regulation (Regulation (EU) 806/2014) or the national laws applicable to the relevant Clearing Member implementing the Bank Recovery Resolution Directive (Directive 2014/59/EU) does not constitute a termination event with respect to the Clearing Member concerned.

As outlined in question 27 Access to Eurex Clearing can be maintained, if:

(i) the Clearing Member fulfils all obligations towards the CCP, as defined in the Clearing Conditions; and

(ii) None of the termination events, as outlined in the Clearing Conditions, materialize (Chapter 1 Part 1 Number 7.2.1 and 7.2.2)
Eurex Clearing does not have separate treatment for the transfer to a purchaser or bridge institution during resolution in place. A purchaser or bridge institution must undergo the usual KYC and application process. The dependencies and timelines vary depending on the type of licenses involved in the transaction. A specific request from the resolution authority and a letter of consent from Eurex Clearing’s supervisory authority to accelerate the normal procedure could reduce the time required.

b) What would be the FMI’s process to ensure that continuity of access can be maintained for the purchaser of a resolved entity or for a bridge institution? Please see question 36 a).

c) Please share any timelines and any external dependencies for this process. Please see question 36 a).

d) If the purchaser or bridge institution requires a new access, do you have a “fast-track” procedure to allow access for such a purchaser or bridge institution? How long is setting up access expected to take (with or without a “fast-track” procedure)? What would the FMI require in order to continue providing the service pending completion of the onboarding procedure (e.g., connectivity and BIC/SWIFT codes to remain unchanged)? Please see question 36 a).

e) What type of information is needed in the context of a change-of-control assessment, i.e., to accept a purchaser or bridge institution as a participant/member? Please specify by when you would need each piece of information, if appropriate. How long would you then need to take an informed decision on access for the purchaser or bridge institution? Please see question 36 a).

f) Does the FMI explicitly consider, in its rulebooks or internal procedures, the possibility of a RA requiring access for the purchaser or bridge institution even in case they do not meet the membership or participation criteria (for instance where a credit rating is required)? Please see question 36 a).

g) Please discuss any other, e.g., practical, considerations around continuity of FMI access of a bridge institution or of a purchaser. n/a

37. FMIs should consider the operational, technological, financial and legal implications arising from the transfer of functions or positions to a successor (either a bridge institution or a third-party purchaser). (FSB 2017 Guidance, 1.4)
a) What preparations are necessary in your circumstances for such a transfer to be successful? What changes would be necessary for such a transfer to be successful? Please consider any preparations and changes by the FMI as well as by FMI members/service providers/others.
The transfer of positions and assets, if applicable, between two Clearing Members is a standard service Eurex Clearing provides. The challenges lie in the compatibility of the infrastructure of the two Clearing Members as well as in the number of transfers that need to be processed. The earlier preparations can be made to ensure compatibility of the infrastructure of the transferee and transferor in order to enable the set-up of any required internal and/or external (service provider) accounts, the easier such a transfer will be. Additionally, it is beneficial if all transfers are carried out in the same account set-ups, e.g. no additional changes to client segregation, etc.

38. Portability/Transferability of underlying client positions, for example to facilitate a bridge or partial transfer resolution strategy.

a) For CCPs: Which kind of segregated accounts are offered to (underlying) clients to facilitate the portability/transferability of client positions and securities collateral? Do you envisage that there may be material barriers to the effective and timely transfer of client positions following a decision to transfer the activities of the member in resolution to another member? If so, please explain.

As a CCP authorized under the European Market Infrastructure Regulation (Regulation (EU) 648/2012 - EMIR), Eurex Clearing offers both omnibus and individual segregation solutions to Clearing Members and their direct clients. Segregation solutions for indirect clients are also offered.

In addition, Eurex Clearing, as a Derivatives Clearing Organization (DCO), supports clearing of OTC-traded Interest Rate Swaps (OTC IRS) in relation to entities located in the U.S.. In this context, Eurex Clearing offers an LSOC-style (Legally Segregated Operationally Commingled) client-clearing framework in compliance with CFTC Regulation Part 22 under U.S. law for FCMs that clear client business.

Regardless of the segregation option chosen by the (underlying) clients, the transfer of positions and assets, if applicable, between two Clearing Member is a standard service Eurex Clearing provides. The challenges lie in the compatibility of the infrastructure of the two Clearing Members as well as in the number of transfers that need to be processed.

b) For ICSDs: Do you offer segregated accounts to (underlying) clients? Do you envisage that there may be material barriers to the effective and timely transfer of client securities and cash to another custodian following a decision to transfer the activities of the participant in resolution to another participant? If so, please explain.

n/a

39. Are there any further aspects or issues to mention in relation to interaction between the FMI and the participant during or after resolution of the participant?

n/a
Part V: Arrangements and operational processes to facilitate continued access in resolution

40. The FMI should consider establishing management, monitoring and operational rules and procedures that facilitate the ability of FMI management to make prompt decisions in response to a service user's resolution (including a period when the FMI is closed for business). (FSB 2017 Guidance, 1.4)

a) What procedures are in place at the FMI to facilitate prompt decision making at any time? What, if any, are the limitations?

There are procedures in place to deal with crisis situations like a default or the resolution of a Clearing Member. The Emergency Committee (EmCo) is an internal panel that can be convened when a Clearing Member default trigger (Termination Event) occurs or as soon as there are strong indications of an impending emergency situation. The EmCo may also be convened on non-business days. The EmCo procedures and decisions are described in internal procedures.

b) What would be the likely range of decisions undertaken after receiving notice of a service user entering into resolution? What market communications or notifications to the regulator would be undertaken?

The final decision has to be taken by the Executive Board of Eurex Clearing and is prepared by the EmCo. As outlined in question 27, the initiation of resolution measures with respect to the relevant Clearing Member pursuant to the Single Resolution Mechanism Regulation (Regulation (EU) 806/2014) or the national laws applicable to the relevant Clearing Member implementing the Bank Recovery Resolution Directive (Directive 2014/59/EU) does not constitute a termination event with respect to the Clearing Member concerned.

Access to Eurex Clearing can be maintained, if:

(i) the Clearing Member fulfils all obligations towards the CCP, as defined in the Clearing Conditions; and

(ii) none of the termination events, as outlined in the Clearing Conditions, materialise (Chapter 1 Part 1 Number 7.2.1 and 7.2.2) (see question 27 for more details).

In case of under-collateralisation, *mutatis mutandis* the Clearing Member concerned must provide eligible margin collateral as defined by Eurex Clearing. It is however recommended that the member in resolution pro-actively contacts the CCP in order to demonstrate that the state of resolution will not be an obstacle to fulfilling the requirements. This provides more assurance to the Executive Board of Eurex Clearing and could reduce the likelihood/magnitude of usage of the potential mitigating actions outlined in questions 16 and 19.

With respect to market communications or notifications to regulators, there is no obligation for Eurex Clearing to notify the Clearing Member, its competent and/or resolution authority, Eurex Clearing’s competent and/or resolution authority, the firm’s settlement agent, and other stakeholders following the resolution of a Clearing Member.
41. In line with the Key Attributes, FMIs should regularly test the effectiveness of their relevant rules, contractual arrangements and procedures in responding to a resolution scenario of a participant.

a) How do you test these contingency arrangements? How do you take participants in resolution into account in those contingency arrangements?

Please see question 40.

b) How do your rules facilitate the transfer of positions of a client of a service user in resolution to another service user of the FMI, as applicable?

Please see question 11 g) and 37 a).

42. How do you test members’ readiness of arrangements for meeting increased information and communication requests (beyond those required in BAU) that will be needed prior to and during resolution? Which disclosures do you require from members in this regard?

As outlined in question 17, there are no standardized additional information requests from Eurex Clearing during the resolution of a Clearing Member.

43. Are there any further aspects or issues to mention in relation to arrangements and operational processes to facilitate continued access in resolution?

n/a