X-pand into the Future

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Recipients: All Eurex Clearing Members and Vendors
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Clearing Conditions of Eurex Clearing AG: Changes for Triparty Euro GC Basket Repos

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Content may be most important for:

- Front Office/Trading
- Middle + Backoffice

Attachment:
Updated sections of Clearing Conditions for Eurex Clearing AG

Attached to this circular please find the amended sections of the Clearing Conditions for Eurex Clearing AG as approved by the Management Board of Eurex Clearing AG in their session on March 7, 2007, which will become effective on **March 27, 2007**.

The adjustments have been made in conjunction with the planned introduction of the Triparty Euro GC Basket trading segment on the Eurex Repo trading platform. In this context, the present changes regulate handling of the resulting Triparty Euro GC Basket trades in Repo Clearing of Eurex Clearing AG with the special condition of settlement of trades at Clearstream Banking S.A., Luxembourg, exclusively.

The Clearing Conditions have been published on the Eurex website. For download of your personal copy please visit:

www.eurexchange.com > Documents > Rules & Regulations > Clearing Conditions

[....]

Chapter I
General Provisions

Part 1
General Rules

[....]

1.2 Conclusion of Transactions, Assignment of Securities and Rights

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1.2.2 Assignment of Securities and Rights

(1) Securities which are held in collective deposit pursuant to Section 5 ("GS-Deposit") shall be assigned according to the principles of property law of the German Civil Code by way of agreement and transfer.

(2) Securities and rights which are held in credit in Securities Accounting ("Trust Giro Transactions"), shall be transferred according to the principles of the German Civil Code by way of assignment of the respective legal position on such securities or rights. This is done by assignment under law of obligation of the claim for return (so-called delivery claim) to Eurex Clearing AG, such delivery claim is held by the Clearing Member vis-à-vis the Securities Depository Bank recognised by Eurex Clearing AG or the Custodian or Central Securities Depository regarding the legal positions held in trust on such securities or rights in favour of such Clearing Member. This applies mutatis mutandis to the assignment of securities and rights held on a trust custody basis, between Eurex Clearing AG and the Clearing Member to be delivered.

(3) As far as the assignment of securities or rights to accounts hold abroad is concerned, such assignment shall be carried out according to the relevant legal provisions and General Conditions (usages) there. Therefore, the following chapters may make separate provisions concerning the respective markets.

[....]

Chapter IV
Clearing of Transactions at Eurex Repo GmbH

Part 1
General Provisions

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1.1 Clearing Licenses

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1.1.2 Prerequisites for Clearing Licenses

(1) With regard to the prerequisites to be fulfilled within the scope of granting of the clearing license, Chapter I Number 2.1 and 2.2 applies.

(2) The applicant shall meet the following additional requirements:

(a) Evidence of technical connection to the systems of Eurex Clearing AG and,

(b) in the event of participation in the clearing for Euro GC Pooling® Repo transactions, of the ~~possibility of utilisation~~participation admission and technical connection to the Collateral Management System Xemac® of Clearstream Banking AG

(c) in the event of participation in the clearing for Triparty Euro GC Basket Repo transactions, evidence of participation admission and technical connection to the Collateral Management System CmaX of Clearstream Banking S.A.

(3) The applicant shall – insofoar as it intends to use the gross delivery management service (Chapter I Number 1.6) also optionally offered by Eurex Clearing AG vis-à-vis Clearing Members and settlement institutions (Chapter I Number 2.2 Paragraph 6) in connection with the implementation of the clearing of Eurex Repo Transactions – provide evidence of a technical and functional connection to the respective interface of the technical systems used by Eurex Clearing AG pursuant to the specifications set forth by Eurex Clearing AG.

(4) In case the gross delivered management service offered by Eurex Clearing AG (Chapter I Number 1.6) is supposed to be used by a settlement institution within the meaning of Chapter I Number 2.2 Paragraph 6 on behalf and for the applicant or the Clearing Member, the standard agreement provded by Eurex Clearing AG pursuant to Chapter I Number 2.2 Paragraph 6 shall be concluded. Chapter I Number 2.2 Paragraph 6 and 7 apply mutatis mutandis.

1.2 Provision of Margin

(1) In connection with Eurc GC Pooling Repo transactions, the provision of margin (including the Additional Margin), with regard to the securities assigned within the scope of the Front-Leg, shall be calculated directly by the margin administration system Xemac® of Clearstream Banking AG. ~~With regard to the basics of provision of margin and the obligation to provide margin, the provisions of Chapter I paragragph 3 apply.~~

(2) In connection with Triparty Euro GC Basket Repo transactions, the provision of margin shall be calculated directly through the Collateral Management System CmaX of Clearstream Banking S.A. with reference to the securities assigned within the scope of the front-leg; the provisions of the underlying Collateral Management Service Agreements shall form the basis for such calculation. Furthermore, an Additional Margin shall be calculated by Eurex Clearing AG pursuant to the provisions of Chapter I Paragraph 3. The possibility to require additional margin according to Chapter I Number 3.2 remains unaffected. The provisions of Chapter I Number 3.1 and 3.2 apply to the provision respectively the collection of margin.

(3) In addition to the provisions of Paragraph 1 and 2, the provisions of Chapter I Number 3 shall apply with regard to the basic priniciples of the provision of margin and - unless aforementioned paragraphs state otherwise - the obligation to provide margin.

Part 2
Clearing of Transactions at Eurex Repo GmbH

2.1 Eurex Repo Transactions Concerned

(1) A Eurex Repo Transaction is a purchase/sale of securities and their simultaneous forward re-purchase/re-sale. Thus, such transaction is a combination of a purchase agreement ("front-leg") with simultaneous re-purchase agreement ("term-leg") of securities of the same type and category at a certain point in time.

(2) Eurex Clearing AG will realise the settlement or clearing of Eurex Repo Transactions to the extent that the underlying securities of the respective Eurex Repo Transaction are settled by Eurex Clearing AG and the banks for central depository of securities recognised by Eurex Clearing AG or respectively by the Custodians or Central Securities Depositories and that the prerequisites pursuant to Paragraph 3 are fulfilled.

(3) Eurex Clearing AG shall determine in consultation with Eurex Repo GmbH, which kind of Eurex Repo Transactions or securities underlying these Eurex Repo transactions shall be included in the Clearing. Clearing Members will be notified by Eurex Clearing AG by circular as well as through electronic publication in the internet, available on the internet pages of Eurex Clearing AG (www.eurexchange.com), as regards those securities transactions that are included in the Clearing. In connection with Euro GC Pooling® Repo the notification for included securities shall be carried out in the Xemac® System of Clearstream Banking AG. With regard to the securities admitted to delivery of Triparty Euro GC Basket Repo transactions, the participating Clearing Members shall receive a report on the available assets respectively held in their depositories; such report is divided into rating categories and shall be provided by Clearstream Banking S. A. on a daily basis.

2.2 General Provisions

(1) For the settlement of Eurex Repo Transactions, Chapter I Number 1.5 applies, unless otherwise provided in Paragraph 2.

(2) The procedure for delivery and payment resulting from Eurex Repo Transactions, the following provisions shall apply in addition to Chapter I Number 1.5:

a) Purchase Agreement (Front Leg):

All physical deliveries and payments shall be concurrently performed between the Clearing Member obligated to deliver and Eurex Clearing AG, and, accordingly, between Eurex Clearing AG and the Clearing Member which is to receive delivery on the agreed delivery day of the Front Leg. Physical deliveries shall be made through a bank for central depository of securities determined by Eurex Clearing AG or respectively through a Custodian or Central Securities Depository, and payments shall be made through the corresponding account determined by such bank for central depository of securities or respectively by such Custorian or Central Securities Depository.

b) Repurchase Agreement (Term Leg):

All physical deliveries and payments shall be concurrently performed between the Clearing Member obligated to deliver and Eurex Clearing AG, and, accordingly, between Eurex Clearing AG and the Clearing Member which is to receive delivery on the agreed delivery day of the Term Leg. Physical deliveries shall be made through a bank for central depository of securities determined by Eurex Clearing AG or respectively through a Custodian or Central Securities Depository, and payments shall be made through the corresponding account determined by such bank for central depository of securities or respectively by such Custorian or Central Securities Depository.

c) Physical Deliveries:

Eurex Clearing AG shall, with respect to the possession of the securities delivered to it pursuant to Items a and b, act as an intermediary of the Clearing Members which are obligated to deliver in order to subsequently deliver such securities to the Clearing Members which are to receive delivery. With respect to the settlement of transactions concluded by Clearing Members, the transfer of ownership in respect of the securities to be delivered will thus be performed directly between the Clearing Members involved.

d) Delivery with regard to Euro GC Pooling® Repo transactions:

In case of Euro GC Pooling® Repo transactions, the delivery instructions regarding existing delivery- and payment obligations shall be given by Eurex Clearing AG on basis of the securities to be delivered; such securities shall be selected by the Collateral Management System Xemac® of Clearstream Banking AG pursuant to the Special Conditions Collateral Management System (SB Xemac®) in their current version. An obligation to grant authorization within the meaning of Chapter I

Number 1.5 Paragraph 7 also exists with regard to the execution of an exchange ("substitution") of securities assigned in connection with a Euro GC Pooling® Repo transaction.

e) Delivery with regard to Triparty Euro GC Basket Repo transactions:

In case of Triparty Euro GC Basket Repo transactions, the delivery instructions regarding existing delivery- and payment obligations shall be given by Eurex Clearing AG on basis of the securities to be delivered; such securities shall be selected by the Collateral Management System CmaX of Clearstream Banking S.A. pursuant to the applicable Collateral Management Service Agreements (for Collateral Givers/Receivers), and by the supplemental AutoAssign Supplement, in their current version. An obligation to grant authorization within the meaning of Chapter I Number 1.5 Paragraph 7 shall also exist with respect to the execution of an exchange ("substitution") of securities assigned in connection with a Triparty Euro GC Basket Repo transaction.

Regarding the procedure of deliveries and payments pursuant to Paragraph 1, the following applies:

All physical deliveries and payments shall be carried out directly between the Clearing Members and Eurex Clearing AG and respectively between Eurex Clearing AG and the Clearing Members to be delivered (delivery versus payment) on the settlement day. The physical deliveries shall be executed via the securiy depositories of Eurex Clearing AG held with Clearstream Banking S.A.;the payment shall be executed via the respective cash settlement account of Eurex Clearing AG with Clearstream Banking S.A.

The transfer of ownership regarding the securities to be delivered between the Clearing Members and Eurex Clearing AG and vice versa is executed pursuant to the laws of the Grand Duchy of Luxembourg and pursuant to the Collateral Service Agreements taken as basis by the parties.

2.3 Daily Settlement

(1) For each delivery of the underlying security to the respective Eurex Repo Transaction which has not yet been performed, unrealized profits and losses will be daily determined on the basis of the current market prices and set off against the collateral provided. The amount of the collateral to be provided shall equal the difference between the price at which the transaction was concluded and the daily settlement price for such business day.

(2) The daily settlement price shall be determined by Eurex Clearing AG after close of trading and notified to the Clearing Members.

(3) For unfulfilled deliveries within the context of Euro GC Pooling® Repo transactions, an evaluation of the securities to be delivered which are selected by the Collateral Management System Xemac® pursuant to Paragraph 1 and 2 ~~of Clearstream Banking AG, according to SB Xemac® in its respective valid version,~~ will be carried out pursuant to Number 2.2 Paragraph 2 d). The same applies with regard to securities which have been selected in this

respect by the Collateral Management System CmaX pursuant to Number 2.2 Paragraph 2 e) for the delivery of Triparty Euro GC Basket Repo transactions.

2.4 Performance

(1) A delivery obligation arising out of a Eurex Repo Transaction can only be satisfied by the respective underlying securities.

(2) Eurex Clearing AG shall deliver the securities due for delivery to the Clearing Members entitled to delivery.

(3) Provided that for the fulfilment of delivery obligations of originally transferred securities, which have been transferred, within the context of the Term Leg of an Euro GC Pooling® or Triparty GC Basket Repo transaction, have been substituted during the term of the transaction, these securities shall apply as underlying to the Eurex Repo transaction for the fulfillment of delivery obligations.

(4) Paragraphs 1 to 3 shall apply to the legal relationship between General Clearing Members or Direct Clearing Members and their Non-Clearing Members mutatis mutandis.

2.5 Payment of Interests (Coupon Compensation)

If interests are paid on the underlying security during the term of a Eurex Repo Transaction, e.g. during the Purchase Agreement and the Repurchase Agreement, Eurex Clearing AG shall arrange for the credit of the accrued amount of interests to the Clearing Member which has sold the respective securities. Besides, Eurex Clearing AG shall arrange for the charge of an amount equal to the amount of interests to the Clearing Member which has purchased the respective securities. Cash settlement shall be made through the account of the Clearing Members involved with the Central Bank of Germany - Main Office in Frankfurt / Main, with Euroclear Bank S.A./N.V. in Brussels or with Clearstream Banking Luxembourg S.A. As far as securities which have been assigned in the course of a Triparty Euro GC Basket Repo transaction are concerned, the compensation shall immediately executed by Clearstream Banking S.A. pursuant to the applicable Collateral Management Service Agreements.

2.6 Default

(1) Default in delivery shall be governed by the following procedure:

a) Default on the delivery day of the Front Leg:

In the event that a Clearing Member which is obligated to deliver fails to transfer the underlying securities on the delivery day of the Front Leg of the respective Eurex Repo Transaction and pursuant to the instructions of Eurex Clearing AG, Eurex Clearing AG shall be entitled and, on request of the Clearing Member which did not receive delivery in a timely manner, obligated to set the present business day, at the latest the delivery day of the Term Leg, as an advanced repurchase date of the Term Leg. As a consequence thereto, the mutual obligations arising out of the Eurex Repo Transaction which had originally been agreed upon, shall be offset against each other so that the parties, with the exception of the Repo interests agreed upon, do not owe each other any further

payment or delivery. The payable Repo interests shall be calculated on the basis of the period of default, in each case for the period from the purchase date (inclusive) until the business day to which the Term Leg was advanced (exclusive).

At the same time, Eurex Clearing AG shall be entitled to set an earlier date as repurchase date for the Term Leg of the equivalent Eurex Repo Transaction concerned between Eurex Clearing AG and the Clearing Member which did not receive delivery from Eurex Clearing AG in a timely manner; the legal consequence thereof will be the same as described above. In connection with the delivery of Euro GC Pooling® Repo transactions the ~~aforementioned~~ procedure pursuant to Clause 1 to 4 shall apply, if the Clearing Member obliged to deliver shall not dispose of the necessary bulk of securities, which are admissible for the delivery in the respective basket, on delivery day in its collateral pool within the Collateral Management System Xemac®. Eurex Clearing AG shall be, if necessary, informed of this matter by Clearstream Banking AG. Clause 1 to 4 shall also apply in the event the Clearing Member obligated to deliver in connection with the delivery of Triparty Euro GC Basket Repo transactions does not possess a sufficient amount of securities on its accounts serving as securities' source accounts for the Collateral Management Service Agreement CmaX on the delivery day; such securities being allowed for delivery in the respective basket. Eurex Clearing AG shall be notified thereof by Clearstream Banking AG.

b) Default on the delivery day of the Term Leg

In the event that a Clearing Member which is obligated to deliver fails to deliver the underlying securities on the delivery day of the Term Leg of the respective Eurex Repo Transaction and pursuant to the instructions of Eurex Clearing AG, Eurex Clearing AG shall be entitled and, on request of the Clearing Member which did not receive delivery in a timely manner, obligated to make a replacement purchase with respect to the undelivered securities as from the fifth day following the delivery date of the Term Leg and to deliver these to the Clearing Member which did not receive delivery in a timely manner. Eurex Clearing AG may determine at its complete discretion how replacement purchases of securities are to be made and up to which maximum purchase price such securities may be purchased.

(2) Measures set forth in Paragraph 1 shall be binding on and accepted by the Clearing Member which did not receive delivery in a timely manner.

(3) Any costs arising from the measures taken in accordance with Paragraph 1 must be paid by the defaulting Clearing Member.

(4) The right to claim further damages shall be excluded for Eurex Clearing AG as well as for the Clearing Member which did not receive delivery in a timely manner.

(5) Furthermore, Chapter I Number 7.1 respectively 7.2 shall apply for delay or technical delay.

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