X-pand into the Future

e u r e x *circular 097/03*

Date: Frankfurt, September 15, 2003
Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

⚠ **Action Required** ⚠ **High Priority**

Dynamic Calculation of Liable Equity Capital

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Content may be most important for:	**Attachments:**
➲ Middle + Back Office ➲ Auditing / Security Coordination	1. Amendments to the Clearing Conditions for Eurex Clearing AG effective September 30, 2003 (in German only, an English version will be posted on the Eurex website together with this circular)

Summary:

The Executive Board of Eurex Clearing AG has decided to introduce a dynamic concept for the calculation of the liable equity capital for which evidence must be provided, valid for all Clearing Members of Eurex Clearing AG ("Clearing Members"). In this context and in accordance with this decision, the regulations of sub-subpart 1.1.2, Chapters I to IV of the Clearing Conditions for Eurex Clearing AG ("Clearing Conditions") have been amended with effect from September 30, 2003.

The aim of the amendment is to guarantee that risk evaluation of the institution concerned is linked to its liable equity capital. Accordingly, the future prerequisites for a General Clearing Licence or a Direct Clearing Licence for the clearing of transactions concluded at Eurex Deutschland and Eurex Zürich, Eurex Bonds GmbH, Eurex Repo GmbH or Frankfurt Stock Exchange will be the provision of evidence of a specific amount of liable equity capital of the respective institution, determined separately for every individual case according to a calculation method established by Eurex Clearing AG.

The current valid minimum amount of liable equity capital to be evidenced by the respective Clearing Member pursuant to sub-subpart 1.1.2 of Chapters I to IV of the Clearing Conditions will continue to remain in force after September 30, 2003. However, irrespective of the amount evidenced as minimum liable equity capital available, the liable equity capital to be evidenced in the individual case will be either ten percent of the 30 days' average of the "Total Margin Requirements" or ten percent of the 250 days' average of the "Total Margin Requirements" of the Clearing Member concerned, whereby the higher amount determined in each specific case according to the calculation methods specified above shall apply as liable equity capital which the Clearing Member concerned shall have to provide evidence for.

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Chairman of the Supervisory Board: Dr. Markus Granziol

Executive Board: Rudolf Ferscha (CEO), Daniel Gisler, Thomas Lenz, Peter Reitz, Jürg Spillmann, Michael Widmer

Aktiengesellschaft mit Sitz in Frankfurt/Main
HRB Nr. 44828
Amtsgericht Frankfurt/Main

Dynamic Calculation of Liable Equity Capital

The Executive Board of Eurex Clearing AG has decided to introduce a dynamic concept for the calculation of the liable equity capital for which evidence must be provided, valid for all Clearing Members of Eurex Clearing AG ("Clearing Members"). In this context and in accordance with this decision, the respective regulations of sub-subpart 1.1.2, chapters I to IV of the Clearing Conditions for Eurex Clearing AG ("Clearing Conditions") have been amended with effect from September 30, 2003.

The aim of the amendment is to guarantee that risk evaluation of the institution concerned is linked to its evidenced liable equity capital. Accordingly, the future prerequisites for a General Clearing Licence or a Direct Clearing Licence for the clearing of transactions concluded at Eurex Deutschland and Eurex Zürich, Eurex Bonds GmbH, Eurex Repo GmbH or Frankfurt Stock Exchange ("FSE") will be the provision of evidence of a liable equity capital of the respective institution, the amount of which is determined according to a calculation method established by Eurex Clearing AG and applied to the individual case.

In this context, the Executive Board of Eurex Clearing AG has decided effective September 30, 2003 that after that date, the current valid minimum amount of liable equity capital of the respective Clearing Member to be evidenced will continue to be defined pursuant to sub-subpart 1.1.2 of each of the Chapters I to IV of the Clearing Conditions. However, irrespective of the amount evidenced as minimum liable equity capital, the liable equity capital to be determined in a specific case will be either ten percent of the 30 days' average of the "Total Margin Requirements" or ten percent of the 250 days' average of the "Total Margin Requirements" of the Clearing Member concerned. Thus, after September 30, 2003 the highest amount determined according to the above calculation methods will be applicable in the individual case as liable equity capital of the respective Clearing Member.

With relation to the prerequisites for the clearing of transactions concluded at Eurex Deutschland and Eurex Zürich, Eurex Bonds GmbH, Eurex Repo GmbH and FSE, this means:

The minimum amount of liable equity capital for which evidence must be provided will continue to be

- at least EUR 125 million for clearing transactions concluded at Eurex Deutschland and Eurex Zürich by institutions holding a General Clearing License, and at least EUR 12.5 million for institutions holding a Direct Clearing License
- at least EUR 50 million for clearing transactions concluded at Eurex Bonds GmbH by institutions holding a General Clearing License, and at least EUR 5 million for institutions holding a Direct Clearing License
- at least EUR 175 million for clearing transactions concluded at Eurex Repo GmbH by institutions holding a General Clearing License, and at least EUR 17.5 million for institutions holding a Direct Clearing License
- at least EUR 25 million for clearing transactions concluded at FSE by institutions holding a General Clearing License, and at least EUR 2.5 million for institutions holding a Direct Clearing License.

Irrespective of the minimum amounts of liable equity capital specified above, the actual amount of liable equity capital to be evidenced and maintained shall be

(i) ten percent of the 30 days' average of the Total Margin Requirements

or

(ii) ten percent of the 250 days' average of the Total Margin Requirements

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of the respective Clearing Member, whereby the higher amount determined in each case according to the calculation methods specified above shall apply as liable equity capital which the Clearing Member concerned shall have to provide evidence for.

Clearing Members may query their average values for 30 days and for 250 days in the RPTCD090 report on a daily basis, which enables them to realize in good time if adjustments to the amount of liable equity capital to be evidenced become necessary and thus take preparatory measures. The respective amount of evidenced liable equity capital to be maintained will be determined on a quarterly basis on the last day of the months of March, June, September and December. The amount of liable equity capital for which evidence must be provided will be calculated on the basis of the values of the last trading day of the respective month. Clearing Members must meet their requirements associated with the provision of evidence of liable equity capital within the five subsequent trading days. On the sixth trading day after the due date, cash in the amount of the difference will be collected by Eurex Clearing AG as part of the daily cash clearing.

Once a year, the Clearing Member must provide evidence of its liable equity capital as of December 31. Evidence must be filed within the six following months after the reference date December 31.

In this context, “Total Margin Requirement” shall comprise all products traded by the respective Clearing Member, i.e. derivatives, bonds, repos and stocks.

Furthermore, the liable equity capital for which evidence has already been provided when applying for Clearing Licenses for clearing transactions concluded at Eurex Deutschland and Eurex Zürich as well as at Eurex Bonds GmbH, will continue to be considered for clearing transactions concluded at Eurex Repo GmbH. As before, liable equity capital for which evidence has already been provided for clearing transactions concluded at FSE will not be taken into account.

Frankfurt, September 15, 2003

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Preamble

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I Chapter: Clearing of Transactions at Eurex Deutschland and Eurex Zürich

1 Part: General Provisions

1.1 Subpart: Clearing Licenses

1.1.1 Granting of Clearing Licenses

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1.1.2 Prerequisites for Clearing Licenses

(1) Prerequisite for a General Clearing License is a liable equity capital (haftendes Eigenkapital) of the applying institution in an amount determined by Eurex Clearing AG ~~of at least EUR 125 million, or the corresponding equivalent in the currency of the country in which the applying institution is domiciled~~. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

Prerequisite for a Direct Clearing License is a liable equity capital of the applying institution in an amount determined by Eurex Clearing AG ~~of at least EUR 12.5 million or the corresponding equivalent in the currency of the country in which the applying institution is domiciled~~. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

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The liable equity capital or equivalent own funds shall be calculated in accordance with the legal provisions in force in the country in which the institution is domiciled. Evidence of the amount of the liable equity capital or the equivalent own funds as of 31 December of every year (*Stichtag* – "Qualifying Date") shall, in an appropriate manner, be provided to Eurex Clearing AG not only together with the application but thereafter once every year ~~as well as upon request at any time~~ during the Clearing Membership. Such yearly evidence of the liable equity capital or the equivalent own funds as of the Qualifying Date must be provided to Eurex Clearing AG by no later than 30 June of the year following the respective Qualifying Date. Any change in the liable equity capital or the equivalent own funds must be notified to Eurex Clearing AG immediately. Eurex Clearing AG may request such evidence at any time and may assign an auditor for verification of the liable equity capital or the equivalent own funds at the expense of the applying institution.

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II Chapter:
Clearing of Transactions at Eurex Bonds GmbH

1 Part:
General Provisions

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1.1 Subpart:
Clearing Licenses

1.1.1 Granting of Clearing Licenses

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1.1.2 Prerequisites for Clearing Licenses

(1) Prerequisite for a General Clearing License is a liable equity capital (haftendes Eigenkapital) of the applying institution in an amount determined by Eurex Clearing AG~~of at least EUR 50 million, or the corresponding equivalent in the currency of the country in which the applying institution is domiciled~~. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

Prerequisite for a Direct Clearing License is a liable equity capital of the applying institution in an amount determined by Eurex Clearing AG~~of at least EUR 5 million or the corresponding equivalent in the currency of the country in which the applying institution is domiciled~~. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

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(2) The liable equity capital or equivalent own funds shall be calculated in accordance with the legal provisions in force in the country in which the institution is domiciled. Evidence of the amount of the liable equity capital or the equivalent own funds as of 31 December of every year (*Stichtag* - "Qualifying Date") shall, in an appropriate manner, be provided to Eurex Clearing AG not only together with the application but thereafter once every year~~as well as upon request at any time~~ during the Clearing Membership. Such yearly evidence of the liable equity capital or the equivalent own funds as of the Qualifying Date must be provided to Eurex Clearing AG by no later than 30 June of the year following the respective Qualifying Date. Any change in the liable equity capital or the equivalent own funds must be notified to Eurex Clearing AG immediately. Eurex Clearing AG may request such evidence at any time and may assign an auditor for verification of the liable equity capital or the equivalent own funds at the expense of the applying institution.

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III Chapter:
Clearing of Transactions through the System of Eurex Repo GmbH

1 Part:
General Provisions

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1.1 Subpart: Clearing Licenses

1.1.1 Granting of Clearing Licenses

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1.1.2 Prerequisites for Clearing Licenses

(1) Prerequisite for a General Clearing License is a liable equity capital (haftendes Eigenkapital) of the applying institution in an amount determined by Eurex Clearing AG~~of at least EUR 175 million, or the corresponding equivalent in the currency of the country in which the applying institution is domiciled~~. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

Prerequisite for a Direct Clearing License is a liable equity capital of the applying institution in an amount determined by Eurex Clearing AG~~of at least EUR 17,5 million or the corresponding equivalent in the currency of the country in which the applying institution is domiciled~~. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

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(2) The liable equity capital or equivalent own funds shall be calculated in accordance with the legal provisions in force in the country in which the institution is domiciled. Evidence for the amount of the liable equity capital or the equivalent own funds as of 31 December of every year (*Stichtag* - "Qualifying Date") shall, in an appropriate manner, be provided to Eurex Clearing AG not only together with the application but thereafter once every year~~as well as upon request at any time~~ during the Clearing Membership. Such yearly evidence of the liable equity capital or the equivalent own funds as of the Qualifying Date must be provided to Eurex Clearing AG by no later than 30 June of the year following the respective Qualifying Date. Any change in the liable equity capital or the equivalent own funds must be notified to Eurex Clearing AG immediately. Eurex Clearing AG may request such evidence at any time and may assign an auditor for verification of the liable equity capital or the equivalent own funds at the expense of the applying institution.

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IV Chapter: Clearing of Transactions Concluded at the Frankfurt Stock Exchange

1 Part: General Provisions

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1.1 Subpart: Clearing Licenses

1.1.1 Granting of Clearing Licenses

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1.1.2 Prerequisites for Clearing Licenses

(1) Prerequisite for a General Clearing License is a liable equity capital (haftendes Eigenkapital) of the applying institution in an amount determined by Eurex Clearing AG~~of at least EUR 25 million, or the corresponding equivalent in the currency of the country in which the applying institution is domiciled~~. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

Prerequisite for a Direct Clearing License is a liable equity capital of the applying institution in an amount determined by Eurex Clearing AG~~ of at least EUR 2.5 million or the corresponding equivalent in the currency of the country in which the applying institution is domiciled~~. For institutions beyond the scope of the KWG, own funds must be equivalent to the liable equity capital.

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(2) The liable equity capital or equivalent own funds shall be calculated in accordance with the legal provisions in force in the country in which the institution is domiciled. Evidence of the amount of the liable equity capital or the equivalent own funds as of 31 December of every year (*Stichtag* - "Qualifying Date") shall, in an appropriate manner, be provided to Eurex Clearing AG not only together with the application but thereafter once every year~~as well as upon request at any time~~ during the Clearing Membership. Such yearly evidence of the liable equity capital or the equivalent own funds as of the Qualifying Date must be provided to Eurex Clearing AG by no later than 30 June of the year following the respective Qualifying Date. Any change in the liable equity capital or the equivalent own funds must be notified to Eurex Clearing AG immediately. Eurex Clearing AG may request such evidence at any time and may assign an auditor for verification of the liable equity capital or the equivalent own funds at the expense of the applying institution.

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