X-pand into the Future

e u r e x *circular 212/06*

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Recipients: All Eurex Clearing Members and vendors
Authorized by: Thomas Lenz

CCP-eligible Products: Expansion

Contact: Customer Support, tel. +49-69-211-1 17 00, fax +49-69-211-1 17 01

Content may be most important for:

- Middle + Back Office
- IT / System Administration
- Auditing / Security Coordination

Attachment:
Expansion of ECAG Product Scope into UK and Irish Products - Service Description

This circular contains information about the planned enhancement of the Eurex Clearing AG CCP services towards the UK and Irish market. This new service will be introduced together with CRESTCo, part of the Euroclear Group, who is the provider of settlement services to the UK and Irish markets.

The expansion of the product range of physically deliverable products by options on selected UK equities, futures on UK bonds and options on selected Irish equities is currently planned for the end of March 2007 (indicative timing). These derivative products are originally traded on Eurex Deutschland and Eurex Zürich (Eurex Exchanges) or entered in the Eurex® system by participants as bilateral transactions. Eurex Clearing AG and CRESTCo intend to provide clearing and settlement services for physical deliveries out of those products with home market settlement in CREST.

Please refer to the attached Service Description for further information.

ECAG / CRESTCo
Expansion of ECAG Product Scope into UK and Irish Products

Service Description

October 23rd, 2006

Important note
This document sets out the current position regarding the expansion of the ECAG product scope to selected UK and Irish products, which is, as is in the nature of development projects, subject to change.

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If you have any general queries relating to this document please contact:

CRESTCo	Jane Bamblett
	Tel: + 44 20 7849 0226
	Email: jane.bamblett@euroclear.com
Eurex Clearing AG	Meike Dieter
	Tel: +49 69 211 15321
	E-Mail: meike.dieter@deutsche-boerse.com

Copies of this document can be downloaded in PDF format from the websites at http://www.eurexchange.com (in the Member Section Area) and http://www.crestco.co.uk.

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1 Executive summary

1.1 Background

Eurex Clearing AG (ECAG) is subsidiary of Eurex Frankfurt which is a 100% subsidiary of Eurex Zurich, which is owned by SWX and DBAG. ECAG is the Clearing House (CCP) of Eurex Deutschland and Eurex Zürich (Eurex Exchanges), the Frankfurter Wertpapierbörse (FWB), Eurex Bonds, Eurex Repo, and the Irish Stock Exchange (ISE).

CRESTCo, part of the Euroclear group, has been the provider of settlement services to the UK and Irish markets since 1996.

ECAG and CRESTCo Limited (CREST) together currently provide clearing and settlement services for products traded on the ISE.

ECAG plans to further expand the product range of physically deliverable products by options on selected UK equities, futures on UK bonds and options on selected Irish equities. These derivative products are originally traded on Eurex Deutschland and Eurex Zürich (Eurex Exchanges) or entered as bilateral transactions by participants in the Eurex system. ECAG and CRESTCo intend to provide clearing and settlement services for physical deliveries out of those products with home market settlement in CREST.

In general it is assumed that the new link between ECAG and CRESTCo established for processing of ECAG transactions resulting from physical deliveries in derivatives can be reused for further product expansions. Subsequent product expansions are subject to agreement between ECAG, CRESTCo and the participating members.

This document explains how the new CCP service is embedded into the existing market infrastructure which will be enhanced by a new link from ECAG to CRESTCo. Moreover it is described which impact the introduction of UK and Irish products and provision of CCP services for those products will have on the members of ECAG and CRESTCo. Further information will be provided by ECAG and CRESTCo in additional documents in due course.

This document addresses Clearing Members of ECAG and Clearing Members Undertaking of CRESTCo as well as Settlement Institutes of ECAG and Settlement Participants in CREST. Moreover this document can also be used by Eurex Exchanges Trading Members to receive an overview of the offered service.

1.2 Benefits

The key advantages of introducing UK and Irish products for home market settlement are:

- The usage of the existing infrastructure and settlement processing already in place for UK and Irish securities settled in CRESTCo
- The avoidance of split settlement liquidity in UK and Irish securities due to offering settlement in the home CSD for UK and Ireland
- The avoidance of realignment effort

2 Approach

The provision of CCP service for UK and Irish products is being managed as a joint project between Eurex Clearing AG and CRESTCo using the respective expertise of these parties in straight-through-processing, e.g. settlement, risk management and the operation of markets.

It is intended that the implementation of this service will utilise existing market infrastructure as much as possible in order to minimise:

- the cost to participants in the market; and
- the operational impact upon market participants.

2.1 Project timeline

Throughout the project life cycle, members will be supported by documents provided by each party, and, if necessary, also bilateral meetings between ECAG and members will take place.

Various elements for introducing UK and Irish products and providing CCP services for those products are being developed by ECAG and CRESTCo. Once both parties have completed the development phases, they will undertake a period of end-to-end integration testing. Subsequently, members will be invited to partake in a period of trialling the new products (simulation). This phase will allow members to follow pre-defined scenarios to guide them through the trading, clearing and settlement functions of the new products, as well as to enact their own testing scenarios. Full support will be provided by ECAG and CRESTCo.

The planned live date is end of first quarter, 2007 (indicative timing). A simulation will be provided before; the time frame will be announced separately.

3 Service overview

3.1 Product scope

ECAG plans to introduce products for UK home market settlement. For a start, equity options (American Style) with underlying UK / Irish equities and futures on UK bonds as underlying are traded on the Eurex Exchanges or are entered in the Eurex system as bilaterally agreed transaction. The service will cover the resulting physical transactions provided for settlement in CRESTCo, e.g. transactions resulting from exercises & assignments for equities or equity-style products, and allocations & notifications for UK bonds which can either be denominated in GBP or EUR.

3.2 The clearing and settlement model

The following diagram shows the processing for trading, clearing and settlement of UK / Irish Products agreed between ECAG and CRESTCo.

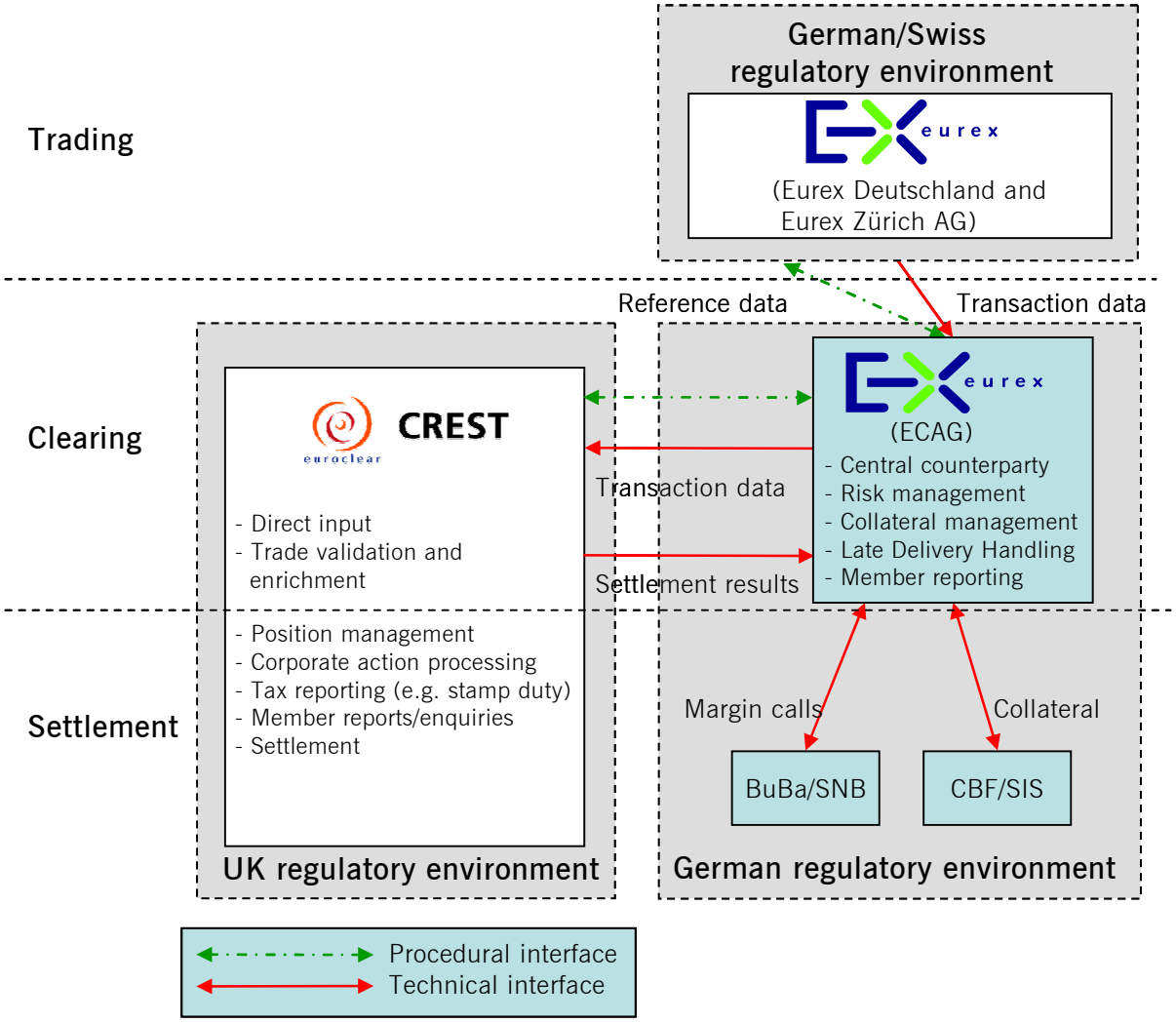


Figure 1: Trading, clearing and settlement model

3.3 Life cycle of a transaction

The following figure shows the life cycle of a transaction settling physical deliveries with the introduction of the new service. It illustrates the processing of a transaction starting with exercise & assignment resp. notification & allocation of the corresponding option / future position.
Transactions in UK / Irish equities have a standard settlement period of t+4.
Transactions in UK bonds will be settled with a settlement period of t+2.

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Business day	t	t+1	t+2	t+3	t+4
Trading					
ECAG Clearing	• Exercise / Assignment for equity options • Allocation / Notification for futures on UK bonds • Customer reporting • End-of day margin calculation • Margin call if required	• Sending trades to CREST • Customer reporting • Intra-day and end-of-day margin calculation • Margin call if required	• Customer reporting • Intra-day and end-of-day margin calculation • Margin call if required	• Customer reporting • Intra-day and end-of-day margin calculation • Margin call if required	• Customer reporting • Intra-day and end-of-day margin calculation • Margin call if required
CREST		• Direct Input • Validation • Enrichment • Matching	• Settlement for UK bonds		• Settlement for UK / Irish equities

Table 1: Life cycle of a transaction

3.3.1 Trading

For the launch of the new service, UK / Irish equity options and UK cash bond futures are traded on the Eurex Exchanges or are entered as bilateral transactions in the Eurex system by participants.

3.3.2 Clearing

The launch of the new service results in the following lifecycle:

- As long as an equity option / UK bonds future is traded on the Eurex Exchanges or entered as a bilaterally agreed transaction, positions in UK / Irish equity options resp. positions in UK UK bonds futures are considered as derivatives positions in ECAG.
- Depending on the option style, American or European, the exercise can occur during or at the end of the life cycle. As the UK / Irish equity options are of American-style, these options can be exercised by members on any exchange day during the lifetime of the option.
- For UK futures, certain delivery dates are defined. Clearing members with open short positions must notify ECAG on the Last Trading Day of the maturing future of the UK bonds they will deliver.
- Options on UK bonds futures are also possible. Exercises in these options will result in a UK bonds future which may eventually result in a delivery to be settled in CREST.
- On T – the exercise date of the option or expiration date of the future – the ECAG CCP system receives transactions from exercises & assignments and notifications & allocations in

the physical deliverable securities. These transactions are registered as gross transactions within the ECAG CCP system. Within the ECAG risk calculation, derivatives positions are then replaced by cash market positions.

- On T+1, the transactions are sent by ECAG to CREST for settlement. Within CREST, these transactions are considered as gross transactions. CREST participants may opt into direct input for these transactions, meaning that they may no longer need to input a settlement instruction into CREST for the transaction. Note that settlement netting is not available in this service.
- After input, update information regarding corporate actions, settlement information is sent by CREST to the ECAG CCP System where delivery and risk information is reflected.
- Within the ECAG CCP system, the transactions are subject to CCP trade management. This enables members to view transactions via the CCP member GUI. Other gross delivery management functions, e.g. blocking/releasing, are not available within the ECAG CCP system for these transactions. Moreover information regarding these transactions is transferred to members in the ECAG reporting which includes pending and settled delivery reports (created during the lifetime of a transaction).

In addition to the cash payment resulting from the corporate action and the settlement process in CREST, the ECAG CCP system initiates cash payments for the following reasons:

- Compensation payments due to exercise / assignment of capital adjusted option series in the Eurex system (i.e. fractional units per lot)
  In case of settlement currency GBP or EUR, these payments are settled via a payment bank.
- Cash payments to clearing members related to a buy-in
  In case of GBP payments, these payments are settled via a payment bank, in case of EUR payments, these payments are settled via the BuBa.

3.3.3 Settlement

The basic process of settlement will operate essentially unchanged from the current process.

3.3.4 Settlement management

Settlement efficiency will remain important in this service. Managing settlement fails will be achieved by a combination of the following methods.

- CREST permits unilateral splitting by either of the CREST members who are party to a delivery. To further maximise settlement performance, an automated splitting functionality is available to CCP participants. ECAG as CCP participant for this service will utilise this functionality. Consequently all transactions that include a securities delivery from the CCP participant will be eligible for auto splitting.
- CRESTCo currently operates a settlement discipline regime that fines participants with matching and settlement records below certain thresholds. The regime provides incentives for members to meet an acceptable level of settlement performance. The relevant CCP eligible securities will be included in a new settlement discipline regime, subject to the approval of the CRESTCo Board Settlement Discipline Committee.
- ECAG will use a late delivery regime to ensure the timely settlement of specific fails.
  For equities, the late delivery process will allow ECAG to request buy-in for transactions which have not settled a certain period after the intended settlement date. If, after a certain period, the buy-in attempts for a transaction have been unsuccessful, a cash settlement is performed by ECAG. Failed settlements will continue to be margined throughout the late delivery process. The exact timings for the late delivery regime are currently being discussed with market participants and will be published in due course.

For bonds, ECAG will apply a Fines concept consisting of Late Delivery Fines and Interest of Delay.

3.3.5 Corporate actions

The existing corporate action functionality within CREST will remain unchanged by the introduction of the service,

All risk positions resulting from, and updated due to, corporate action events will be made available to ECAG for risk management purposes. ECAG will base its margining on the adapted positions provided by CRESTCo.

Members should however familiarise themselves with the CREST white book, *Corporate Actions: Central Counterparty for gross and net settlement* available from the CRESTCo website, www.crestco.co.uk. It explains how corporate actions will be processed in the new service.

3.3.6 Stamp Duty Reserve Tax (SDRT) and Irish Stamp Duty

A Stamp Duty Reserve Tax (SDRT) charge for UK equities, or a Irish Stamp Duty charge for Irish equities, arises on the underlying purchase of UK and Irish equities in line with existing market practices.

The necessary legislative changes are required to ensure that the introduction of ECAG as CCP for the service does not result in any additional stamp duty liability for market participants.

Note that UK bonds are exempt from SDRT.

3.4 Risk management

By becoming counterparty to CCP eligible transactions, ECAG fulfils all obligations in relation to those transactions. ECAG protects itself and its members against default risk by members, through its risk management procedures.

The main objective of ECAG risk management is to calculate margin for the identified risk positions of eligible securities (or derivatives) resulting from pending transactions (or derivatives positions) and corporate actions as well as cash risk positions resulting from income payments. The resulting margin requirements have to be covered by collateral.

ECAG supports GBP and EUR as the settlement currency for the newly introduced UK and Irish products. However, margin calls (i.e. the clearing currency) is either CHF or EUR.

The following figure shows the general process flow for risk-based margining:

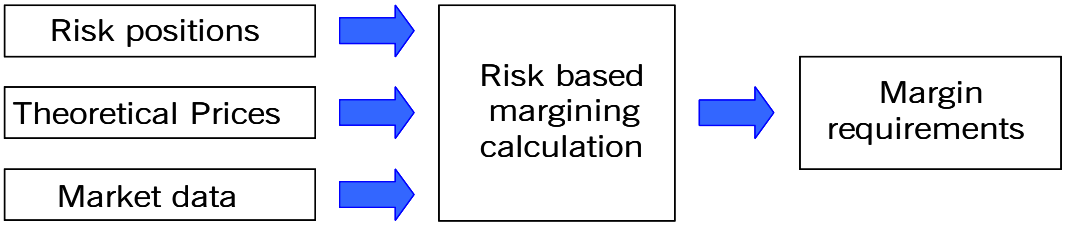


Figure 2: Risk-based margining process flow

For more information please refer to the Eurex Clearing Risk Based Margining brochure which is available on http://www.eurexchange.com/clearing/overview/brochures.html. Complete descriptions of the risk-based margining algorithms are available to Eurex members and on request to other relevant parties.

In the following paragraphs, the description focuses on risk management related to transactions in physical deliverable securities.

3.4.1 Theoretical price calculation

In an effort to cover the risk of extreme price fluctuations, margin parameters for each individual underlying security are fixed based on its volatility and various current market estimates. Based on these margin parameters minimum and maximum potential prices of the underlying security are determined.

3.4.2 Risk position determination

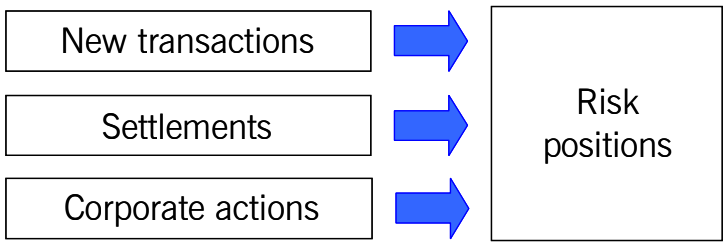


Figure 3: Determination of the risk positions

The risk positions are generated and changed based on the incoming transactions from the cash markets and the derivatives market, settlements in the respective transactions and corporate actions.

The determination of risk positions forms the basis for margining. The level of margin required from each member is recalculated on a daily basis by adding any transactions made during the day and taking into account settlements. ECAG calculates the margin at frequent intervals during the day and reserves the right to make intra-day margin calls if necessary due to position or price changes.

3.4.3 Margin calculation

The margin requirements are calculated per member (General Clearing Member – GCM, Direct Clearing Member – DCM, Non Clearing Member – NCM) and account type (proprietary, agent). The daily margin requirement of a clearing member per currency is calculated by adding all margin requirements of all the corresponding accounts and account types.

The margin requirements are determined on the basis of the total risk exposure of the clearing member. The total risk exposure is determined from the price risk of the derivative and cash positions held in the account. The risk reducing effect of opposite risks within the account are offset against each other.

ECAG provides daily margining reports. The margin calculation requirements are shown in detail with information on risk positions, the current liquidating margin, and the additional margin. Clearing members are provided with relevant information including settlement prices, margin parameters, and risk reports based on expected future market prices.

3.4.4 Eurex margin calculator

ECAG provides the Eurex Margin Calculator, a computer-based simulation program designed to calculate ECAG margin requirements (http://www.eurexchange.com/clearing/rbm/calculator.html). The program is based on the “Eurex Risk-Based Margining” model and simulates the margin calculation for existing or new positions for all products cleared by ECAG.

3.4.5 Layers of protection

To protect against the risk of default by any of its members, ECAG has established a hierarchy of preventive measures. In the event of default by a CM, ECAG may use the layers of protection described below to fulfil the obligations of a defaulting CM:

- If a market participant as a Clearing Member of ECAG is no longer able to fulfill its obligations, ECAG may liquidate all its open positions. All liquidation gains or losses will be offset against each other, and any remaining debit balance will be covered from the cash and security collateral which has been deposited.

- If thereafter an uncovered debit balance still exists, a claim will be made against the clearing guarantee of that clearing member. If any surplus remains it will be paid out.

- If any uncovered debit balances still exist, ECAG reserves will be used.

- The next level of protection provides for a pro-rata claim to be made against the clearing guarantees deposited in the guarantee fund by those institutions that are not in default.

This procedure guarantees that the fulfilment of all transactions via ECAG can be assured.

3.4.6 Regulations in case of a default

In the event of default by a CM with ECAG, it is assumed that the relevant default rules will be those that apply under German law, i.e. the default rules of ECAG will govern the ECAG-CM contract. In relation to a default of any individual member firm with a CM, it is assumed that it will be the law of the jurisdiction governing the agreement.

According to ECAG default rules, the following rules will always apply:

- A CM is always principal, i.e. fully responsible, to the CCP.
- A NCM is always principal to its CM.

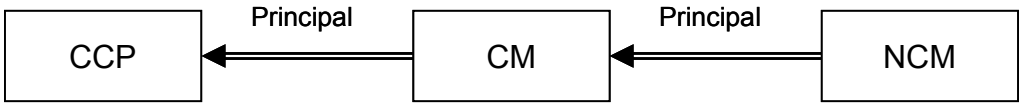


Figure 4: Participant relationships

3.5 Collateral management

In order to cover their margin requirements, CMs can either pledge their own securities to ECAG or pay the amount in cash. CMs are therefore obliged to have a sub-account with Clearstream Banking Frankfurt (CBF) or SegaInterSettle (SIS) pledged to Eurex Clearing AG, and a central bank account at the Bundesbank (BuBa), Swiss National Bank (SNB) or a correspondent bank with such a central bank account. ECAG is entitled to directly debit/credit the central bank accounts.

ECAG accepts the following collateral:

- Cash in EUR and CHF.
- Selection of fixed income products, e.g. government bonds.
- Selection of equities.
- Selection of exchange traded funds.

For more information please refer to the Eurex Clearing Risk Based Margining brochure, which is also available at http://www.eurexchange.com/knowledgecenter/brochures.html.

3.5.1 Collateral evaluation

The collateral on the security deposit account of each CM is evaluated daily in the ECAG system. This is done by means of settlement prices. Different haircuts are used depending on the security pledged as collateral, e.g. when evaluating equities, a haircut is applied to reflect potential market impact in case of the default of a member.

3.5.2 Operate collateral book

Each business day, the margin requirement is set against the deposited and evaluated securities. If these are not sufficient, the deficit is debited from the BuBa / SNB account of the CM. In case the amount of pledged securities is increased or the margin requirement is reduced, ECAG will automatically transfer the debited cash amount back to the CM.

ECAG pays interest for cash collateral. The cash deposit rate is specified in the Clearing Conditions of Eurex Clearing AG on the Eurex website at http://www.eurexchange.com/about/rules/exchangereg_en.html.

3.5.3 Reporting on collateral

ECAG provides collateral reports in order to enable participants to manage their collateral effectively. Reports show collateral balances, the movements of securities and information about the use of cover, the expiration of securities and interest paid on a detailed and aggregate level.

4 Market participant roles in trading, clearing and settlement

Member firms trading on the trading platform Eurex Exchanges have access to Eurex Exchanges. ECAG Clearing Members have access to ECAG, i.e. either the derivatives clearing system, the cash clearing system, or both.

The introduction of CREST as settlement location results in the requirement that ECAG Clearing Members need to establish a link to CREST or to a settlement participant in CREST via a custodian agreement. The contractual agreements, i.e. clearing documents and legal documentation, are to some extend effected and will be adapted accordingly.

The various roles played by a participant can be different depending on whether they are active in trading, clearing or settlement. These are explained in this chapter.

4.1 Trading

A member has to be setup on the Eurex Exchanges.

4.2 Clearing

Eurex Clearing AG differentiates between the following participant roles:

- Non Clearing Members (NCMs) – Trading Members (TMs):
  An exchange participant that does not hold a clearing license. Such a participant must have a clearing agreement in effect with a General Clearing Member or a company-affiliated Direct Clearing Member.

- Clearing Member (CM):
  A clearing member is entitled to perform the clearing of securities and derivatives market transactions. In addition, CMs are responsible for the timely fulfilment of all payment and delivery obligations resulting from securities transactions. ECAG makes a distinction between clearing membership types: the GCM (General Clearing Member) and the DCM (Direct Clearing Member). Unlike GCMs, DCMs may only clear principal transactions, agent transactions and transactions of affiliated group companies.

- CCP Settlement Institute (SI):
  The CCP Settlement Institute is connected to the ECAG CCP system. Each settlement account which is used at the settlement location supported for the respective market or product needs to be setup in the CCP and needs to be assigned to a CCP SI, e.g. CREST settlement participants for UK products. For each of the assigned CREST settlement participants, the CCP SI can then receive settlement information via settlement reports or by using the Member GUI.

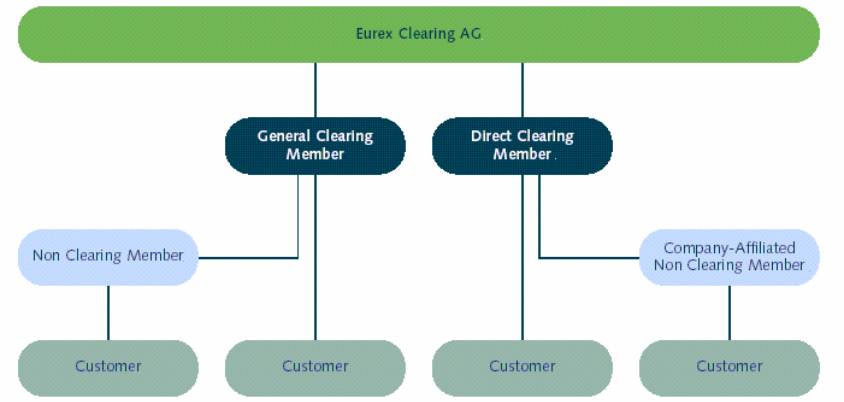


Figure 5: Eurex Clearing member setup

4.3 Settlement

For settlement purposes, CREST differentiates between:

- A settlement participant, which has access to both securities and cash functionality. In the context of this service, a settlement participant will be either a CREST member or a CCP participant. ECAG will be admitted into CREST as a CCP participant and the settlement agent acting on behalf of the NCM and / or CM will be admitted as a CREST member; and
- A (Sponsored) CM Undertaking. CRESTCo requires an ECAG CM to become a CM Undertaking or to authorize a Sponsored CM Undertaking to view open positions in the CREST system. A (Sponsored) CM Undertaking will not be permitted to input, amend or delete settlement instructions.

4.4 Interaction of the different roles

The following provides an overview of the interaction between the different roles involved in the securities and derivatives market infrastructure. Participants can perform functions associated with one or more of these roles.

A trading member enters orders in the order book of the Eurex Exchanges or enters bilateral transactions agreed with another market participant, which, when executed respectively accepted, become trades. On the derivatives market these trades are aggregated to respective derivatives positions. After exercise & assignment or notification & allocation of such a position, the resulting physical deliveries are transferred to the ECAG CCP platform.

The trading member is either acting as NCM / TM only or as CM, i.e. also admitted to clearing.

Each ECAG CM has to be a dedicated CM Undertaking at CRESTCo or use a sponsored CM Undertaking. A CM Undertaking is, or uses a, settlement participant to operate the settlement at CRESTCo.

ECAG Settlement institute and CREST Settlement Participant can be the same legal entity. In case these are different legal entities, the relationship between ECAG Settlement Institute and CREST Settlement Participant is as follows. Each CREST participant needs to be setup in the CCP and needs to be assigned to an ECAG Settlement Institute. The ECAG Settlement Institute informs the CREST Settlement Participant when a transaction for the UK market occurs. After settlement takes place in CREST, the CREST Settlement Participant informs the ECAG Settlement Institute.

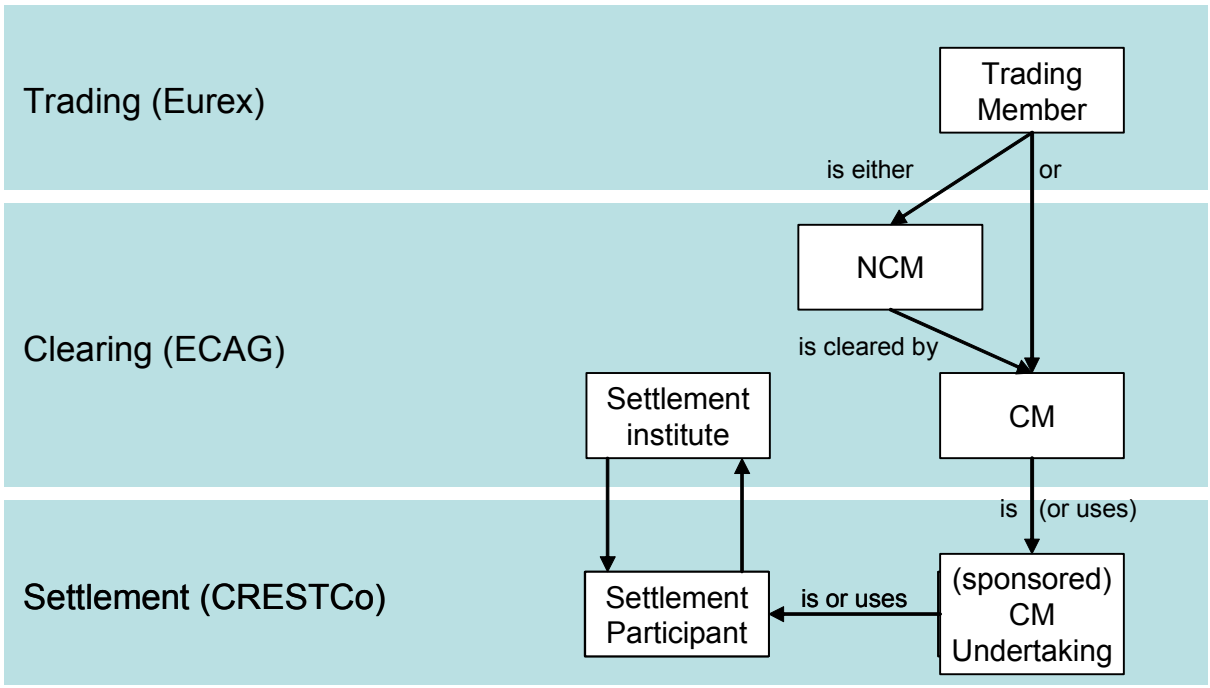


Figure 6: Interaction of different roles

5 Tariff

CRESTCo will apply its standard tariff to the Exchange's CCP service. Details of the CRESTCo tariff payable by members can be found on the website (http://www.crestco.co.uk).

ECAG will charge Clearing Members for the provision of all clearing services. ECAG plans to apply a clearing fee which is in line with the current UK clearing fee structure. Fees will be charged to each transaction entering the clearing and settlement process.

6 Market participant tasks for admission

6.1 Eurex Exchanges trading admission

Eurex Exchanges trading members must conclude a clearing agreement with either a General Clearing Member (GCM) or a group-affiliated Direct Clearing Member (DCM) for derivatives trading on Eurex Exchanges. Because Eurex Exchanges trading members have no contractual relationship with ECAG, transactions are essentially concluded between ECAG and the given Clearing Member, and in turn between that Clearing Member and the specific trading member on Eurex Exchanges.

All trading participants will need to ensure that ECAG is advised of changes to their clearing or settlement arrangements.

6.2 ECAG clearing admission

Participation as a GCM or DCM requires issuance of the appropriate licence for which the following requirements need to be fulfilled.

Clearing membership
Financial institutions located within the European Union or Switzerland authorised to operate custody business, credit operations and receipt of margin by customers in the form of securities and cash are eligible for a Eurex Clearing Membership. Applicants must meet the minimum capital requirements and contribute a specific amount to the Eurex Clearing AG clearing fund.

Contribution to the clearing fund
Irrespective of the provision of other margin, each CM is obliged to pay a contribution to the Clearing Fund. This contribution is not required in the event that the applicant has already paid a contribution to the Clearing Fund for another clearing membership of ECAG with the same clearing status. The contribution can be provided by bank guarantees and/or cash or security collateral.

The initial contribution to the Clearing Fund varies by the status of the CM. It amounts to EUR 5 million for a GCM and EUR 1 million for a DCM.

A reassessment of the contributions is carried out quarterly, with the new contribution being the maximum of:

- the member's initial contribution;
- 2% of the member's 30-day average of total margin requirements across all markets; and
- 2% of the member's 250-day average of total margin requirements across all markets.

Minimum Capital Requirements

The minimum amount of liable equity capital to be provided is:

Clearing Licence	GCM Liable Equity Capital	DCM Liable Equity Capital
Derivatives	EUR 125 million	EUR 12.5 million

Table 2: Minimum capital requirements

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 the maximum of:

- the clearing licence minimum amount;
- 10% of the member's 30-day average of the total margin requirements across all markets; and
- 10% of the member's 250-day average of the total margin requirements across all markets.

Clearing agreement

Both ECAG and the applicant have to agree to and sign a general or direct clearing agreement.

Settlement account

The CM has to provide at least one settlement agent in CREST (directly or indirectly) through which it will settle its transaction in UK and Irish products.

Cash clearing accounts

The CM settlement agent has to hold an account in EUR and GBP with a CREST settlement bank in order to debit/credit cash arising out of the settlement process of CCP eligible transactions.

Moreover, each ECAG CM needs to hold an account in EUR and GBP with a payment bank in order to settle cash payments created by the ECAG CCP system. The list of supported CREST settlement bank is as follows:

- Barclays Bank plc
- Citibank N.A.
- Deutsche Bank AG
- HSBC Bank plc
- The Royal Bank of Scotland (RBS)

Furthermore a BuBa/SNB (direct or via a correspondent bank) account is required to establish ECAG margin credit and respond to ECAG margin calls.

Pledged securities account

In order to provide margin, the CM can pledge securities in a pledged securities account maintained exclusively for ECAG by the CM at CBF or SIS. For the purpose of such a pledge, the CM has to assign its rights to claim these securities from the account to the CCP.

In order to meet the admission requirements, a GCM or DCM must also have sufficiently qualified staff for the orderly fulfilment of the clearing obligations, and appropriate back-office facilities.

6.3 CRESTCo clearing and settlement admission

Please note that a CREST member may be both a CM (GCM or DCM) and a settlement participant.

Clearing Members

CMs are required to become a CM Undertaking with CRESTCo or use a sponsored UK Undertaking. This is fulfilled through the completion of the appropriate CM Undertaking agreement. This will allow the CM to view open positions throughout the day.

Settlement Participants

Settlement participants will have to inform CREST of their Eurex Exchanges member reference, default account ID and clearing member's ID via a static data form. Furthermore, each settlement member will have to inform CREST of the direct input options they wish to elect.

7 Abbreviations and glossary of terms

7.1 Abbreviations

Abbreviation	Long Name
BuBa	Bundesbank
CBF	Clearstream Banking Frankfurt
CCP	Central Counterparty
CHF	Swiss Francs
CM	Clearing Member
DCM	Direct Clearing Member
DEL	Delivery transaction
ECAG	Eurex Clearing AG
EUR	Euro
GBP	Great Britain Pounds
GCM	General Clearing Member
ISD	Intended Settlement Date (Contractual Settlement Date in ECAG terminology)
NCM	Non-Clearing Member
SIS	SegaInterSettle
SNB	Swiss National Bank
TSO	Trade System of Origin

7.2 Glossary of terms

CCP participant	A participant with full membership in CRESTCo, that has Clearing Member and certain automated management functionalities
Clearing Member (CM)	CMs are members entitled to perform the clearing of security resp. derivatives transactions. In addition, CMs are liable for the timely fulfilment of all payment and delivery obligations against ECAG that result from transactions. ECAG makes a distinction between clearing membership types i.e. Direct Clearing Member, General Clearing Member and Non Clearing Member. CMs can have several clearing licences which are granted by ECAG for clearing different markets, e.g. Eurex Exchanges, Frankfurter Wertpapierbörse (FWB)
CM Undertaking	CRESTCo requires an ECAG CM to become a CM Undertaking to view open positions in CREST. This membership entails “read only” functions and does not permit such an entity to input, amend or delete transactions
Direct Clearing Member (DCM)	A member of ECAG that only clears its own proprietary transactions, its own agency trades and trades of its own subsidiaries (affiliated NCMs)
Direct input	The ability to input transactions into the CREST on behalf of members, based on delivery data received from ECAG (or as a result of the settlement netting process)
Eligible transaction	A transaction is CCP eligible to the extent that it meets the following criteria: • it is a derivatives market transaction either from an order book transaction on Eurex Exchanges or from bilaterally entry • it is the subsequent delivery (or payment) resulting from exercise & assignment or notification & allocation in ECAG; • it is a spot trade, i.e. a binding obligation to exchange a security for cash at a defined intended settlement date in the future; • the underlying trade is in a CCP eligible security; • both trading members have either a clearing relationship with ECAG or use a third party to have such a clearing relationship with ECAG; • it has a valid market price; and • it is executed on a valid business day and during valid business hours of the Clearing House
Eligible securities	All securities ECAG and CRESTCo agreed regarding their inclusion in the settlement service in CRESTCo starting with options on selected UK equities, futures on UK Bonds and options on selected Irish equities.

General Clearing Member	A General Clearing Member (GCM) can clear own transactions, agent transactions and transactions for affiliated and non-affiliated NCMs and otherwise perform all the functions of a DCM
Non-Clearing Member (NCM)	NCMs are exchange member firms which trade in relevant CCP eligible products (derivatives and cash market products) on a market ECAG provides CCP functionality for and choose not to clear directly with ECAG. They are entitled to execute proprietary trades and agency trades depending on their regulatory authorisation. For clearing purposes, each NCM needs to have a relationship with an ECAG General Clearing Member (GCM).
Principal	An entity fully responsible in all cases for its obligations
Settlement participant	Participant that operates the settlement account at CREST and has access to the CREST system