Risk Management in the Clearing Business

Lines Of Defense

November 2023
Lines of defence waterfall ensures loss coverage in normal and extreme market conditions

Eurex Clearing’s lines of defense are crisis proven – default fund has never been employed

Eurex Clearing’s Default Waterfall

- **Covered in normal market conditions (Lehman/ MF Global / Maple Bank)**
  - Position Netting and Closing
  - CM in default
    - CM₁
    - ...
    - CMₙ
  - SITG of Eurex Clearing
  - Default fund contributions of non-defaulted CMs & SSITG of Eurex Clearing
  - Assessments by CMs and additional contributions by Eurex Clearing

- **Covered in extreme market conditions**
  - Close-out of all positions
  - Collateral of clearing member in default
    - (€4,37 bn average for Top 10 CMs)*
  - Default fund contribution of clearing member in default
    - (€304 mn average for Top 10 CMs)*
  - Minimum €1 mn (DCM) or €5 mn (GCM)
  - Skin in the Game (SITG): €143 mn
  - Default fund contribution of other clearing members
    - (Total Default fund approx. €7,70 bn*) & Second Skin in the Game (SSITG): €57 mn
  - Additional funds of non-defaulted members (capped at 2x of the Default Fund requirement) and further dedicated amount of Eurex Clearing (capped at EUR 300 mn, backed by the letter of comfort). No spill-over across LGs
  - Remaining equity capital of Eurex Clearing (EUR 600 mn) and remaining amount of the letter of comfort provided by Deutsche Börse (max. EUR 600 mn minus any already utilized funds)

**Financial resources including Eurex Clearing’s regulatory required equity capital sum up to more than EUR 19,43 bn**

* Values as of 24/11/2023
Total collateral held at Eurex Clearing approx. €89,91 bn