June 2012

EurexOTC Clear – Clearing of interest rate swaps and forward agreements

In the aftermath of the financial crisis, the G20 Group of Nations mandated the regulation of OTC derivatives markets via legislation such as the European Markets Infrastructure Regulation (EMIR) in Europe and the Dodd-Frank Act in the U.S. Such regulatory changes include mandatory clearing of certain OTC derivatives and will require fundamental changes to be implemented by market participants and infrastructure providers alike.

In the context of this market reform, Eurex Clearing is expanding its EurexOTC Clear offering to include interest rate swaps (IRS) in order to support our clearing members and their clients in complying with the new regulatory framework.

Our solution

With an overall collateral pool of EUR 52.7 billion, stress-tested lines of defense and over 152 clearing members from 16 countries, Eurex Clearing provides the perfect basis for your OTC IRS business. Every month we process processing gross risks valued at almost EUR 8 trillion. Last year we cleared more than 2 billion derivatives contracts – more than 40 percent of which were traded OTC.

Eurex Clearing's offering is broad and encompassing:

One-stop shop

Eurex Clearing offers the broadest product scope under a single framework in Europe.

Effective risk management

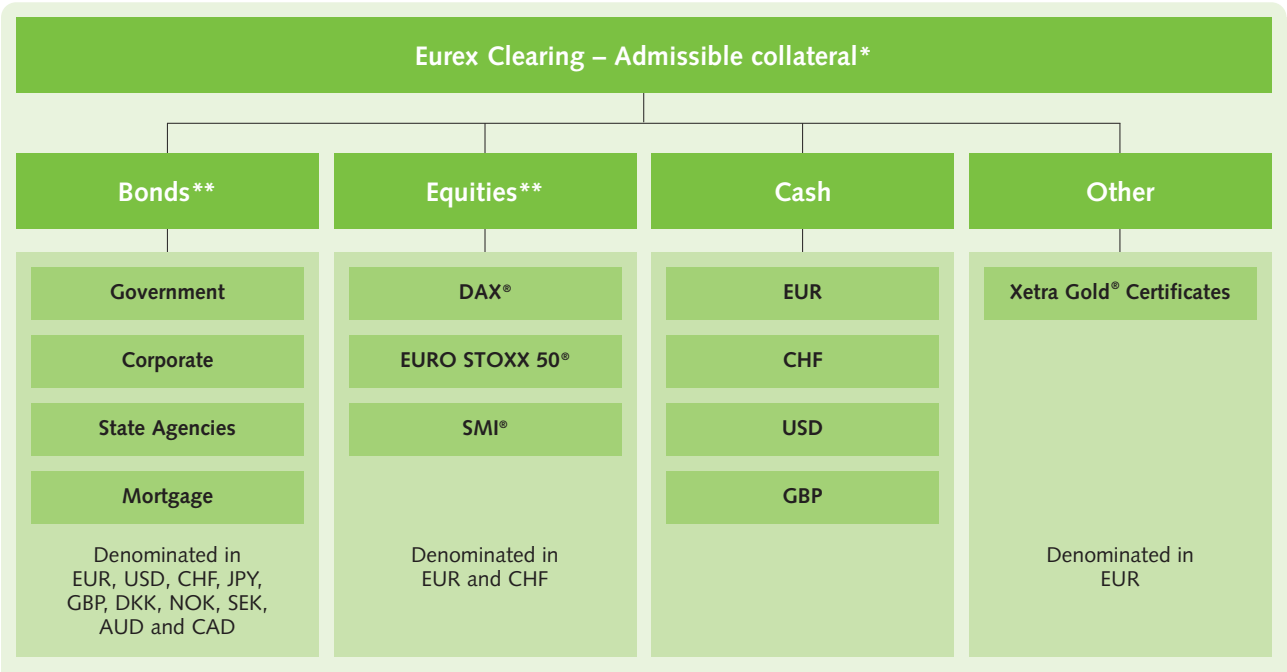
Eurex Clearing will introduce state-of-the-art risk management solutions such as portfolio risk management with Eurex Clearing Prisma which allows cross-margining between your OTC and Eurex Exchange listed business.

Client Asset Protection

Eurex Clearing allows segregation, asset protection and portability of client collateral and positions in the event of a clearing member default – providing you with maximized operational and capital efficiencies.

Collateral management services

Eurex Clearing accepts a broad range of eligible collateral – clearing members are able to satisfy margin and clearing fund requirements by depositing cash, securities or commodities. Eurex Clearing holds an available collateral pool of EUR 53 billion – significantly greater than other European clearing houses.



* The full list of eligible collateral can be found on our website: **www.eurexclearing.com > Risk management > Risk parameters**

** Securities are deposited to pledged securities accounts at Clearstream Banking Frankfurt AG (CBF) or SegaInterSettle Zurich (SIS)

Our product scope

EurexOTC Clear's offering is broad and encompassing and will initially include clearing for the following standardized interest rate derivatives in EUR, USD, GBP and CHF:

- Single currency interest rate swaps (IRS)
- Forward rate agreements (FRA)
- Overnight index swap (OIS)
- Single currency basis swaps

EurexOTC Clear will support transactions under ISDA® 2000/2006 and German Master agreements, accepting standard swaps and forward rate agreement with standard day count and business day conventions, fee legs, constant notionals, front or back stubs & floating rate indices for each currency. A short overview is given in the below table:

In particular our offering includes

- Forward starting swaps
- Spread on the floating leg
- Negative floating rates
- Multiple reset and payment frequency options
- All standard day count fractions
- Following, modified following and preceding business day conventions
- Adjusted/unadjusted combinations
- Combined holiday calendars for multiple jurisdictions
- Backloading of historic transactions

In the near future, EurexOTC Clear will implement amortizing, roller coaster, accrediting, compounding, zero coupon swaps as well as swaps with both front and back stubs.

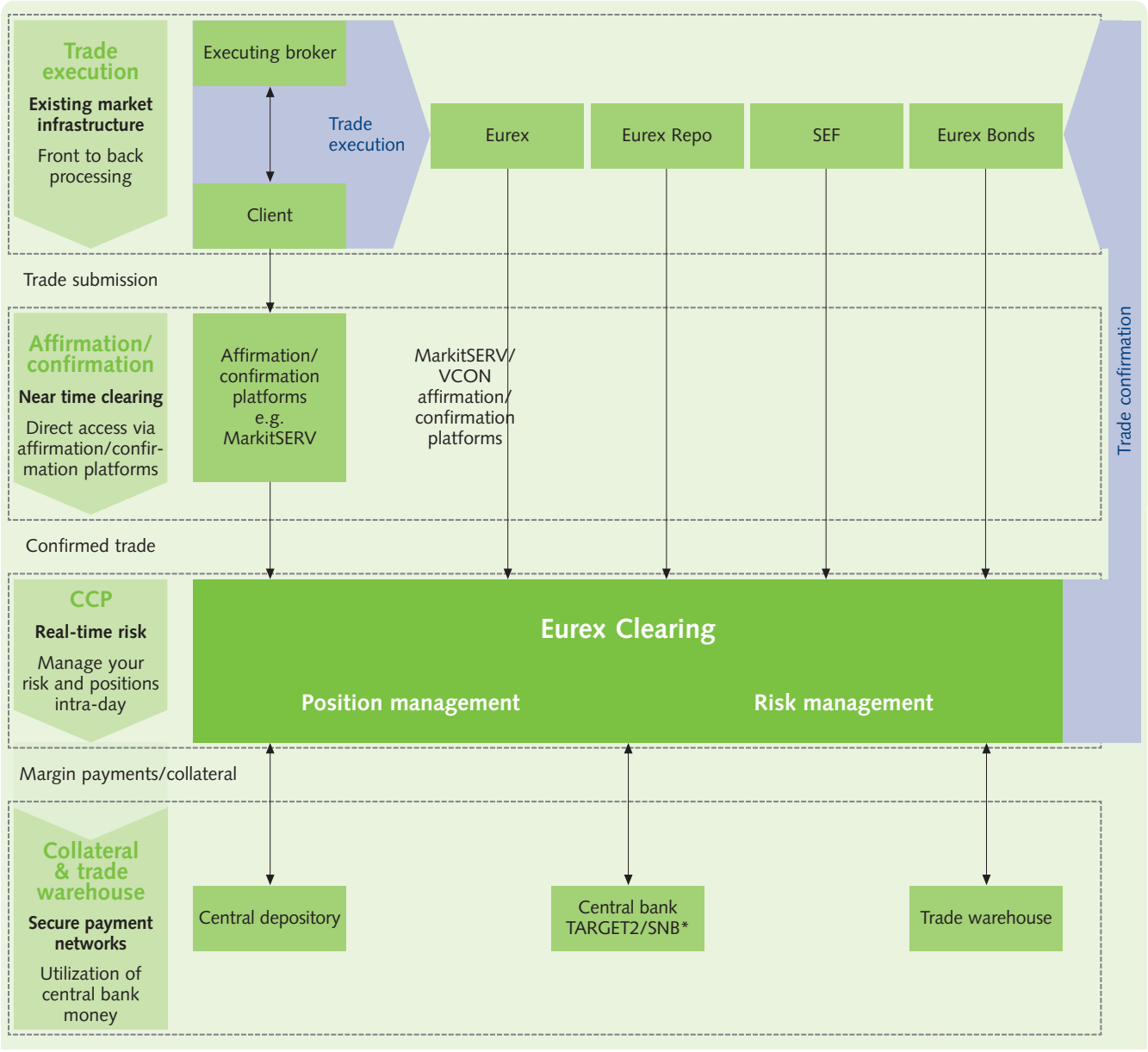
Interest rate	Initial release	Future phases
Currency	EUR, GBP, CHF and USD	Additional European – SEK, NOK, DKK, PLN and other currencies – JPY, CAD, AUD, SGD
Maturity	Up to 50 years (CHF to 30 years)	
Effective dates	Spot, forward starts and stub periods	
Types	Plain vanilla – fixed versus floating and basis; floating versus floating	Compounding
	Additionally; overnight index swaps to 3 years and forward rate agreements to 2 years	Zero coupon, caps, floors, swaptions and inflation swaps

In addition, the following products and currencies are currently under consideration for implementation:

- Cross currency swaps
- Inflation swaps
- Swaptions, caps, floors
- Constant maturity swaps
- In arrears swaps

Our functional model

Eurex Clearing will provide a flexible solution via your existing market infrastructure from trade capture through to collateral and trade warehousing.



*Swiss National Bank

Eurex Clearing sets industry standards in reliability and innovative risk management – successfully managing even the most high profile defaults to safeguard our members, their clients and the marketplace at large.

By continuously providing smarter support for your OTC business, we are keeping you **clear to trade.**

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