

# **Pillar 3 Disclosure Report of Eurex Clearing AG**

Disclosures as of 30 June 2023

## Semi-Annual Pillar 3 Disclosure Report of Eurex Clearing AG 2023

According to Part 8 of Regulation (EU) No. 876/2019 (Capital Requirements Regulation, CRR II) and No. 575/2013 (Capital Requirements Regulation CRR) in conjunction with § 26a German Banking Act (Kreditwesengesetz, KWG).

September 2023

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Eurex Clearing AG    September 2023

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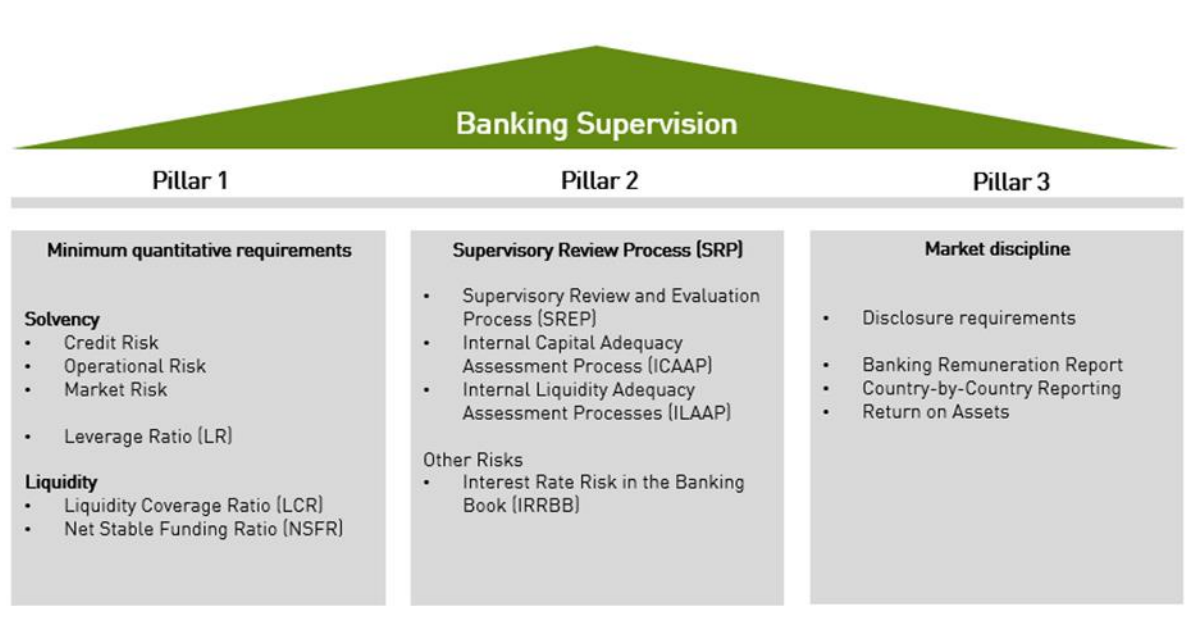
## 1. Introduction

### 1.1. Regulatory framework

In December 2010, the Basel Committee on Banking supervision published the global regulatory framework on capital and liquidity, commonly known as Basel III, a set of standards aiming at strengthening the stability and resilience of the banking system.

The Basel framework consists of three mutually reinforcing pillars, as outlined below.

- Pillar I concerns the minimum quantitative (capital) requirements related to credit, operational and market risks
- Pillar II requires institutions to integrate the risks of Pillar I and further significant and substantial risks into integrated capital management and risk management considerations. Additionally, the interaction between the banks' own assessments and the banking supervisors' review is prescribed
- Pillar III promotes market discipline through disclosure and thereby transparency to the public



**Figure 1. Overview regulatory framework**

The Basel III standards were further enhanced through, among others, the revision of existing frameworks for assessing risk weighted assets (RWA) most notably through publication of “Basel III: Finalising post-crisis reforms” in December 2017.

The first elements of the Basel III standards were introduced in European law by the Capital Requirements Regulation (EU) No 575/2013 (CRR) and the Capital Requirements Directive 2013/36/EU (CRD). In May 2019, a revised prudential regulation package was introduced, further transposing the Basel III standards into European law through amended versions of the CRR (through Regulation (EU) 2019/876 – CRR 2) and the CRD (through Directive (EU) 2019/878 – CRD 5).

The EU rules deviate in some aspects from the Basel III standards to take European specificities into account. One key change is the introduction of the proportionality concept, which exempts small and non-complex institutions from certain obligations while subjecting large institutions to enhanced requirements. Furthermore, the adjustments consider specific activities and pass-through models not undertaking any significant maturity transformation but are nevertheless required to maintain a banking license. As such, CRR 2 contains important requirements from Eurex Clearing AG (Eurex Clearing, ECAG) perspective.

According to point (a) of Article 6 (4) (a) CRR, institutions authorised as Central Counterparty (CCPs) according to Article 14 Regulation (EU) No 648/2012 (EMIR) are exempted from the Net Stable Funding Ratio (NSFR) on an individual basis. Similarly, due to their distinct business model, CCPs have been exempted from the Leverage Ratio requirement according to Article 6 (5) CRR.

In addition, the EU banking package also contained a revised Banking Recovery and Resolution Directive (BRRD, amended as per Directive (EU) 2019/879 – BRRD 2), reflecting changes related to legislation on the Minimum Requirement for own funds and Eligible Liabilities (MREL) and the Total Loss-Absorbing Capacity (TLAC) for global systemically important institutions.

In February 2021, Regulation (EU) 2021/23 on a framework for the recovery and resolution of central counterparties entered into force which excludes CCPs authorised under EMIR from requirements under the BRRD, including any MREL.

With these exemptions, the impact of the regulatory requirements on Eurex Clearing AG was significantly reduced.

To provide banks with greater operational capacities to react to the ongoing Covid-19 crisis, the Basel Committee on Banking Supervision deferred the implementation of the 2017 reforms, initially foreseen for 1 January 2022, by one year to 1 January 2023. With publication of three legislative proposals amending CRR, CRD as well as BRRD in October 2021, the EU initiated the finalisation of the implementation of Basel III.

While the proposed introduction of the Output Floor, limiting minimum capital requirements calculated with internal models to 72.5% of minimum capital requirements calculated with standardised approaches, is not expected to affect Eurex Clearing AG, proposed changes relating to the use of the credit risk standardised approach, the calculation of capital requirements for operational risk and identification, management and disclosure of ESG risk will be respectively monitored closely to ensure timely and appropriate implementation. The legislative proposals currently foresee an application of the newly introduced and amended requirements as of 1 January 2025.

This report provides the Pillar 3 disclosures of ECAG as set out in Part Eight of the CRR 2 as applicable as of 30 June 2023.

In addition to the previously mentioned regulation and directives, this report considers the following regulatory publications specifying applicable disclosure requirements:

- Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295
- EBA/GL/2014/14 of 23 December 2014: Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Article 432 (1), 432 (2) and 433 of Regulation (EU) No. 575/2013
- EBA/GL/2016/11 of 14 December 2016: Guidelines on disclosure requirements under Part Eight of Regulation (EU) No. 575/2013
- EBA/GL/2017/01 of 21 June 2017: Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No. 575/2013
- Joint ESMA (ESMA/36-36-2319) and EBA (EBA/GL/2021/06) Guidelines on the assessment of the suitability of members of the management body and key function holders
- EBA/GL/2018/10 (Consolidated version) on disclosure of non-performing and forborne exposures

Pursuant to Article 4 (1) No. 146 CRR, Eurex Clearing AG has been classified as a "Large Institution" since 30 June 2021. Therefore, Article 433a (1) CRR (under consideration of Article 433a (2) CRR) applies. The disclosure report at hand refers to the respective laws in place as of 30 June 2023, if not stated otherwise.

### **1.1.1. Objective of the report**

The objective of this Disclosure Report is to fulfil the disclosure requirements detailed in Part 8 CRR and Section 26a KWG, at the legal entity level of ECAG. More specifically, the report intends to provide a detailed overview on ECAG's:

- Legal structure
- Capital structure

To ensure an adequate fulfilment of the disclosure requirements, a Disclosure Policy has been established, which is reviewed and adapted, where necessary, on an ad-hoc basis. The Executive Board of ECAG is ultimately responsible for the Disclosure Policy and must approve any material changes to the policy. The policy defines disclosure content, allocates responsibilities and defines disclosure processes and timelines.

### **1.1.2. Scope of application (Article 436 CRR 2)**

ECAG has no subsidiary, hence consolidated supervision based on Article 18 CRR 2 or Section 10a KWG is not required. In addition, ECAG is not included in a group of undertakings that is subject to supervision on a consolidated level. As such, this Disclosure Report only covers

ECAG on a stand-alone basis. All disclosed information is reported in ECAG's accounting and reporting currency, Euro, if not otherwise specified.

### 1.1.3. Frequency and means of Disclosure (Article 433 & 434 CRR 2)

In accordance with Article 434 CRR 2, ECAG publishes its Disclosure Report on its website:

<https://www.eurexclearing.com/clearing-en/about-us/regulatory-standards/pillar-iii-disclosure-report/Pillar-III-Disclosure-Report-31368>

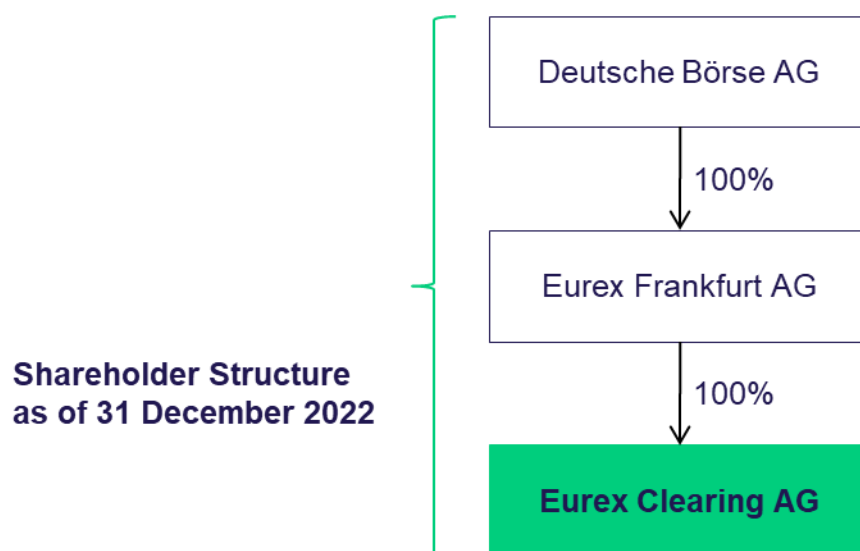
The report is updated once a year in line with Articles 433 and 433a CRR.

## 1.2. Eurex Clearing AG

Eurex Clearing AG was founded on 9 March 1998 in Germany and has its registered office at Mergenthalerallee 61, 65760 Eschborn, Germany. Eurex Clearing AG is a stock corporation (Aktiengesellschaft). It is governed by its Articles of Incorporation and German company law.

### 1.2.1. Corporate structure

Eurex Clearing AG is a wholly owned subsidiary of Eurex Frankfurt AG that in turn is wholly owned by Deutsche Börse AG (DBAG). A control and profit transfer agreement dated 18 November 1998 is in place between Eurex Frankfurt AG and Eurex Clearing AG. Eurex Clearing AG does not have any branches.



**Figure 2. Overview corporate structure**

### 1.2.2. Business operations

As one of the leading CCPs globally, Eurex Clearing builds trusted relationships with and amongst market participants, paving their way for efficient risk management via unique clearing models.



By doing so, ECAG assures the safety and integrity of markets while setting standards in risk management. ECAG clears the broadest scope of products under a single framework in Europe — both listed products and Over The Counter (OTC) across derivatives and securities finance — and accepts the world's widest spectrum of eligible collateral, thereby delivering efficiencies to the clients.

The main business objectives are:

- Providing clearing services (clearing business) for derivatives, equities, bonds and secured funding, and the securities financing market;
- Being a CCP that is legally interposed between buyer and seller of the transactions;
- Mitigating counterparty risk and maximising the clients' operational efficiency;
- Continuously extending the scope and range of cleared products;
- Extending the services to new markets.

ECAG acts as a CCP for transactions concluded on Eurex Deutschland and for transactions involving domestic and foreign securities traded on Frankfurter Wertpapierbörse and for transactions processed on the trading platform of Eurex Repo GmbH. Additionally, ECAG is also providing CCP services for OTC transactions involving interest rate, inflation, and currency products.

### **1.2.3. Licencing and regulatory supervision**

Eurex Clearing AG is a company incorporated in Germany and licensed as a credit institution under supervision of the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

ECAG is licensed to perform proprietary trading in its own name and for its own account according to Section 32 (1a) KWG. On 1 August 2013, ECAG was further licensed by the German Federal Financial Supervisory Authority to perform deposit taking business and lending business according to Section 1 (1) sent. 2 no. 1 and no. 2 KWG and is, therefore, also classified as CRR credit institution.

On 10 April 2014, ECAG has been granted authorisation as a Central Counterparty under the European Market Infrastructure Regulation (EMIR). The authorisation as a CCP also determines Eurex Clearing as a qualifying CCP (QCCP) under CRR.

As of 1 February 2016, Eurex Clearing is also a derivative clearing organisation (DCO) registered with the U.S. Commodity Futures Trading Commission (CFTC).

ECAG is furthermore recognised:

- as foreign central counterparty by the Swiss Financial Market Supervisory Authority (FINMA) as from 29 March 2018;
- as a Recognised Clearing House by the Monetary Authority of Singapore as from 14 September 2018;
- as a Foreign Financial Instruments Clearing Organization in Japan as of 12 March 2020; and,
- has a received exemption from recognition requirement as a regulated clearing agency to the Autorité des marchés financiers ("AMF") in Quebec and the Ontario Securities Commission ("OSC") in Ontario, Canada.

Moreover, ECAG is recognised by the Bank of England pursuant to Article 25 of EMIR as of 26 July 2023.

Further details on the licensing and supervision can be looked up on ECAG's website<sup>1</sup>.

## 2. Key Metrics

### 2.1. Key Metrics 1 (KM1)

The following table KM1 in accordance with Article 447 CRR on own funds structure and capital adequacy provides information on the Key Metrics on Own Funds and LCR. As described in Chapter 1, ECAG is exempt from complying with and disclosing the Leverage Ratio and the NSFR.

Disclosure periods T, T-1, T-2, T-3 and T-4 are defined as quarterly periods and shall be populated depending on the frequency set by Articles 433a, 433b and 433c CRR 2. Institutions disclosing the information in this template on a semi-annual basis shall provide data for periods T, T-2 and T-4. Consequently, for the semi-annual report as of June 2023, ECAG discloses the information for 30 June 2023, 31 December 2022 and 30 June 2022.

(in 000s of €)	T 2023-06-30	T-2 2022-12-31	T-4 2022-06-30
<b>Available own funds (amounts)</b>			
1 Common Equity Tier 1 (CET1) capital	749,813	724,813	724,813
2 Tier 1 capital	749,813	724,813	724,813
3 Total capital	749,813	724,813	724,813
<b>Risk-weighted exposure amounts</b>			
4 Total risk exposure amount	1,657,682	1,791,693	1,818,442
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>			
5 Common Equity Tier 1 ratio (%)	45.23%	40.45%	39.86%
6 Tier 1 ratio (%)	45.23%	40.45%	39.86%
7 Total capital ratio (%)	45.23%	40.45%	39.86%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>			
EU 7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	7.00%	7.00%	7.00%
EU 7b of which: to be made up of CET1 capital (percentage points)	3.94%	3.94%	3.94%
EU 7c of which: to be made up of Tier 1 capital (percentage points)	5.25%	5.25%	5.25%
EU 7d Total SREP own funds requirements (%)	15.00%	15.00%	15.00%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>			
8 Capital conservation buffer (%)	2.50%	2.50%	2.50%
EU 8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%
9 Institution specific countercyclical capital buffer (%)	0.95%	0.63%	0.00%
EU 9a Systemic risk buffer (%)	0.00%	0.00%	0.00%
10 Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
EU 10a Other Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
11 Combined buffer requirement (%)	3.45%	3.13%	2.50%
EU 11a Overall capital requirements (%)	18.45%	18.13%	17.50%
12 CET1 available after meeting the total SREP own funds requirements (%)	30.23%	25.45%	24.86%
<b>Leverage ratio</b>			
13 Total exposure measure	n/a	n/a	n/a
14 Leverage ratio (%)	n/a	n/a	n/a
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>			
EU 14a Additional own funds requirements to address the risk of excessive leverage (%)	n/a	n/a	n/a
EU 14b of which: to be made up of CET1 capital (percentage points)	n/a	n/a	n/a
EU 14c Total SREP leverage ratio requirements (%)	n/a	n/a	n/a
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>			
EU 14d Leverage ratio buffer requirement (%)	n/a	n/a	n/a
EU 14e Overall leverage ratio requirement (%)	n/a	n/a	n/a
<b>Liquidity Coverage Ratio</b>			
15 Total high-quality liquid assets (HQLA) (Weighted value -average)	49,687,733	50,282,446	58,689,626
EU 16a Cash outflows - Total weighted value	33,993,395	36,694,143	44,420,389
EU 16b Cash inflows - Total weighted value	2,512,166	2,571,098	2,917,652
16 Total net cash outflows (adjusted value)	31,481,229	34,123,045	41,502,737
17 Liquidity coverage ratio (%)	157.83%	147.36%	141.41%

Figure 2. EU KM1 – Key Metrics

<sup>1</sup> <https://www.eurex.com/ec-en/find/about-us/licensing-supervision>

## 2.2. Own Funds requirements

The total regulatory capital of Eurex Clearing AG consists of Common Equity Tier 1 (CET1) capital, which is comprised of subscribed capital, other reserves and retained earnings.

As of 30 June 2023, ECAG's CET1 ratio amounts to 45.23% which is above the statutory minimum requirements for CET1, including the capital conservation buffer as well as the SREP own funds requirements defined by BaFin.

## 2.3. Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) focuses on the short-term resilience of the liquidity risk profile and requires Eurex Clearing to hold an adequate stock of unencumbered high quality liquid assets (liquidity buffer) that can be converted into cash easily and immediately in private markets to meet its liquidity needs (net liquidity outflows) for a 30-calendar day liquidity stress scenario. Regulation (EU) No 575/2013 (CRR) and No 876/2019 (CRR 2) supplemented by Commission Delegated Regulation (EU) 2018/1620 with regards to liquidity coverage requirements for credit institutions set out the detailed rules for the calculation of the LCR.

The LCR of ECAG was always sustainably above the minimum value of 100% in the first half of 2023, and the 12-month average LCR is 157.83%.

## Abbreviation

**AT1** – Additional Tier 1

**BaFin** – Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority)

**BCBS** – Basel Committee on Banking Supervision

**BRRD** – Banking Recovery and Resolution Directive

**CCB** – Countercyclical capital buffer

**CCP** – Central Counterparty

**CCR** – Counterparty Credit Risk

**CET 1** – Common Equity Tier 1

**CFTC** – Commodity Futures Trading Commission

**COREP** – Common Reporting Framework

**CRD** – Capital Requirements Directive

**CRR** – Capital Requirements Regulation

**CRSA** – Standardized Approach for Credit Risk

**DBAG** – Deutsche Börse AG

**DCO** – Derivative Clearing Organisation

**EBA** – European Banking Authority

**ECAI** – External Credit Assessment Institution

**ECAG** – Eurex Clearing AG

**EMIR** – European Market Infrastructure Regulation

**ESM** – European Stability Mechanism

**EU** – European Union

**FINMA** – Swiss Financial Market Supervisory Authority

**FSB** – Financial Stability Board

**FX** – Foreign Exchange

**HGB** – Handelsgesetzbuch (German Commercial Code)

**KWG** – Gesetz über das Kreditwesen (German Banking Act)

**LCR** – Liquidity Coverage Ratio

**MREL** – Minimum Requirement for own funds and Eligible Liabilities

**NSFR** – Net Stable Funding Ratio

**OTC** – Over the Counter

**QCCP** – Qualifying Central Counterparty

**RWA** – Risk weighted assets

**SREP** – Supervisory Review and Evaluation Process

**TLAC** – Total Loss-Absorbing Capacity

**UK** – United Kingdom

**USD** – US Dollar