

08 Apr 2021
Eurex Clearing

Amendments to the Clearing Conditions and FCM Regulations of Eurex Clearing AG relating to transactions referencing CHF, GBP, JPY, and USD LIBOR

Eurex Clearing Circular 033/21 Amendments to the Clearing Conditions and FCM Regulations of Eurex Clearing AG relating to transactions referencing CHF, GBP, JPY, and USD LIBOR

1. Introduction

This circular contains information with respect to the service offering of Eurex Clearing AG (Eurex Clearing) regarding the following topics:

A. Treatment of LIBOR-based Forward Rate Agreements (FRAs) and USD LIBOR-based interest rate swaps and cross-currency swaps with stubs relying on 1W and 2M fixings

B. Treatment of GBP/USD cross-currency swaps referencing GBP LIBOR

For topic A, this circular also introduces amendments to the Clearing Conditions and FCM Regulations of Eurex Clearing AG.

The amendments to the service offering and to the Clearing Conditions and FCM Regulations of Eurex Clearing AG will become effective as of **3 May 2021**.

Further amendments to the legal framework of Eurex Clearing, e.g. relating to the treatment of legacy trades, will be communicated with subsequent circulars.

2. Required action

The necessary amendment of clearing eligibility of the announced instruments may have an impact on clearing participant's internal processes and positions. Therefore, it might be necessary for clearing participants to update their internal processes and technical interfaces to take these proposed changes into account.

3. Details

As a result of the announcement made by IBA on 5 March 2021, Eurex Clearing has published its intended treatment of cleared LIBOR based contracts on 11 March 2021, see Eurex Clearing Circular 022/21.

A. Treatment of LIBOR-based Forward Rate Agreements (FRAs) and USD LIBOR-based interest rate swaps and cross-currency swaps with stubs relying on 1W and 2M fixings

Eurex Clearing will revoke the clearing eligibility of FRAs referencing CHF, GBP and/or JPY LIBOR with an expiry on or after 1 October 2021 and of FRAs referencing USD LIBOR with an expiry on or after 1 April 2023.

Single period swaps (as a FRA substitute) continue to be eligible for clearing as part of Eurex Clearing's service offering. Eurex Clearing further notes that the clearing eligibility of EUR EURIBOR FRAs remains unchanged by this announcement.

Further, Eurex Clearing will limit clearing eligibility of USD LIBOR-referencing interest rate swaps and cross-currency swaps with expiry on or after 1 October 2021, if the swaps contain stub periods relying on 1W or 2M USD LIBOR fixings with or without linear interpolation being specified.

Minor editorial changes are applied as well in this context.

To reflect these amendments, the following provisions will be amended as outlined in Attachments 1 and 2:

- ◆ Chapter VIII Part 2 Number 2.1.5.1, Part 4 Number 4.1.5.1 of the Clearing Conditions
- ◆ Chapter II Part 2 Number 2.1.5.1 of the FCM Regulations

B. Treatment of GBP/USD cross-currency swaps referencing GBP LIBOR

Eurex Clearing will temporarily deactivate the clearing eligibility of GBP/USD cross-currency swaps as of 3 May 2021. The currency pair is aimed to be activated again by end November 2021 based on the new GBP reference rate,

SONIA. A separate communication on reactivation will be circulated closer to the time.

As of the effective date, the full versions of the amended Clearing Conditions and FCM Regulations will be available for download on the Eurex Clearing website www.eurex.com/ec-en/ under the following link:

Rules & Regs > Rules and Regulations

The amendments to the legal framework of Eurex Clearing AG published by this circular are deemed accepted by each affected contractual party of Eurex Clearing AG, unless the respective contractual party objects by written notice to Eurex Clearing AG within the first 15 Business Days (or, in respect of amendments to the Price List, within the first 10 Business Days) after publication. Any ordinary right of Eurex Clearing AG to terminate the respective contract (including a Clearing Agreement, if applicable) shall remain unaffected.

Unless the context requires otherwise, terms used and not otherwise defined in this circular shall have the meaning ascribed to them in the Clearing Conditions or FCM Clearing Conditions of Eurex Clearing AG, as applicable.

Attachments:

- ◆ 1 – Amended sections of the Clearing Conditions of Eurex Clearing AG
- ◆ 2 – Amended sections of the FCM Regulations of Eurex Clearing AG

Further information

Recipients: All Clearing Members, Basic Clearing Members, Disclosed Direct Clients of Eurex Clearing AG and vendors

Target groups: Front Office/Trading, Middle + Backoffice, IT/System Administration, Auditing/Security Coordination

Related circulars: Eurex Clearing circulars **111/20, 112/20, 022/21**

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Related topics

- [Attachment 1 to Eurex Clearing circular 033/21](#)
- [Attachment 2 to Eurex Clearing circular 033/21](#)

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Chapter VIII of the Clearing Conditions of Eurex Clearing AG

Clearing of OTC Interest Rate Derivative Transactions, OTC FX Transactions and OTC XCCY Transactions

As of 03.05.2021

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

[...]

Part 2 Clearing of OTC Interest Rate Derivative Transactions

2.1 General Provisions

[...]

2.1.5 Novation Criteria and Process Regarding OTC Interest Rate Derivative Transactions

[...]

2.1.5.1 Transaction Type Specific Novation Criteria

[...]

(4) Maximum remaining term

The remaining term of the OTC Interest Rate Derivative Transaction from the date of novation to the termination date must be

(a) in case of IRS,

(i) for Original OTC Transactions in EUR, USD and/or GBP, no more than 51 years (18,675 calendar days);

(ii) for Original OTC Transactions in EUR, USD and GBP and for Original OTC Transactions in CHF, DKK, SEK, NOK and/or JPY, no more than 31 years (11,375 calendar days); and ~~for Original OTC Transactions in CHF, DKK, SEK, NOK and JPY~~

(iii) for Original OTC Transactions in PLN, and no more than 11 years (4,050 calendar days) ~~for Original OTC Transactions in PLN,~~

(b) in case of OIS,

(i) for Original OTC Transactions in CHF and/or JPY, no more than 31 years (11,375 calendar days) ~~for Original OTC Transactions in CHF and JPY, and~~

~~_____ (ii) for Original OTC Transactions in EUR, GBP and/or USD, no more than 50 years and 51 years (18,675 calendar days) for Original OTC Transactions in EUR, GBP and USD,~~

(c) in case of FRA, ~~no more than 3 years (1,225 calendar days)~~ for Original OTC Transactions in EUR, USD, GBP, CHF, SEK, JPY, DKK, NOK and/or PLN, no more than 3 years (1,225 calendar days), provided however,

~~_____ (i) in case of FRA in GBP, CHF and/or JPY referencing LIBOR as the relevant floating rate for any eligible tenor, the termination date must not be on or after 01.10.2021;~~

~~_____ (ii) in case of FRA in USD referencing LIBOR as the relevant floating rate for any eligible tenor, the termination date must not be on or after 01.04.2023; and~~

(d) in case of ZCIS, ~~no more than 30 years and 10 Business Days~~

~~_____ (i) for transactions in EUR (indexes HICPxT and FRCPI), no more than 30 years and 10 Business Days; and~~

~~_____ (ii) and no more than 50 years and 10 Business Days for transactions in GBP (index UK-RPI), no more than 50 years and 10 Business Days.~~

[...]

(7) Shortened or extended calculation period (stub period)

[...]

(c) For IRS floating payments, the floating rates for Interest Rate Stub Periods must be specified in the Trade Record submitted via the ATS as follows:

[...]

(bb) a floating rate index tenor is specified, which is used for the fixing in respect of the Interest Rate Stub Period. The following tenors (W = week(s), M = month(s), Y = year) are eligible:

~~_____ (i) in case the currency is EUR: 1W, 1M, 3M, 6M, 1Y;~~

~~_____ (ii) in case the currency is USD, GBP, CHF or JPY: 1W, 1M, 2M, 3M, 6M;~~

~~_____ (iii) in case the currency is USD and the termination date is before 01.10.2021: 1W, 1M, 2M, 3M, 6M; in case the currency is USD and the termination date is on or after 01.10.2021: 1M, 3M, 6M.~~

~~_____ Only neighboring tenors of the Interest Rate Stub Period length are allowed (e.g. 3M or 6M for Interest Rate Stub Period length 3M+1W). In case the currency is DKK, SEK, NOK or PLN, only subcase (aa) is accepted; or~~

(cc) linear interpolation is specified, i.e. the floating rate for the relevant Interest Rate Stub Period is to be interpolated linearly between two specified rate index tenors. The interpolation tenors must be the two neighbours of the Interest Rate Stub Period length (e.g. 3M and 6M for Interest Rate Stub Period length 3M+1W). The eligible tenors are the same as for method (bb). In case the currency is DKK, SEK, NOK or PLN, only subcase (aa) is accepted; ~~or,~~

~~(dd) a floating rate index tenor is specified, which is used for the fixing in respect of the Interest Rate Stub Period. The following tenors (W = week(s), M = month(s), Y = year) are eligible: in case the currency is EUR 2W, 3W, 2M, 4M, 5M, 7M, 8M, 9M, 10M, 11M; in case the currency is USD, GBP, CHF or JPY: 2W, 4M, 5M, 7M. In this case, a linear interpolation as laid out in subcase (cc) will be applicable.~~

[...]

[...]

Part 4 Clearing of OTC XCCY Transactions

4.1 General Provisions

[...]

4.1.5 Novation Criteria and Process Regarding OTC XCCY Transactions

[...]

4.1.5.1 Transaction Type Specific Novation Criteria

[...]

(6) Shortened or extended calculation period (stub period)

[...]

(c) The floating rates for XCCY Stub Periods must be specified in the trade record submitted via the ATS as follows:

[...]

(bb) a floating rate index tenor is specified, which is used for the fixing in respect of the XCCY Stub Period. The following tenors (W = week(s), M = month(s), Y = year) are eligible:

____(i) in case the currency is EUR: 1W, 1M, 3M, 6M, 1Y;

(ii) in case the currency is USD or GBP: 1W, 1M, 2M, 3M, 6M;

(iii) in case the currency is USD and the termination date is before 01.10.2021: 1W, 1M, 2M, 3M, 6M; in case the currency is USD and the termination date is on or after 01.10.2021: 1M, 3M, 6M.

[...]

(cc) linear interpolation is specified, *i.e.* the floating rate for the relevant XCCY Stub Period is to be interpolated linearly between two specified rate index tenors. The interpolation tenors must be the two neighbours of the XCCY Stub Period length (e.g. 3M and 6M for XCCY Stub Period length 3M+1W). The eligible tenors are the same as for the method set out under lit. (bb) above; or

(dd) a floating rate index tenor is specified, which is used for the fixing in respect of the XCCY Stub Period. The following tenors (W = week(s), M = month(s), Y = year) are eligible: in case the currency is EUR 2W, 3W, 2M, 4M, 5M, 7M, 8M, 9M, 10M, 11M; in case the currency is USD or GBP: 2W, 4M, 5M, 7M. In this case, a linear interpolation as laid out in lit. (cc) above will be applicable.

[...]

[...]

Chapter II: Special Provisions for Clearing of Interest Rate Derivative Transactions

FCM Regulations of Eurex Clearing AG

As of 03.05.2021

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AMENDMENTS ARE MARKED AS FOLLOWS:

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[...]

Part 2 Clearing of Interest Rate Derivative Transactions

2.1 General Provisions

[...]

2.1.5 Novation Criteria and Process Regarding Interest Rate Derivative Transactions

[...]

2.1.5.1 Specific Novation Criteria

[...]

(4) Maximum remaining term

[...]

(a) in case of IRS

_____ (i) for Original Swap Transactions in EUR, USD and/or GBP, no more than 51 years (18,675 calendar days);

_____ (ii) for Original Swap Transactions in CHF, DKK, SEK, NOK and JPY, for Original Swap Transactions in EUR, USD and GBP and no more than 31 years (11,375 calendar days); ~~for Original Swap Transactions in CHF, DKK, SEK, NOK and JPY and~~

_____ (iii) for Original Swap Transactions in PLN, no more than 11 years (4,050 calendar days); ~~for Original Swap Transactions in PLN,~~

(b) in case of OIS,

_____ (i) for Original Swap Transactions in CHF and JPY, no more than 31 years (11,375 calendar days); ~~for Original Swap Transactions in CHF and JPY, and~~

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~~_____ (ii) for Original Swap Transactions in EUR, GBP and USD, no more than 51 years (18,675 calendar days) for Original Swap Transactions in EUR, GBP and USD,~~

(c) in case of FRA, ~~no more than 3 years (1,225 calendar days)~~ for Original Swap Transactions in EUR, USD, GBP, CHF, SEK, JPY, DKK, NOK and/or PLN, no more than 3 years (1,225 calendar days), provided, however and

(i) in case of FRA in GBP, CHF and/or JPY referencing LIBOR as the relevant floating rate for any eligible tenor, the termination date must not be on or after 01.10.2021;

(ii) in case of FRA in USD referencing LIBOR as the relevant floating rate for any eligible tenor, the termination date must not be on or after 01.04.2023

(d) in case of ZCIS,

(i) for transactions in EUR (indexes HICPxT and FRCPI), no more than 30 years and 10 Business Days; and

(ii) for transactions in GBP (index UK-RPI), for transactions in EUR (indexes HICPxT and FRCPI) and no more than 50 years and 10 Business Days for transactions in GBP (index UK-RPI).

[...]

(7) Shortened or extended calculation period (stub period)

In case of IRS and OIS, any non-standard shortened or extended calculation period ("**Interest Rate Stub Period**"), if any, must meet the following criteria:

[...]

(c) For IRS floating payments, the floating rates for Interest Rate Stub Periods must be specified in the Trade Record submitted via the ATS as follows:

[...]

(bb) a floating rate index tenor is specified, which is used for the fixing in respect of the Interest Rate Stub Period. The following tenors (W = week(s), M = month(s), Y = year) are eligible:

(i) in case the currency is EUR: 1W, 1M, 3M, 6M, 1Y;

(ii) in case the currency is ~~USD~~, GBP, CHF or JPY: 1W, 1M, 2M, 3M, 6M;

(iii) in case the currency is USD and the termination date is before 01.10.2021: 1W, 1M, 2M, 3M, 6M; in case the currency is USD and the termination date is on or after 01.10.2021: 1M, 3M, 6M.

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____ Only neighboring tenors of the Interest Rate Stub Period length are allowed (e.g. 3M or 6M for Interest Rate Stub Period length 3M+1W). In case the currency is DKK, SEK, NOK or PLN, only subcase (aa) is accepted; or

(cc) linear interpolation is specified, i.e. the floating rate for the relevant Interest Rate Stub Period is to be interpolated linearly between two specified rate index tenors. The interpolation tenors must be the two neighbours of the Interest Rate Stub Period length (e.g. 3M and 6M for Interest Rate Stub Period length 3M+1W). The eligible tenors are the same as for method (bb). In case the currency is DKK, SEK, NOK or PLN, only subcase (aa) is accepted; ~~or~~

~~(dd) a floating rate index tenor is specified, which is used for the fixing in respect of the Interest Rate Stub Period. The following tenors (W = week(s), M = month(s), Y = year) are eligible: in case the currency is EUR: 2W, 3W, 2M, 4M, 5M, 7M, 8M, 9M, 10M, 11M; in case the currency is USD, GBP, CHF or JPY: 2W, 4M, 5M, 7M. In this case, a linear interpolation as laid out in subcase (cc) will be applicable.~~

[...]
