

Eurex Clearing AG
ECAG Rule Certification 064-22
September 7, 2022

1. The text of the proposed amendments to the Clearing Conditions (“Clearing Conditions”) of Eurex Clearing AG (“Eurex Clearing”) and FCM Regulations (“FCM Regulations”) of Eurex Clearing is appended as Attachment A. Any additions are underlined and any deletions are struck through.
2. The date of intended implementation is September 26, 2022.
3. Attached please find a certification that: (1) these amendments comply with the Commodity Exchange Act (the “Act”), and the Commission’s regulations thereunder; and (2) concurrent with the filing of this submission, Eurex Clearing is posting a copy of this filing to its website at: <https://www.eurex.com/ec-en/rules-regs/regulations/cftc-dco-filings>.
4. A concise explanation and analysis of the operation, purpose, and effect of the amended rule appears below.
5. There were no opposing views expressed regarding these amended rules.
6. Confidential treatment is not requested.

CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND EFFECT OF THE PROPOSED RULE AND ITS COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE COMMISSION’S REGULATIONS THEREUNDER

Eurex Clearing is proposing amendments to the Clearing Conditions and FCM Regulations in the following two areas:

1. Additional Validations for Bunched Order Workflow

Eurex Clearing is proposing the following amendments, which apply only to EMIR Clearing Models under the Clearing Conditions; the following amendments do not apply to the LSOC Clearing Model or FCM Regulations. By way of background, bunched order clearing is a functionality to facilitate the clearing of OTC IRD block trades that are initially booked into a “suspense account” for post-novation allocation to different target accounts (called “bunched orders”). For the initial clearing of a client’s bunched orders by a “stand-by” Clearing Member, “Bunched Orders Suspense Accounts” are used as a client position account type. Any trade booked into “Bunched Orders Suspense Accounts” are cleared the same way as any other client trade. For the successful novation of the bunched orders, sufficient client collateral should be available, as well as the stand-by Clearing Member must accept the bunched orders.

After clearing on a block level, the bunched orders are allocated from the “Bunched Orders Suspense Account” into the target accounts of the Clearing Member that clears the transactions of the client to which the bunched order relates, on a pre-condition that the target accounts must be sufficiently collateralized. The allocation of bunched orders to target accounts is carried-out either via 1) third-party allocation service provider or 2) via post-trade events (PTE) directly at Eurex Clearing.

1) Allocation via third-party

For an allocation trade that is submitted to Eurex Clearing via a third-party allocation service provider, Eurex Clearing validates: (i) if the respective bunched order is already cleared by Eurex Clearing, (ii) if the notional value of the respective bunched order is equal to or greater than the notional value of the respective allocation trade that is to be novated.

Starting from September 26, 2022 changes for the EurexOTC Clear interfaces, the proposed amendments provide that Eurex Clearing will further validate: (iii) trade economics of allocation trade should match with the trade economics of the bunched order. If (i), (ii) or (iii) fails, the allocation trade will be rejected directly, and a rejection notification message will be sent to the submitting Approved Trade Source (ATS).

2) Allocation via PTEs

For an allocation of bunched orders through already-existing PTE, the stand-by Clearing Member can use either “Account Transfer” – to allocate it to any other of its own accounts, or “Trade Transfer” – to allocate it to accounts of another Clearing Member. There is no update planned with September 26, 2022 changes regarding the allocation via PTEs.

B. Adoption of Advanced Risk Netting Units under EMIR as well as LSOC Clearing Models

Eurex Clearing began offering risk netting across several client Transaction Accounts on the OTC derivatives side via Advanced Risk Netting Units (“ARNUs”) for certain EMIR Clearing Models on May 4, 2020. With the proposed amendments, Eurex Clearing will add to its offering by offering ARNU functionality to all EMIR clearing models as well as the LSOC clearing model. The ARNU functionality enables customers (with multi-branch setups or sub-funds structures) to utilize portfolio netting effects for initial margin calculation, even if transactions are booked to separate transaction accounts for proper position keeping and accounting. ARNUs neither change the risk model nor the margin model – the calculation is always portfolio-based.

The usage of ARNU will be optional and Clearing Members and FCM Clearing Members can assign ARNU setups via the Company Admission Tool (ValiT) during the onboarding process of a Disclosed Client/FCM Client.

Further information regarding the operation, purpose, and effect of the proposed amendments is discussed in Eurex Clearing Circular 064-22, which is appended as Attachment A.

Eurex Clearing has identified the following derivatives clearing organization (“DCO”) Core Principles as potentially being relevant to the above amendments:

1. DCO Core Principle C (Participant and Product Eligibility): The proposed amendments will comply with DCO Core Principle C because the bunched order functionality, amended by this certification, is offered to all participants in compliance with this Core Principle.
2. DCO Core Principle D (Risk Management): The proposed amendments adopting ARNUs under the EMIR and LSOC clearing models will comply with DCO Core Principle D and CFTC Regulation 39.13 because Eurex Clearing will continue, through margin requirements and other

risk control mechanisms, to limit the exposure of Eurex Clearing to potential losses from defaults by Clearing Members and participants of the DCO to ensure that the operations of Eurex Clearing will not be disrupted and nondefaulting Clearing Members and participants will not be exposed to losses that they cannot anticipate or control. Additionally, the proposed amendments comply with CFTC Regulation 39.13(g)(8) because this Regulation permits FCM clients to have multiple accounts and to have netting for the same customer; there will be no netting across different customers as prohibited by CFTC Regulation 39.13(g)(8)(C).

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7
U.S.C. §7a-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.6, 17 C.F.R. §40.6

I hereby certify that:

- (1) the amendments comply with the Commodity Exchange Act, and the Commission's regulations thereunder; and
- (2) concurrent with the filing of this submission, Eurex Clearing is posting a copy of this filing to its website at: <https://www.eurex.com/ec-en/rules-regs/regulations/cftc-dco-filings>.

/s/ Eric Seinsheimer

By: Eric Seinsheimer

Title: US CCO, Eurex Clearing AG

Dated: September 7, 2022