

22 Oct 2020  
Eurex Clearing

# Amendments to the Clearing Conditions of Eurex Clearing AG: Introduction of a USD Cash Margin Contribution Requirement (\*) as basis for a USD GC Pooling license and further measures

**Eurex Clearing Circular 088/20 Amendments to the Clearing Conditions of Eurex Clearing AG: Introduction of a USD Cash Margin Contribution Requirement (\*) as basis for a USD GC Pooling license and further measures**

## 1. Introduction

This circular contains information with respect to the service offering of Eurex Clearing AG (Eurex Clearing) and, among others, introduces amendments to the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) regarding the following topics:

A. Introduction of a USD Cash Margin Contribution Requirement as basis for a USD GC Pooling license

B. Temporary reduction of the cash handling fee for USD delivered as a USD Cash Margin Contribution in the context of a USD GC Pooling license to 10 bps p.a.

The respective changes and measures will become effective as of **13 November 2020**.

## **2. Required action**

Clearing Members intending to be active in the clearing of GC Pooling Repo Transactions (denominated in USD) should ensure that they have the required USD payment infrastructure in place and are set up for the USD permanent cash balance at Eurex Clearing, so they can comply with a USD Cash Margin Contribution obligation on 1 December 2020.

## **3. Details**

### **A. Introduction of a USD Cash Margin Contribution Requirement as basis for a USD GC Pooling license**

#### **I. USD Cash Margin Contribution Requirement**

Eurex Clearing has decided to introduce certain provisions to its Clearing Conditions that allow Eurex Clearing to require Clearing Members that clear or intend to clear GC Pooling Repo Transactions (denominated in USD) to provide an amount of USD 25 mio. (\*\*) to Eurex Clearing as part of their Proprietary Margin.

Eurex Clearing envisages to make use of this provision at the end of November 2020, so that the respective Clearing Members are required to fulfil the USD Cash Margin Contribution obligation on 1 December 2020. In case a Clearing Member does not comply with this obligation, Eurex Clearing intends to suspend the respective Clearing Member from the clearing of further GC Pooling Repo Transactions denominated in USD.

If a Clearing Member stops clearing of USD GC Pooling Repo Transactions, the Clearing Member can request the redelivery of USD posted to Eurex Clearing to comply with the USD Cash Margin Contribution requirement with a prior notice period of 90 days.

#### **II. Suspension of Clearing Members not complying with the USD Cash Margin Contribution Requirement from the USD GC Pooling Segment and termination of open transactions**

In case a Clearing Member fails to fulfill the USD Cash Margin Contribution requirement, Eurex Clearing intends to exercise its right to suspend the Clearing Member from clearing of GC Pooling Repo Transactions (denominated in USD) as of 1 February 2021. However, the Clearing Member might still clear GC Pooling Repo Transactions denominated in EUR, GBP and CHF.

If a Clearing Member, who is currently set up for the USD GC Pooling market, does not wish to provide the USD Cash Margin Contribution and

does not intend to clear any further GC Pooling Repo Transactions (denominated in USD) any longer, he should notify Eurex Clearing accordingly. Eurex Clearing will then exempt the Clearing Member from the USD Cash Margin Contribution requirement.

For GC Pooling Repo Transactions (denominated in USD) a Clearing Member enters into after having received the GC Pooling USD Cash Margin Contribution notice, Eurex Clearing will introduce an amendment to the Clearing Conditions which gives Eurex Clearing the right to terminate the respective transactions and to enter into replacement transactions at the Clearing Member's costs. This amendment will not affect any GC Pooling Repo Transactions (denominated in USD), which were entered into by the Clearing Member before receipt of the GC Pooling USD Cash Margin Contribution notice and which will be settled as agreed.

In this context, the following provisions will be amended as outlined in the attachments:

- ◆ Chapter I Part 2 Subpart A Number 4.6.1 of the Clearing Conditions
- ◆ Chapter I Part 2 Subpart B Number 5.3 of the Clearing Conditions
- ◆ Chapter IV Part 1 Number 1.1.2 (2) (b) (ii) of the Clearing Conditions
- ◆ Chapter IV Part 2 Number 2.11 of the Clearing Conditions

### **B. Temporary reduction of the cash handling fee for USD delivered as a USD Cash Margin Contribution in the context of a USD GC Pooling license to 10 bps p.a.**

To accompany the introduction of the provisions relating to the USD Cash Margin Contribution, the cash handling fee (Number 9.1 (1) of the Price List) for USD delivered as a USD Cash Margin Contribution for the purpose of the USD GC Pooling license requirement will be reduced to 10 bps p.a. until further notice.

As of the effective date, the full version of the amended Clearing Conditions will be available for download on the Eurex Clearing website [www.eurex.com/ec-en/](http://www.eurex.com/ec-en/) under the following link:

#### **Rules and Regs > Rules and Regulations > Clearing Conditions**

The changes and 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 ten (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.

(\*) In case no Margin Requirements exist, there is no USD Margin Contribution applicable.

(\*\*) Depending on overall Margin Requirements, a lower USD Cash Margin Contribution can be applicable.

### Attachments:

- ◆ Amended sections of the Clearing Conditions of Eurex Clearing AG

### Further information

Recipients: All Clearing Members, all FCM Clearing Members, Basic Clearing Members, Disclosed Direct Clients of Eurex Clearing AG, vendors other affected contractual parties

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

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Related circular: Eurex Clearing circular **054/19**

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Web: [www.eurex.com/ec-en/](http://www.eurex.com/ec-en/)

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## Further information

→ [Attachment 1 to Eurex Clearing Circular 088/20](#)

→ [Attachment 2 to Eurex Clearing Circular 088/20](#)

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Chapter I of the Clearing Conditions of Eurex Clearing AG

## General Provisions

As of 13.11.2020

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

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[...]

## **Part 2 Subpart A: General Elementary Clearing Model Provisions**

[...]

### **4.6 Redelivery of Margin in the form of cash; Release of Eligible Margin Assets in the form of Securities**

4.6.1 Subject to the occurrence of a Clearing Member Termination Date or an Insolvency Event or Failure to Pay Event, a Redelivery Claim pursuant to Number 4.5 for the transfer of assets equivalent to Eligible Margin Assets in form of cash actually delivered will, taking into account a release request of the Clearing Member pursuant to Number 4.6.2, become due if and to the extent that, at such time, the aggregate value of all Eligible Margin Assets actually delivered as Margin

[...]

- (b) to the relevant Internal Omnibus Margin Account exceeds the applicable Margin Requirement,

in each case, unless the Clearing Member and Eurex Clearing AG agree otherwise.

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If Eurex Clearing AG has required the Clearing Member to provide a GC Pooling USD Cash Margin Contribution, the Redelivery Claim relating to the cash provided as a GC Pooling USD Cash Margin Contribution only becomes due if the following requirements are met in addition to the requirements set out in Sentence 1: (i) a termination of the Clearing Member's Clearing License for Repo Transactions became effective or (ii) 90 days after all of the Clearing Member's GC Pooling Repo Transactions denominated in USD have been cancelled, closed or fulfilled and the Clearing Member has agreed (in form and substance satisfactory to Eurex Clearing AG) not to clear any further GC Pooling Repo Transactions denominated in USD with Eurex Clearing AG.

A Redelivery Claim shall be discharged if the relevant cash amount has been credited to the relevant account of the Clearing Member or to an account of a correspondent bank designated by the Clearing Member. Such discharge shall occur irrespective of any booking or forwarding errors of the depository, the settlement institution, the custodian, the deposit bank, the central securities depository or the correspondent bank.

[...]

## **Part 2 Subpart B: Clearing of Own Transactions**

[...]

### **5 Margin required with respect to Own Transactions**

[...]

5.3 Eurex Clearing AG may, by giving notice to the Clearing Member at least 5 Business Days in advance, require the Clearing Member that holds a Clearing License for the clearing of Repo Transactions and that clears (or intends to clear) GC Pooling Repo Transactions denominated in USD to provide as part of the Proprietary Margin an amount up to USD 25,000,000, but no more than 150 % of the USD-equivalent applicable Margin Requirement for all Own Transactions of the Clearing Member in accordance with Part 2 Subpart A Number 4.1.2 (i) (a “GC Pooling USD Cash Margin Contribution”) at the time of the notice submission. If a Clearing Member’s applicable Margin Requirement for all Own Transactions in accordance with Part 2 Subpart A Number 4.1.2 (i) falls below 2/3 of the GC Pooling USD Cash Margin Contribution requirement applicable for the respective Clearing Member, Eurex Clearing AG shall, on request by the Clearing Member with 90 days prior notice, accordingly reduce the GC Pooling USD Cash Margin Contribution requirement.

[...]

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Chapter IV of the Clearing Conditions of Eurex Clearing AG

## Clearing of Repo Transactions

As of 13.11.2020

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AMENDMENTS ARE MARKED AS FOLLOWS:  
INSERTIONS ARE UNDERLINED,  
DELETIONS ARE CROSSED OUT.

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**Part 1 General Provisions**

[...]

**1.1 Clearing Licenses**

[...]

**1.1.2 Prerequisites for Clearing Licenses**

[...]

(2) The applicant shall meet the following additional requirements:

[...]

(b) ~~in the event of participation in the~~ if the applicant intends to clear GC Pooling repo transactions with Eurex Clearing AG (each a **“GC Pooling Repo Transaction”**),

~~—(aa) —~~ evidence of the participation admission and technical connection to the Collateral Management System Xemac of Clearstream Banking AG (**“Xemac”**), including the possibility of participation in the international Collateral Management, i.e. (i)

~~—aa) —~~ either via own participation authorisation in Xemac,

~~—bb) —~~ (ii) via a respective agreement with another settlement institute which is authorised to participate in Xemac, or (iii)

~~—cc) —~~ in case of Basic Clearing Members only, via their Clearing Agent, and.

(bb) -if Eurex Clearing AG required a GC Pooling USD Cash Margin Contribution from the applicant in accordance with Chapter I Part 2 Subpart B Number 5.3, compliance with the applicable GC Pooling USD Cash Margin Contribution requirement.

[...]

[...]

## Part 2 Clearing of Repo Transactions

[...]

### **2.11 Termination of GC Pooling Repo Transactions denominated in USD**

- (1) If a Clearing Member does not comply with an applicable GC Pooling USD Cash Margin Contribution requirement, Eurex Clearing AG may in its reasonable discretion (*billiges Ermessen*) by giving notice to the Clearing Member terminate and settle in cash one or more GC Pooling Repo Transactions (denominated in USD) the Clearing Member has entered into after it has received the GC Pooling USD Cash Margin Contribution notice.
- (2) In order to hedge the effects of the GC Pooling Repo Transactions terminated under application of Paragraph (1), Eurex Clearing AG may in its equitable discretion (*billiges Ermessen*) enter into transactions that are – taken as a whole – equivalent to the terminated transactions by entering into independent trades or by holding one or more auctions. The Clearing Member that has not complied with an applicable GC Pooling USD Cash Margin Contribution requirement shall bear the costs of such replacement transactions, unless it is not responsible for its non-compliance.

[...]

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