



eurex clearing

circular 124/17

Date: 5 December 2017
Recipients: All Clearing Members, Non-Clearing Members and Registered Customers,
 FCM Clients and Basic Clearing Members of Eurex Clearing AG
Authorized by: Thomas Laux

**Consultation on amendments of Special Provisions regarding
 the appointment of a Bidding Agent for default management auctions**

Contact: Risk Control, T +49-69-211-1 24 52, DMP_Inbox@eurexclearing.com

Content may be most important for:

➔ All departments

Attachments:

1. Amended sections of the Default Management Auction Rules
2. Form for appointment of individuals entitled to submit comments

Summary:

In line with the feedback received from the Clearing Members and the continuous improvement of the Default Management Process (DMP), Eurex Clearing AG (Eurex Clearing) proposes to clarify the Default Management Auction Rules regarding the possibility of appointment of a Bidding Agent to perform the bidding obligation. In particular, Eurex Clearing intends to specify in detail the arrangements around appointment of a Bidding Agent in order to retain a proper incentives structure within the CCP and increase transparency.

The planned amendments fall within the scope of Special Provisions of the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) and are subject to a consultation process (Consultation).

Such Consultation will commence on **6 December 2017** and shall end on **8 January 2018** at midnight (Consultation Period).

The amended sections of the Default Management Auction Rules, as decided by the Executive Board of Eurex Clearing, are attached to this circular.

Consultation on amendments of Special Provisions regarding the appointment of a Bidding Agent for default management auctions

In line with the feedback received from the Clearing Members and the continuous improvement of the Default Management Process (DMP), Eurex Clearing AG (Eurex Clearing) proposes to clarify the Default Management Auction Rules regarding the possibility of appointment of a Bidding Agent to perform the bidding obligation. In particular, Eurex Clearing intends to specify in detail the arrangements around appointment of a Bidding Agent in order to retain proper incentives structure within the CCP and increase transparency.

The planned amendments fall within the Special Provisions in the Clearing Conditions, which are subject to a consultation process (Consultation).

Such Consultation will commence on 6 December 2017 and shall end on 8 January 2018 at midnight (Consultation Period).

Eurex Clearing herewith invites all Affected Customers to submit comments on the proposed amendments of Special Provisions (see amended sections in Attachment 1 of this circular) within the Consultation Period.

Such Consultation period will be immediately followed by a Regular Notification Period of 15 business days, after which the proposed changes will come into effect on **5 February 2018**, provided that in total no more than two Affected Customers request a Prolonged Notification Period (three months).

If Eurex Clearing receives a request for a Prolonged Notification Period from more than two Affected Customers during the Consultation, Eurex Clearing will notify all affected parties promptly in an additional electronic circular.

Appointment of a Bidding Agent for the default management auctions

As part of the Default Management Process Eurex Clearing conducts auctions with mandatory participation by Clearing Members active in the respective liquidation group. Eurex Clearing intends to clarify the Default Management Auction Rules and specify in detail the arrangements around appointment of a Bidding Agent.

Currently, Clearing Conditions of Eurex Clearing AG include generic provisions on outsourcing of various functions. However, following the feedback of the Clearing Members, it is proposed to amend the Default Management Auction Rules to reflect the following:

1. Bidding obligation can be performed by an appointed Bidding Agent (only from the operational perspective, legal obligations remain with the respective Clearing Member), which can be any affiliated or non-affiliated entity.
2. To apply for such a setup the Clearing Member has to fill out the Bidding Agent Appointment Form and return it to Eurex Clearing.
3. In order to avoid concentrations and maintain the integrity of the CCP, Eurex Clearing reserves the right to refuse or revoke such appointment at any point in time.
4. The appointing Clearing Member is obliged to provide Eurex Clearing with a respective contact person at the Bidding Agent and maintain it.
5. When applying for appointment of the Bidding Agent, the Clearing Member is obliged to indicate if there is any affiliation to the Bidding Agent.
6. Bidding Agents can be appointed on a Liquidation Group level.

7. The Clearing Member has the right to decide on whether the access to the auction tool should be granted to the Bidding Agent.

To reflect the changes the Default Management Auction Rules will be amended as outlined in attachment 1.

During the Consultation period, comments on proposed changes or amendments shall be submitted through a web-based commenting service provided by Eurex Clearing only. Any Affected Customer intending to submit comments shall appoint one or more individuals for the Consultation who may submit comments on behalf of the respective Affected Customer using the form in attachment 2 to this circular.

The form has to be duly signed and returned to Eurex Clearing via e-mail to **SpecialProvisions@eurexclearing.com**, in order to obtain a User ID and Password together with a link for accessing the web-based commenting service.

To the extent that Eurex Clearing decides to implement any comments of Affected Customers, the so-amended version will be published again applying the initial notification period, i.e. either the Regular Notification Period or the Prolonged Notification Period, as applicable.

When the amended Default Management Auction Rules come into effect, they will be available for download on the Eurex Clearing website www.eurexclearing.com under the following link:

Resources > Rules and Regulations

Terms used and not otherwise defined in this circular shall have the meanings ascribed to them in the Default Management Auction Rules.

If you have any questions or require further information, please contact Risk Control at tel. +49-69-211-1 24 52 or the Default Management Team by sending an e-mail to DMP_Inbox@eurexclearing.com.

5 December 2017

DEFAULT MANAGEMENT AUCTION RULES

WILL BE AMENDED.

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

DEFAULT MANAGEMENT AUCTION RULES

[...]

3 Participation in DM Auctions

[...]

3.4 A Mandatory Participant may appoint a third party or an Affiliate as its agent which shall participate in DM Auctions on behalf of the Mandatory Participant ("**Bidding Agent**"). The Bidding Agent shall not be allowed to appoint another third party as its agent with respect to the obligation of the Mandatory Participant to participate in the DM Auctions. Unless otherwise provided in the following provisions, the provisions under Chapter I Part 1 Number 15.2 of the Clearing Conditions shall apply accordingly.

3.4.1 The Mandatory Participant shall inform Eurex Clearing AG about its intention to appoint a Bidding Agent by submitting the form for the appointment of the Bidding Agent attached to these General DM Auction Rules ("**Bidding Agent Appointment Form**"). The Mandatory Participant may choose to appoint the relevant Bidding Agent with respect to all or specific Liquidation Groups as specified in the Bidding Agent Appointment Form. The participation in the DM Auctions by the Bidding Agent shall only be commenced upon fulfilment of the following requirements:

DEFAULT MANAGEMENT AUCTION RULES

(1) the Mandatory Participant has provided Eurex Clearing AG with the Bidding Agent Appointment Form, and

(2) Eurex Clearing AG has confirmed receipt of the Bidding Agent Appointment Form in writing and specified the date by which the appointment of the Bidding Agent shall become effective.

3.4.2 The Mandatory Participant shall provide to Eurex Clearing AG the contact details of at least one contact person at the Bidding Agent for any inquiries Eurex Clearing AG may have with respect to the participation of the Bidding Agent in the DM Auctions and who shall be available without interruptions during regular business hours and has sufficient German or English language skills.

3.4.3 The Bidding Agent can be granted direct access to the Auction Tool by Eurex Clearing AG upon the request of the Mandatory Participant. In such case, when the Bidding Agent provides Bid(s) to Eurex Clearing AG via the Auction Tool, the Bidding Agent is acting on behalf and in the name of the Mandatory Participant. The submission of a Bid by the Bidding Agent acting on behalf and in the name of such Mandatory Participant therefore constitutes a Bid by the Mandatory Participant and only binds the Mandatory Participant vis-à-vis Eurex Clearing AG. When providing a Bid on behalf and in the name of the Mandatory Participant, the Bidding Agent will clearly specify that the relevant Bid is provided with respect to the relevant Mandatory Participant.

3.4.4 If the Mandatory Participant appoints an Affiliate as its Bidding Agent, the Mandatory Participant shall disclose such connection to Eurex Clearing AG in the Bidding Agent Appointment Form. "Affiliate" means, in respect of a Mandatory Participant, any undertaking which is or becomes (i) a subsidiary undertaking or parent undertaking of such Mandatory Participant or (ii) a subsidiary undertaking of a parent undertaking of such Mandatory Participant.

3.4.5. Any Mandatory Participant may disclose the Specific Terms and/or any additional information with respect to any DM Auction to its Bidding Agent, as is necessary for the Bidding Agent to act on behalf of the Mandatory Participant in any DM Auction.

3.4.6 Eurex Clearing AG may at any time exercise its veto right with respect to the appointment of a Bidding Agent under the conditions set out pursuant to Chapter I Part 1 Number 15.2 of the Clearing Conditions.

[...]

Form of Specific Terms for DM Auctions

[Letterhead of Eurex Clearing AG]

To the Mandatory Participants

[Date]

SPECIFIC TERMS FOR DM AUCTIONS

You have been invited by Eurex Clearing AG to participate in a DM Auction (as further described by the details below).

These Specific Terms must be read in conjunction with the General DM Auction Rules published as of the date hereof by Eurex Clearing AG on its website www.eurexclearing.com and constitute in conjunction with the General DM Auction Rules the DM Auction Rules for this DM Auction. In case of any differences between the General DM Auction Rules and these Specific Terms, these Specific Terms shall prevail.

Each Mandatory Participant will keep confidential and will not disclose directly or indirectly the Specific Terms or any other information regarding the relevant DM Auction, including any information with respect to the DM Auction Transactions or the Auction Units set forth therein, unless permitted to do so in accordance with Number **Fehler! Verweisquelle konnte nicht gefunden werden.** above. It will further respect to be permitted to use any such information solely for the purpose of evaluating the relevant Auction Unit and it will, unless it has provided the winning Bid in accordance with Number 7.3.3 or Number 7.4.3 of the General DM Auction Rules, immediately delete and destroy such information after the respective Expiration Time and will promptly certify to Eurex Clearing AG in writing that such deletion has been completed. Each Representing Participating Bidder shall procure that the Selected Invitees for which it acts as Representing Participating Bidder will comply with the foregoing obligations.

DEFAULT MANAGEMENT AUCTION RULES

General Information:	
Liquidation Group(s):	[]
DM Auction Transactions:	See attached spread sheet
Auction Units:	See attached spread sheet
Maximum Spread Value, if applicable:	
Auction Currency:	
Auction Timetable:	
Auction Date:	[]
Commencement Time:	[]
Expiration Time:	[]
Acceptance Date and Acceptance Time:	[]
Announcement Time:	[]
Settlement Date and Settlement Time:	[]
Bidding and Auction Procedure Details:	
Auction Format:	[] Multi Unit – Pay as you bid [] Single Unit – Pay as you bid [] Other: <i>[describe]</i>
<i>[other]</i>	[]
<i>[other]</i>	[]

DEFAULT MANAGEMENT AUCTION RULES

Bidding Agent Appointment Form

[Letterhead of the Mandatory Participant]

Member ID: [•]

Eurex Clearing AG
CRO Eurex Department, Default Management Section
60485 Frankfurt/Main
Germany

Appointment of a Bidding Agent

Pursuant to Number 3.4.1 of the Default Management Auction Rules, we hereby appoint the following company as our Bidding Agent for the participation in the DM Auctions:

Company name

Street / No

Zipcode / City

Country

We are an Affiliate (as defined under Number 3.4.3 (1) of the Default Management Auction Rules) of the Bidding Agent:

Yes.

No.

The appointment shall take effect on _____.

The term of the appointment shall be:

limited to the following date: _____ ; or

unlimited.

DEFAULT MANAGEMENT AUCTION RULES

The appointment shall apply with respect to the following Liquidation Groups:

all Liquidation Groups; or

the following Liquidation Groups:

Contact Person at the Bidding Agent

The following staff member of the Bidding Agent will be available during regular business hours for any inquiries relating to the participation in DM Auctions by the Bidding Agent and have sufficient German and/or English language skills:

Name

Telephone

E-Mail

Fax

Additionally, we confirm that the Bidding Agent has adequate resources and expertise with respect to the participation in DM Auctions and the participation in DM Auctions is performed in accordance with the requirements stipulated under Number 3.4 of Default Management Auction Rules.

DEFAULT MANAGEMENT AUCTION RULES

Terms not defined in this form shall have the meaning given to them in the Default Management Auction Rules or the Clearing Conditions.

Date

Place

Signature of an authorized signatory at the Mandatory Participant with name in capital letters plus Company Stamp (or print name if no Company Stamp available)

Date

Place

Signature of an authorized signatory at the Mandatory Participant with name in capital letters plus Company Stamp (or print name if no Company Stamp available)
