



Eurex Clearing Resources Circulars & Mailings

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No. 118/2019

Amendments to the Clearing Conditions of Eurex Clearing AG - Consultation

Eurex Clearing Circular 118/19

1. Introduction

This circular contains information with respect to the service offering of Eurex Clearing AG (Eurex Clearing) and introduces the amendments to the website of Eurex Clearing with respect to the following topics:

- A. Change of the Default Fund contribution factor, and
- B. Alignment of the Default Fund description with the applied methodology

The amendments under item A. and B. form part of the Clearing Conditions and fall within the scope of Special Provisions of the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) and are hence subject to a consultation process (Consultation). The Consultation will end with the expiry of **10 January 2020**. The planned effective date is **3 February 2020**, depending on the outcome of the Consultation which will be communicated in a separate Eurex Clearing circular.

The amendments proposed under items A. and B. are only impacting the Default Fund contribution factor and taking out the reference to futures spread margin no longer supported in the PRISMA methodology.

2. Required action

The amendments outlined in the attachment are subject to a Consultation which will end with the expiry of 10 January 2020 (Consultation Period).

Eurex Clearing herewith invites all Affected Customers to submit comments on the proposed changes and amendments within the Consultation Period.

3. Details

A. Change of the Default Fund contribution factor

In accordance with Article 42 of Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR), Eurex Clearing maintains a pre-funded Default Fund to cover losses that exceed the losses to be covered by margin requirements. Contributions to the default Fund are calculated as the maximum of a static minimum contribution and a dynamic component. The dynamic component is calculated as 7 percent of the maximum of 30-day and 250-day Initial Margin requirement. The contribution factor is calibrated such that pre-funded resources are sufficient to cover losses stemming from a simultaneous default of the two largest Clearing Members in extreme but plausible market conditions.

The contribution factor will be increased from 7 percent to 9 percent following a recalibration to align pre-funded resources with historically observed stress exposure effective **3 February 2020**.

B. Alignment of Default Fund description with applied methodology on the Eurex Clearing website

The margining of derivative positions was migrated from the Risk Based Margining (RBM) methodology to the PRISMA portfolio margining methodology. As a result, futures spread margin is no longer applied and therefore obsolete. The respective description on the Eurex Clearing's website in the context of Default Fund calculations will be amended accordingly.

To reflect the amendments as proposed under items A. and B. above, the website of Eurex Clearing will be amended as outlined in the Attachment.

Consultation

The proposed amendments to Eurex Clearing's website form part of the Clearing Conditions and fall within the scope of Special Provisions of the Clearing Conditions. Pursuant to Chapter I Part 1 Number 17 of the Clearing Conditions, the proposed amendments to the calculation of Default Fund contributions and respective description are subject to a Consultation which will end with the expiry of **10 January 2020**.

Eurex Clearing herewith invites all Affected Customers to submit comments on the proposed changes and amendments within the Consultation Period.

During the Consultation Period, comments on proposed changes or amendments shall be only submitted through a web-based commenting service for which a registration form is available on the Eurex Clearing website www.eurexclearing.com under the following link:

[Resources > Forms > Data Forms: Consultation Form](#)

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 received during the Consultation, the so-amended version of the amendments to the website will be published after the Consultation.

The currently envisaged effective date of the changes is **3 February 2020**. However, after the Consultation Period, Eurex Clearing will issue a separate circular to announce the concrete date on which the proposed changes (as the case may be, implementing comments received during the Consultation) will come into effect.

This announcement will be made with at least 15 Business Days' notice (Regular Notification Period). However, if Eurex Clearing should receive a request for a Prolonged Notification Period from more than two Affected Customers during the Consultation Period, a Prolonged Notification Period as set out in the Clearing Conditions will be applied and Eurex Clearing will notify all affected parties accordingly.

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.

Attachment:

- Publication of the "Contribution Calculation Method" on the [Eurex Clearing website](#) and related description

Further information

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

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

Contact: client.services@eurexclearing.com

Web: www.eurexclearing.com

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Further information

[Attachment to Eurex Clearing circular 118/19](#)

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Amendments to the Website of Eurex Clearing AG

Amendments to the Default Fund Contribution Factor

As of 02.03.2020

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

Webpage Update for : <https://www.eurexclearing.com/clearing-en/risk-management/default-waterfall/default-fund>

Content:

Default Fund

Eurex Clearing maintains one joint Default Fund, covering all asset classes cleared by it. The Default Fund is calibrated to cover all losses resulting from a simultaneous default of Eurex Clearing’s largest two clearing groups with a confidence level of 99.9%.

Every Clearing Member is required to provide a contribution to such Default Fund. Each Clearing Member’s contribution to the Default Fund depends on the relative risk exposure brought to the clearing system by such member.

As such, Clearing Members are required to deposit the highest of the following amounts:

Market (1)	Product (2)	Dynamic contribution to the clearing fund			
		GCM minimum (3)	DCM minimum (4)	CA/BCM minimum (5)**	Maximum of (65)
All markets	Respective products	EUR 5 million	EUR 1 million	<u>EUR 1 million or EUR 100 thousand</u>	<ul style="list-style-type: none"> • 97 percent of average initial margin* requirement (30 days) • 97-percent of average initial margin* requirement (250 days) • Or column (3)/(4) / <u>(5)</u>

*The initial margin requirement, in this context, also includes ~~all futures spread margin requirements and~~ **all** additional margin requirements

**** EUR 1 million for banks, financial service providers, investment firms and insurance companies or EUR 100,000 for investment funds, insurance pools and pension funds**

We recalculate Default Fund contributions on a monthly basis (at the end of each month) for the subsequent month, to ensure that margin levels are reflected accurately.
