

12 Apr 2023  
Eurex Clearing

# Amendments to the Securities Collateral Add-On Fee Scheme and Cash Ratio Right: Amendments to the Clearing Conditions and the Price List of Eurex Clearing AG

## Eurex Clearing Circular 023/23 Amendments to the Securities Collateral Add-On Fee Scheme and Cash Ratio Right: Amendments to the Clearing Conditions and the Price List of Eurex Clearing AG

### 1. Introduction

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

- A. Amendments to the Securities Collateral Concentration Add-On Fee
- B. Amendments to the Service Fees for Default Fund Contributions
- C. Increase of the GC Pooling re-use collateral fee
- D. Introduction of a Cash Ratio Right

The amendments for topics A, C and D will come into effect as of **5 May 2023**.

The amendments for topic B will come into effect as of **1 August 2023**.

### 2. Required action

There is no required action.

### 3. Details of the initiative

#### A. Amendments to the Securities Collateral Concentration Add-On Fee

Central Counterparties (CCP) are obliged to maintain adequate levels of liquidity to comply with regulatory requirements. Cash margins represent the most relevant source of liquidity for a CCP. Eurex Clearing is one of the very few global CCPs to also have guaranteed access to the central bank refinancing facilities in its main product currency (euro). Nevertheless, such facility primarily addresses only default related liquidity requirements.

Against the background of changing market conditions, Eurex Clearing observes a trend of clients posting more securities collateral and at the same time reducing the cash balances held. In order to ensure continuous compliance with regulatory and operational liquidity requirements Eurex Clearing amends its collateral concentration add-on fee introduced with Eurex Circular 062/21 in 2021.

For many years, the cash ratio at Eurex Clearing was fluctuating around 50 percent, which is still the desired level of Eurex Clearing. Eurex Clearing closely monitors the collateral composition of their Clearing Members and observed that a trend towards stronger securities collateralization has accelerated in recent months. In order to ensure continued regulatory compliance and a healthy mix of cash and securities collateral across all clients Eurex Clearing intends to activate the concentration add-on fee and at the same time to simplify the approach as outlined in detail below.

Based on the new scheme, Eurex Clearing will apply a concentration fee of 10 basis points for Clearing Members with an overall cash ratio below 40 percent.

*Details:*

Eurex Clearing is in favor of an economic incentive scheme, which allows Clearing Members still to actively monitor and steer their cash ratio and collateral composition according to their needs and preferences. Eurex Clearing will further continuously monitor the overall cash ratio and reserves the right to activate a mandatory cash quota for all Clearing Members in case the targeted level of the cash ratio is not achieved.

*Determination of Cash Ratio and application of Concentration Add-on Fee:*

The 40 percent cash threshold shall apply to all collateral pools on an aggregated level, but shall not be applied with respect to (i) client collateral pools only relating to OTC Interest Rate Derivatives Transactions and NDF Transactions, (ii) individual segregated client collateral pools that are actively using cross-margining (margin exposure for OTC IRD and ETD products) and (iii) ISA Direct Clearing Members.

The determination of the respective cash ratio on Clearing Member Level is calculated on a daily basis and considers the delivered cash collateral and margin requirement on all standard pools, omnibus collateral pools, Default Fund pools and ISA segregated collateral pools besides the outlined

exceptions. While Supplementary Margin requirement is not considered in the denominator, the delivered cash is considered in the nominator for calculating the cash ratio.

If the 40 percent threshold on an aggregate level is breached, the collateral concentration add-on fee of 10 basis points per annum will be charged on the security collateral that is needed to cover the margin requirement. Additional securities collateral leading to an overcollateralization will not be affected and will not be considered in the concentration add-on fee calculation. Eurex Clearing will provide a new daily client report with detailed information that allows Clearing Members to monitor their cash ratios and collateral concentration fees.

In exceptional cases, if a Clearing Member can prove to Eurex Clearing that it will have plausible issues to be able to comply with the new requirements as of the go-live date of the collateral concentration add-on fee, Eurex Clearing may grant specific Clearing Members an extended transitional period before Eurex Clearing will actually begin to charge the add-on fee.

The go-live date for the application of the collateral concentration fee and for the availability of the new report will be communicated via a separate Eurex Clearing circular.

The following provision of the Price List will be amended as outlined in Attachment 1:

- ◆ Number 9.2 of the Price List

## **B. Amendments to the Service Fees for Default Fund Contributions**

The securities over-collateralization charge for Default Funds Contribution will be removed for the purpose of harmonization of the service fees for Default Fund Contributions.

Eurex Clearing will activate the amendments to the Service Fees for Default Fund Contributions with effect as of 1 August 2023.

The following provision of the Price List will be amended as outlined in Attachment 2:

- ◆ Number 9.3 of the Price List

## **C. Increase of the GC Pooling Re-use collateral fee**

Eurex Clearing will increase the GC Pooling Re-use collateral fee from currently 5 basis points to 7.5 basis points effective as of 1 January 2025.

Note that the collateral fee rate for securities delivered via GC Pooling Re-use functionality for collateralizing Repo transactions will remain at 0 basis points.

The following provision of the Price List will be amended as outlined in Attachment 1:

- ◆ Number 9.2 of the Price List

#### **D. Introduction of a Cash Ratio Right**

As a further measure, the amendment of the Clearing Conditions foresees the right for Eurex Clearing to introduce a mandatory Cash Ratio.

With this change, Eurex Clearing will be entitled to implement a specific Cash Ratio provided that Eurex Clearing determines that the implementation of such Cash Ratio is required to enable Eurex Clearing to (i) comply with its regulatory obligations to have access to adequate liquidity and (ii) to ensure that Eurex Clearing is able to perform a prudent liquidity risk management.

The introduction of the right itself does not lead to any direct impact on the Clearing Members. However, such measure might be activated if other measures such as the economic incentives as outlined under part A. of this circular are not deemed sufficient to sustain Eurex Clearing's liquidity requirements due to regulatory obligations and risk management standards.

In case of activation, Eurex Clearing will determine a reasonable start date as of which Eurex Clearing will begin to request the delivery of additional Cash Margin, if the relevant Clearing Member does not comply with the Cash Ratio. In such cases, Eurex Clearing will furthermore be entitled to reject redelivery requests with respect of cash margin provided that the amount of Cash Margin is needed to comply with the Cash Ratio.

The decision to activate a Cash Ratio will be taken by the Executive Board in its reasonable discretion. When determining the applicable Cash Ratio, Eurex Clearing will use best efforts to find a fair and proportionate size of the Cash Ratio taking into account the interests of all Clearing Members.

In connection with the implementation of the Cash Ratio under Number 3.2.6, certain provisions previously contained in Number 3.2.4 will be merged into the new Number 3.2.6. The remaining Number 3.2.4 will continue to govern the replacement/rejection of certain affected Eligible Margin Assets.

Eurex Clearing will publish any activation of the Cash Ratio including all relevant details via electronic circular and on the Eurex Clearing website [www.eurex.com/ec-en/](http://www.eurex.com/ec-en/).

The amendments to the Clearing Conditions will come into effect as of **5 May 2023**.

The following provisions of the Clearing Conditions will be amended as outlined in Attachment 3:

## ◆ Chapter I Part 1 Numbers 3.2.4 and 3.2.6 of the Clearing Conditions

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 prior to the relevant effective date(s) as stipulated in this circular. In case of an objection by the respective contractual party pursuant the preceding sentence, Eurex Clearing AG is entitled to terminate the respective contract (including a Clearing Agreement, if applicable). Instead of submitting an objection, the respective contractual party may submit in writing to Eurex Clearing AG comments to any amendments of the legal framework of Eurex Clearing AG within the first 10 Business Days after the publication of the amendments. Eurex Clearing AG shall assess whether these comments prevent the published amendments from becoming effective taking into account the interests of Eurex Clearing AG and all contractual parties.

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.

### Further information

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

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

Related circular: Eurex Clearing Circular **062/21**

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## Further information

[↓ Attachment 1 to Eurex Clearing Circular 023/23](#)

[↓ Attachment 2 to Eurex Clearing Circular 023/23](#)

[↓ Attachment 3 to Eurex Clearing Circular 023/23](#)

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED;

DELETIONS ARE CROSSED OUT

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[...]

## 9 Service Fees for Eligible Margin Assets, Default Fund Contributions and Funds provided for the Fulfilment of Own Funds or equivalent Regulatory Capital Requirements

[...]

[...]

### 9.2 Service Fees for Eligible Margin Assets in the Form of Securities

- (1) For Eligible Margin Assets in the form of Securities delivered to Eurex Clearing AG, a service fee in the corresponding clearing currency will be charged in accordance with the tables below:

Standard fees:

Standard service fee rate (applied to Eurex Clearing's exposure collateralized by the delivered Securities, per annum)	0.10 %
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No/reduced fees:

Fee rate according to Paragraph (2): Securities constituting excess margin and Securities delivered as cover for disclosed client-related OTC Interest Rate Derivative Transactions	0.00 %
Fee rate according to Paragraph (3) (i): Securities booked on an Internal ISA Direct Margin Account	0.05 %
Fee rate according to Paragraph (3) (ii): Securities delivered via GC Pooling re-use functionality	0.05 % <u>(0.075 % as of 01 January 2025)</u>
Fee rate according to Paragraph (3) (iii): Securities delivered via GC Pooling re-use functionality for collateralizing Repo Transactions	0.00 %

Fee rate according to Paragraph (3) (iv): Securities delivered as cover for disclosed client-related transactions under use of the cross-margining functionality	0.05 %
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Additional fees

Additional concentration fee according to Paragraph (4) <del>(if triggered by Eurex Clearing)</del>	0. <del>10075</del> %
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[...]

- (2) The following is not part of the calculation basis, hence no fees according to Paragraph (1), (3) and/or (4) will be charged for:
- a) Eligible Margin Assets in the form of Securities recorded in the internal margin accounts whose delivery is not required to cover the respective margin requirements,
  - b) Eligible Margin Assets in the form of Securities ~~or Securities~~ delivered as cover for margin requirements determined for OTC Interest Rate Derivative Transactions relating to an FCM Client Margin Account, an account within a DC Transaction Accounts Group relating to a Basic DC or DC with System Access or, an account within an ISA Transaction Accounts Group ~~or an account within a DC Transaction Accounts Group relating to a Basic DC or DC with System Access~~, provided that (i) only OTC Interest Rate Derivatives Transactions are booked on ~~each any of~~ such accounts ~~only~~ and (ii) in case of an account within a DC Transaction Accounts Group relating to a Basic DC or DC with System Access, the respective Clearing Member has set up a separate internal margin account for the DC Transaction Accounts Group ~~relating to the Basic DC or DC with System Access with Eurex Clearing AG~~ and exclusively allocated the respective accounts of such DC Transaction Accounts Group to the internal margin account ~~it~~ for the purpose of calculating the discounts (OTC Collateral Incentive Pool). For the avoidance of doubt and only for purposes of the calculation of fees, under these circumstances it is permissible that a single DC Transaction Accounts Group or any Transaction Account within such Transaction Accounts Group be assigned as the only Transaction Accounts Group/Transaction Account to a separate internal margin account, notwithstanding Chapter I Part 2 Subpart C Number 4.2 (iii) of the Clearing Conditions.
- (3) Instead of the standard fees, Eurex Clearing charges the following service fees referred to in Paragraph (1) with respect to Eligible Margin Assets in the form of Securities



(i) that are booked on an Internal ISA Direct Margin Account: a service fee of 0.05%

(ii) which are delivered through the GC Pooling® re-use functionality: a service fee of 0.05% (0.075 % as of 01 January 2025)

[...]

(4) ~~In addition to the foregoing fees, Eurex Clearing may will charge on a non-discriminatory basis for all affected Clearing Members and/or ISA Direct Clearing Members with an additional concentration fee in the amount of 0.10075 % p.a., if the ratio of~~

(y) all cash

(i) ~~booked to any internal margin account of such Clearing Member or ISA Direct Clearing Member, other than (I)~~

internal margin accounts exclusively linked to to Client Transaction Accounts on which no Transactions other than OTC Derivatives have been recorded and (II) internal margin accounts for ISA Clients that are actively using cross-margining (where active means that cross-margining has been enabled and OTC IRD and Eurex Transactions have been recorded on the internal margin accounts), or and

(ii) ~~delivered as Contributions to the Default Fund by or on behalf of such Clearing Member or ISA Direct Clearing Member to~~

(x) the sum of the overall margin requirement for the relevant internal margin accounts (excluding any parts attributable to Supplementary Margin) and the Contribution Requirement

~~is below 40% between 0:100 and 29.99:100 (the ratio the "Cash Ratio"). Eurex Clearing shall communicate to the affected Clearing Members in advance the application of the additional concentration fee and whether Option 1 or Option 2 shall apply for all affected Clearing Members or ISA Direct Clearing Members.~~

In any case, the additional concentration fee shall not apply to Securities recorded in the internal margin accounts whose delivery is not required to cover the respective margin requirements by or on behalf of such Clearing Member ~~or ISA Direct Clearing Member.~~

~~(a) Option 1~~

~~If the Cash Ratio is on a Clearing Member or ISA Direct Clearing Member level between 0:100 and 29.99:100, the additional concentration fee is charged for all Securities (i) booked to an Internal Proprietary Margin Account, Internal Omnibus Margin Account relating to a NOSA UDC Transaction Accounts Group or Internal ISA Direct Margin Account of such Clearing Member or ISA Direct Clearing Member~~

and/or (ii) delivered as Contributions to the Default Fund by or on behalf of such Clearing Member ~~or ISA Direct Clearing Member~~ that are needed to cover the relevant margin requirements.

(b) Option 2

~~If the Cash Ratio is on a Member or ISA Direct Clearing Member level between 0:100 and 29.99:100, the additional concentration fee is charged only with respect to (i) those internal margin accounts where the ratio of cash booked to such internal margin account to the applicable margin requirement corresponding to the respective internal margin account is between 0:100 and 29.00:100 and (ii) Contributions to the Default Fund by or on behalf of such Clearing Member or ISA Direct Clearing Member where the ratio of cash delivered as Contributions to the Default Fund by or on behalf of such Clearing Member or ISA Direct Clearing Member to the Contribution Requirement of such Clearing Member or ISA Direct Clearing Member is between 0:100 and 29.99:100.~~

[...]

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[...]

**9 Service Fees for Eligible Margin Assets, Default Fund Contributions and Funds provided for the Fulfilment of Own Funds or equivalent Regulatory Capital Requirements**

[...]

[...]

**9.3 Service Fees for Default Fund Contributions**

For Contributions to the Default Fund in the form of cash Number 9.1 applies *mutatis mutandis*, provided that the discounts set out in Number 9.1 (3) – (5) will not be granted.

For Contributions to the Default Fund in the form of Securities Number 9.2 applies *mutatis mutandis*, i.e. the standard service fee rate of 0.10% shall apply. The calculation of the service fee will be performed act / 365 based on the value of the ~~entire~~ Contributions in the form of Securities which are ~~recorded~~ required to cover the requirement of the internal Default Fund account ~~(i.e. including any Excess Contribution or FCM Excess Contribution, as applicable).~~

[...]

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Chapter I of the Clearing Conditions of Eurex Clearing AG

# General Provisions

As of 05.05.2023

[...]

## Part 1 General Clearing Provisions

[...]

### 3 General Provisions regarding Margin and Variation Margin

[...]

#### 3.2 Eligible Margin Assets; ~~and Valuation;~~ Rejection or Exchange Request; Large Exposures; Cash Ratio

[...]

3.2.4 If Eurex Clearing AG becomes aware of

- ~~(i) circumstances, which justify a higher risk assessment of Eurex Clearing AG with respect to the Clearing Member or ISA Direct Clearing Member, or~~
- ~~(ii) unanticipated market developments, which have an adverse impact on specific Eligible Margin Assets ("Affected Margin Assets") that either have been announced to be delivered to or have actually been actually delivered to Eurex Clearing AG or that have been announced to be delivered to Eurex Clearing AG,~~

Eurex Clearing AG is entitled to

- ~~(a) reject the delivery of the Affected specific Eligible Margin Assets ("Rejection"), or~~
- ~~(b) request at any time and in its discretion from the Clearing Member or ISA Direct Clearing Member the exchange of the Affected Margin Assets, which have already been delivered to Eurex Clearing AG against any other Eligible Margin Asset to be selected by the Clearing Member or ISA Direct Clearing Member ("Exchange Request").~~

~~in respect of Margin the delivery of other Eligible Margin Assets as specified by Eurex Clearing AG as replacement for Eligible Margin Assets which have been actually delivered to Eurex Clearing AG.~~

In addition, the following provisions shall apply:

- ~~(1) The Rejection pursuant to Sentence 1 (a) and the Exchange Request shall be made in writing, specify the Affected Margin Assets and and shall include a reasoning, provide for the specification of the rejected Eligible Margin Asset and the reason for the rejection. The Exchange Request pursuant to Sentence 1 (b) shall further foresee be made in writing and shall include the specification of the relevant Eligible Margin Assets to be delivered, their value, and a reasonable period of time within~~

which ~~the other~~ other Eligible Margin Assets shall ~~actually be delivered to Eurex Clearing AG~~ be delivered ("**Exchange Period**").

- (2)(1) ~~Once the~~ If the relevant other Eligible Margin Assets ~~Assets requested pursuant to Sentence 1 (b)~~ have been actually delivered to Eurex Clearing AG after an Exchange Request, the Clearing Member or ISA Direct Clearing Member may request the release or redelivery of the Affected other Eligible Margin Assets in accordance with the relevant provisions of the Elementary Clearing Model Provisions, the ISA Provisions or the ISA Direct Provisions, as applicable.
- (23) ~~To the extent~~ If the Clearing Member or ISA Direct Clearing Member does not deliver other Eligible Margin Assets upon an Exchange Request within the Exchange Period, requested pursuant to Sentence 1 (b) have not been delivered within the specified period of time, Eurex Clearing AG shall be entitled to directly debit the relevant Clearing Member Cash Account or, ISA Direct Cash Account, or OTC IRS U.S. Clearing Member Cash Account in accordance with the daily cash clearing procedure pursuant to Number 1.4.1 ~~of the General Clearing Provisions~~ in an amount equal to the amount of current value of the Affected Eligible Margin Assets requested pursuant to Sentence 1 (b).
- (4) ~~If a Clearing Member or ISA Direct Clearing Member requests the redelivery or release of Eligible Margin Assets in accordance with the relevant provisions of the Elementary Clearing Model Provisions, the ISA Provisions or the ISA Direct Provisions, as applicable, Eurex Clearing AG is entitled to refuse the redelivery or release of specific Eligible Margin Assets in its own discretion, provided that Eurex Clearing AG becomes aware of (i) circumstances, which justify a higher risk assessment of Eurex Clearing AG with respect to the Clearing Member or ISA Direct Clearing Member, or (ii) unanticipated market developments, which have an adverse impact on actually delivered Eligible Margin Assets. Eurex Clearing AG shall inform the relevant Clearing Member or ISA Direct Clearing Member about its decision to refuse the redelivery or release of Eligible Margin Assets immediately.~~

[...]

### 3.2.6 Cash Ratio

Eurex Clearing AG shall be entitled to implement a specific Cash Ratio and to require the Clearing Member or ISA Direct Clearing Member to comply with such Cash Ratio when providing Eligible Margin Assets with respect to the relevant Margin Requirements, provided that Eurex Clearing AG determines that the implementation of such Cash Ratio is required (i) to enable Eurex Clearing AG to comply with its regulatory obligations to have access to adequate liquidity (in particular in accordance with Art 44 of EMIR) and (ii) to ensure that Eurex Clearing AG is able to perform a prudent liquidity risk management.

"Cash Ratio" means a specific ratio, expressed as a percentage, of (i) the value of all Eligible Margin Assets in form of cash ("**Cash Margin**") to (ii) the sum of the overall margin requirement calculated by Eurex Clearing AG with respect to the relevant internal

margin accounts (specified as relevant for the Cash Ratio in accordance with Paragraph (1) below).

In addition, the following provisions shall apply:

- (1) Eurex Clearing AG shall be entitled to limit the scope of application of the Cash Ratio to specific internal margin accounts.
- (2) Eurex Clearing AG will determine a reasonable start date as of which Eurex Clearing AG will begin to request the delivery of additional Cash Margin, if the relevant Clearing Member or ISA Direct Clearing Member does not comply with the Cash Ratio ("**Cash Ratio Delivery Period**").
- (3) Eurex Clearing AG shall publish the Cash Ratio, the Cash Ratio Delivery Period and any limitations specified in accordance with Paragraph (1) above via electronic circular and on the Eurex Clearing Website.
- (4) The decision to implement a Cash Ratio and the Cash Ratio Delivery Period shall be taken by the Executive Board in its reasonable discretion (*billiges Ermessen*).

When determining the applicable Cash Ratio, Eurex Clearing AG shall use best efforts to find a fair and proportionate (*verhältnismäßig*) size of the Cash Ratio taking into account the interests of all Clearing Members, ISA Direct Clearing Members and FCM Clearing Members.

When determining the Cash Ratio Delivery Period, Eurex Clearing will consider the interests of the relevant Clearing Member or ISA Direct Clearing Member. If - due to the specific circumstances of the case – a reasonable Cash Ratio Delivery Period could lead to an immediate violation of a regulatory liquidity obligation by Eurex Clearing AG or could endanger a prudent liquidity risk management of Eurex Clearing AG, Eurex Clearing AG is entitled to specify a shorter Cash Ratio Delivery Period enabling Eurex Clearing AG to comply with its obligations.

- (4) Eurex Clearing AG will constantly monitor the Cash Ratio and adjust the Cash Ratio, if required.
- (5) As of the publication the Cash Ratio by Eurex Clearing AG, the Cash Ratio becomes effective and needs to be complied with by the Clearing Member or ISA Direct Clearing Member subject to the following provisions under Paragraphs (a) and (b):

(a) Actual Cash Ratio does not comply with Cash Ratio

As of the publication of the Cash Ratio, Eurex Clearing AG will calculate the actual cash ratio for each internal collateral account as determined in accordance with Paragraph (1) ("**Actual Cash Ratio**") and provide such information to the Clearing Member or ISA Direct Clearing Member in its daily reporting.

If the Actual Cash Ratio with respect to an internal margin account does not comply with the Cash Ratio, the Clearing Member or ISA Direct Clearing Member shall provide the amount of Cash Margin, which is needed to comply with the Cash Ratio, at the latest by the end of the applicable Cash Ratio Delivery Period.

If the Clearing Member or ISA Direct Clearing Member fails to comply with the Cash Ratio with respect to an internal margin account at the latest by the end of the applicable Cash Ratio Delivery Period, Eurex Clearing AG is entitled to directly debit the Clearing Member Cash Account or the ISA Direct Cash Account in accordance with the daily cash clearing procedure pursuant to Number 1.4.1.

(b) Rejection of Redelivery Request with respect of Cash Margin

If a Clearing Member or ISA Direct Clearing Member submits a request for the redelivery of Cash Margin in accordance with the relevant provisions of the Elementary Clearing Model Provisions, the ISA Provisions or the ISA Direct Provisions, as applicable, and provided that the amount of Cash Margin remaining after the fulfilment of such request does not meet the Cash Ratio, Eurex Clearing AG shall be entitled to reject such redelivery request limited to the amount of Cash Margin needed to comply with the Cash Ratio.

Eurex Clearing AG shall inform the Clearing Member or ISA Direct Clearing Member about the rejection by submitting a written notice without undue delay.

[...]

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