

Eurex Clearing AG
ECAG Rule Certification 029-24
May 7, 2024

1. The text of the proposed amendments to the Clearing Conditions (“Clearing Conditions”) of Eurex Clearing AG (“Eurex Clearing”) and FCM Default Rules (“FCM Default Rules”) 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 July 1, 2024. The proposed amendments are subject to a consultation process (“Consultation”). The Consultation will end with the expiry of May 27, 2024 (“Consultation Period”). The planned effective date is July 1, 2024, depending on the outcome of the Consultation, which will be communicated in a separate Eurex Clearing circular.
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 the below amendments to the Clearing Conditions and FCM Default Rules.

1. Introduction of a new juniorisation scheme for Interest Rate Derivative Transactions and OTC Non-Deliverable Forward (“NDF”) Transactions in Default Management (“DM”) Auctions

Currently, Bids provided by Mandatory Participants in DM Auctions related to Interest Rate Derivative Transactions and OTC NDF Transactions are classified as “sufficient,” “medium,” or “insufficient” in relation to a distance parameter from the winning bid in line with the formulas provided in attached Eurex Clearing Circular 029-24, which is appended as Attachment A. The proposed amendments improve and simplify the current juniorisation scheme of Eurex Clearing by introducing two additional safeguards reducing the risk of “unfair” juniorisation of Clearing Members:

- i. As a first correction, Eurex Clearing’s own evaluation of mid-market value around the bidding time is introduced as minimum reference to protect participants who have priced the portfolio in line with the fair value from getting juniorised in case the winner has placed a bid significantly through the fair value.

ii. In addition, a fixed amount of EUR 3 million is introduced in the new formula as a backstop in case of a low Initial Margin requirement applicable to the auction portfolio to protect bidders from getting technically juniorised, where operational costs of processing the portfolio is higher than the risk premium.

The current as well as the proposed new juniorisation thresholds are detailed in Attachment A.

2. Non-substantive correction of a reference within the exemption provisions regarding Public Entities

In Eurex Clearing Circular 007/24, Eurex Clearing introduced amendments to the exemption provisions regarding Public Entities under the Clearing Conditions. The proposed amendments update a reference in the rule text. The proposed amendment states that Public Entities qualifying as “public sector entities” within the meaning of Chapter I Part 1 Number 2.1.3 (1) (c) of the Clearing Conditions cannot be exempted from providing Contributions to the Default Fund or from the applicable margin requirement.

Further information regarding the operation, purpose, and effect of the proposed amendments is discussed in Attachment A.

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

1. DCO Core Principle G (Default Rules and Procedures) and CFTC Regulation 39.16: The proposed amendments will comply with DCO Core Principle G because the amendments introduce a new juniorisation scheme for Interest Rate Derivative Transactions and OTC NDF Transactions in DM Auctions. Eurex Clearing will continue to have rules and procedures designed to allow for the efficient, fair, and safe management of events during which members or participants become insolvent or default. The proposed amendments additionally comply with CFTC Regulation 39.16(c)(2)(iii) with respect to auctions, as the update to Eurex Clearing’s juniorisation scheme for classifying bids in certain DM Auctions is not contrary to these provisions.

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: May 7, 2024