

02 Jun 2023
Eurex Clearing

EurexOTC Clear Release 15.0: Amendments to the Clearing Conditions and FCM Regulations of Eurex Clearing AG

Eurex Clearing Circular 034/23 EurexOTC Clear Release 15.0: Amendments to the Clearing Conditions and FCM Regulations of Eurex Clearing AG

1. Introduction

This circular contains information with respect to amendments to the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) and the FCM Regulations of Eurex Clearing AG (FCM Regulations) regarding the following topics:

- A. EurexOTC Clear Release 15.0
- B. Further minor amendments

The amendments to the Clearing Conditions and FCM Regulations will come into effect as of **3 July 2023**.

Learn more about the EurexOTC Clear Release 15.0 on our dedicated initiative page on the Eurex Clearing website www.eurex.com/ec-en/ under the following link: Support > Initiatives & Releases > EurexOTC Clear Releases > **EurexOTC Clear Release 15.0**. Circulars, timeline and much more information are available there for you.

2. Required action

Clearing Members, ISA Direct Clearing Members, Disclosed Direct Clients, FCM Clearing Members, vendors and other affected contractual parties should take the amendments to the Clearing Conditions and FCM Regulations into consideration.

3. Details

A. EurexOTC Clear Release 15.0

To extend the maximum maturity of EUR Zero Coupon Inflation Swaps (ZCIS) from 30 years to 50 years, as part of EurexOTC Clear Release 15.0, the novation criteria in the Clearing Conditions (Chapter VIII) require being updated.

Furthermore, to facilitate clearing of package trades, the novation criteria in the Clearing Conditions (Chapter VIII) and FCM Regulations (Chapter II) require being updated with the following:

- ◆ All trades submitted for clearing as a package must independently meet the ECAG novation criteria,
- ◆ The submitted Package trade should only comprise trades belonging to the same product type,
- ◆ The submitted Package trade will be novated on an all-or-nothing basis, implying that all trades in the submitted package must be valid and clearable at Eurex for the package trade to be cleared,
- ◆ No backloaded trades should be included in the submitted package,
- ◆ Bunched order allocations or block trades submitted as part of a package trade will not go through the typical validation checks that are performed for bunched order clearing.

To reflect the enhancements, the following provisions will be amended as outlined in Attachments 1 and 2:

- ◆ Chapter VIII Part I No 1.2.3 and Part II No 2.1.5.1 of the Clearing Conditions
- ◆ Chapter II Part I No 1.2.3 of the FCM Regulations

B. Further minor amendments

Eurex Clearing applies further minor amendments to the Clearing Conditions and FCM Regulations to harmonize the rulebooks on novation criteria for bunched order clearing, and to align the precision rules imposed on the fixed rate with the existing implementation.

To reflect the changes, the following provisions will be amended as outlined in Attachment 1 and Attachment 2:

- ◆ Chapter VIII Part 2 Number 2.1.5.1 (9) of the Clearing Conditions
- ◆ Chapter II Part 1 Number 1.2.3 (1) and Part II 2.1.5.1 (8) of the FCM Regulations

As of the effective date, the full version of the amended Rules and Regulations will be available for download on the Eurex Clearing website www.eurex.com/ec-en/ under the following link:

[Rules & Regs > Eurex Clearing Rules and Regulations](#)

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.

Attachments:

1. Amended sections of Chapter VIII of the Clearing Conditions
2. Amended sections of Chapter II of the FCM Regulations

Further information

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

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

Related circular: Eurex Clearing Circulars **064/22, 010/23**

Contact: client.services@eurex.com

Web: [Support > Initiatives & Releases > EurexOTC Clear Releases > **EurexOTC Clear Release 15.0**](#)

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Further information

[↓ Attachment 1 to Eurex Clearing Circular 034/23](#)

[↓ Attachment 2 to Eurex Clearing Circular 034/23](#)

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Chapter VIII of the Clearing Conditions of Eurex Clearing AG

Clearing of OTC Interest Rate Derivative Transactions, and OTC NDF Transactions

As of 03.07.2023

AMENDMENTS ARE MARKED AS FOLLOWS:
INSERTIONS ARE UNDERLINED;
DELETIONS ARE CROSSED OUT

Part 1 General Provisions

[...]

1.2 Conclusion of Transactions

[...]

[...]

1.2.3 Novation Criteria

- (1) Eurex Clearing AG will accept an Original OTC Transaction for inclusion in the Clearing in accordance with the novation process if all of the following novation criteria are fulfilled:

[...]

10. If it is specified in a form satisfactory to Eurex Clearing AG in the Trade Record of an Original OTC Transaction that the Original OTC Transaction shall be understood as a transaction to allocate a prior bunched order CCP Transaction, the corresponding bunched order CCP Transaction must already exist and the allocating Original OTC Transaction must be nettable against the relevant bunched order CCP Transaction; ~~and~~
11. All applicable additional novation criteria set forth in Part 2 and Part 5 (as applicable) (and, if one of the transactions that shall result from the novation of the Original OTC Transaction is a Swap Transaction, the applicable novation criteria pursuant to the FCM Regulations) are fulfilled; and-
12. Original OTC Transactions may, subject to further restrictions set out in the systems of Eurex Clearing AG, also be transmitted to Eurex Clearing AG as a package containing either a certain number of single Original OTC Interest Rate Derivative Transactions or a certain number of single Original OTC NDF Transactions (“**Package Original OTC Transactions**”). Each Original OTC Transaction contained in the Package Original OTC Transactions transmitted to Eurex Clearing AG needs to fulfil the novation criteria contained in this Number 1.2.3 (1). In case one or more Original OTC Transaction does not fulfil

the novation criteria of this Number 1.2.3 (1), Eurex Clearing AG shall reject all Original OTC Transactions contained in the Package Original OTC Transactions. For the purpose of Package Original OTC Transactions the assessment in accordance with Part 1 Number 1.2.3 (1) Clause 8 whether the Clearing Member or ISA Direct Clearing Member has delivered sufficient Eligible Margin Assets is performed on a net basis across all such Original OTC Transactions contained in the Package Original OTC Transactions.

Original OTC Transactions are not eligible for Package Original OTC Transactions in case of a bunched order or a transaction to allocate a bunched order CCP Transaction, Bulk Backloaded Original OTC IRD Transactions according to Part 2 Number 2.1.5.3 and Bulk Backloading of Original OTC NDF Transactions according to Part 5 Number 5.1.5.3.

[...]

Part 2 Clearing of OTC Interest Rate Derivative Transactions

2.1 General Provisions

[...]

2.1.5 Novation Criteria and Process Regarding OTC Interest Rate Derivative Transactions

[...]

2.1.5.1 Transaction Type Specific Novation Criteria and Terms for OTC Interest Rate Derivative Transactions

[...]

(4) Maximum remaining term / Termination Date

The remaining term of the OTC Interest Rate Derivative Transaction from the date of novation to the Termination Date must be

[...]

(e) in case of ZCIS,

(i) for transactions in EUR (indices ~~HICPxT and FRCPI~~), no more than 30 years and 10 Business Days; and

(ii) for transactions in EUR (index HICPxT), no more than 50 years and 10 Business Days; and

(iii) for transactions in GBP (index UK-RPI), no more than 50 years and 10 Business Days.

[...]

(9) Fixed Amounts

[...]

Fixed Rates for IRS, OIS, ZCIS and FRA can have any value specified by up to ~~8~~10 decimal points and may be less than zero, equal to zero or greater than zero.

Also, the Fixed Amount Payer shall be specified.

[...]

[...]

Chapter II: Special Provisions for Clearing of Interest Rate Derivative Transactions

FCM Regulations of Eurex Clearing AG

As of 03.07.2023

	Eurex05e
FCM Regulations of Eurex Clearing AG	As of 03.07.2023
	Page 2

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED;

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Part 1 General Provisions

[...]

1.2 Conclusion of Transactions

[...]

1.2.3 Novation Criteria for the Novation of Original Swap Transactions

- (1) Eurex Clearing AG will accept an Original Swap Transaction for inclusion in the Clearing in accordance with the novation process if all of the following novation criteria are fulfilled:

[...]

(i) If it is specified in a form satisfactory to Eurex Clearing AG in the Trade Record of an Original Swap Transaction that the Original Swap Transaction shall be understood as a transaction to allocate an Unallocated FCM Client Transaction, the corresponding Unallocated FCM Client Transaction must already exist and the allocating Original Swap Transaction must be nettable against the relevant Unallocated FCM Client Transaction. and

(j) Original Swap Transactions may, subject to further restrictions set out in the systems of Eurex Clearing AG, also be transmitted to Eurex Clearing AG as a package containing a certain number of single Original Swap Transactions (“**Package Original Swap Transactions**”). Each Original Swap Transaction contained in the Package Original Swap Transactions transmitted to Eurex Clearing AG needs to fulfil the novation criteria contained in this Number 1.2.3 (1). In case one or more Original Swap Transaction does not fulfil the novation criteria contained in this Number 1.2.3 (1), Eurex Clearing AG shall reject all Original Swap Transactions contained in the Package Original Swap Transactions. For the purpose of Package Original Swap Transactions the assessment in accordance with Number 1.2.3 (1) (f) whether the FCM Clearing Member has delivered sufficient Eligible Margin Assets is performed on a net

	Eurex05e
FCM Regulations of Eurex Clearing AG	As of 03.07.2023
	Page 3

basis across all such Original Swap Transactions contained in the Package Original Swap Transactions.

Unallocated FCM Client Transactions, as defined in Chapter I Number 1.3.3 (4) of the FCM Regulation, Original Swap Transactions to allocate an Unallocated FCM Client Transaction and Bulk Backloaded Original Swap Transactions according to Part 2 Number 2.1.5.3 are not eligible for Package Original Swap Transactions.

[...]

Part 2 Clearing of Interest Rate Derivative Transactions

2.1 General Provisions

[...]

2.1.5 Novation Criteria and Process Regarding Interest Rate Derivative Transactions

[...]

2.1.5.1 Specific Novation Criteria and Terms for Swap Transactions

[...]

(8) Fixed Amounts

[...]

Fixed Rates for IRS, OIS and FRA can have any value specified by up to 8-10 decimal points and may be less than zero, equal to zero or greater than zero.

Also, the Fixed Amount Payer shall be specified.

[...]

[...]
