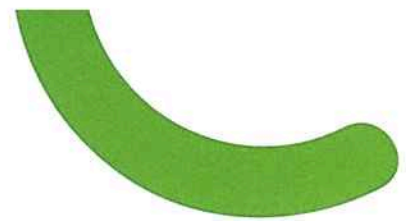


clear to trade



Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington, DC 20581

November 11, 2019

Re: Submission of Swap for the Commission's Mandatory Clearing Determination

Dear Mr. Kirkpatrick,

Eurex Clearing AG ("Eurex Clearing"), a derivatives clearing organization ("DCO") registered with the Commodity Futures Trading Commission (the "Commission" or "CFTC"), is submitting the following contracts (the "Contracts") for the Commission's mandatory clearing determination under Commission Regulation 39.5(b):

Interest Rate Swap:

Products:

- €STR-OIS
- EURIBOR-€STR basis swaps
- EURIBOR-EONIA basis swaps

Currency:

EUR

There currently is no mandate in place for the Contracts. Eurex Clearing is eligible to accept the Contracts and, in the event that the Contracts were required to be cleared, would be able to maintain compliance. Eurex Clearing plans to begin accepting the Contracts for clearing starting November 18, 2019.

Required Information under Commission Regulation 39.5(b)(3)

The existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data

The Contracts are a replacement for EONIA swaps as a consequence of the European Central Bank ("ECB")-organized private sector working group recommendation in September 2018 that the euro short-term rate ("€STR") replace the euro overnight index average ("EONIA") as the new euro risk-free rate. The €STR rate has been published by ECB since October 2, 2019. At the



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Aktiengesellschaft mit
Sitz in Frankfurt/Main
HRB Nr. 44828
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Frankfurt/Main

same time, EONIA's methodology has been recalibrated as €STR plus a fixed spread of 8.5 basis points.

All EurexOTC Clear derivatives denominated in euro reside in an EONIA-based Price Alignment Interest ("PAI") Price Alignment Amount ("PAA") and discounting regime. An important step in the market-wide transition process to €STR as the new euro risk-free rate is the transition of the EONIA-based PAI (PAA) to a PAI (PAA) based on €STR. According to the recommendations issued by the ECB-organized private sector working group on euro risk-free rates, this transition step should be from EONIA to €STR-flat (no spread) and be ideally carried out on the same date across the cleared market and the clearing houses. Eurex Clearing supports the industry's transition efforts and has consulted on various aspects of transitioning the PAI (PAA) and the discounting to €STR with its Members.

Regarding existing outstanding notional exposures and trading liquidity, on October 21, 2019, LCH announced that it had begun clearing €STR-based swaps.¹ With the replacement of €STR for EONIA taking place over the next two years, Eurex Clearing expects that some volume for EONIA-based swaps will shift to €STR-based swaps. Eurex Clearing provides such volume for EONIA swaps under the EUR tab, and OIS listing at: <https://www.eurexclearing.com/clearing-en/markets-services/eurex-otc-clear/interest-rate-swaps/clearing-volume>. As of November 6, 2019, Eurex Clearing had approximately EUR 426.1 bn in notional outstanding in OIS (EUR).

Daily figures for the notional exposures will be provided daily at: <https://www.eurexclearing.com/clearing-en/markets-services/eurex-otc-clear/interest-rate-swaps/clearing-volume>. Current and past figures for current OIS volume in EUR are also provided at this link.

In addition, settlement prices will be provided at: <https://www.eurexclearing.com/clearing-en/markets-services/eurex-otc-clear/interest-rate-swaps/settlement-prices>. Settlement prices for current OIS volume in EUR are also provided at this link.

Chapter II, Part 2, Number 2.1.6 (Daily Evaluation Price) of the FCM Regulations of Eurex Clearing ("**FCM Regulations**") and Chapter VIII, Part 2, Number 2.1.5 (Daily Evaluation Price) of the Clearing Conditions of Eurex Clearing ("**Clearing Conditions**") provide,

"Eurex Clearing AG determines the daily evaluation price on the basis of (i) the fixings published on the Reuters Screen page as defined for the relevant floating rate in Number 2.2.5 Paragraph (1) below and (ii) the raw market quotes underlying the discount and forecast curve provided by a recognized third party provider, in each case as of the day of the determination of the daily evaluation price (each such day a "Reset Date" for the purposes of Number 2.2.5 Paragraph (1)). Where no information on the relevant rates is available on the relevant screen page, Eurex Clearing AG will determine the daily evaluation price in accordance with Number 1.8 and 2.2.5 Paragraph (5)."

Eurex Clearing believes use of Reuters is adequate because it is a readily available conventional source. In addition, Eurex Clearing can receive data from Bloomberg if necessary and has multiple backups for receiving pricing data.

The FCM Regulations and Clearing Conditions are available for download at: <https://www.eurexclearing.com/clearing-en/resources/rules-and-regulations>.

¹ <https://www.lch.com/resources/news/lch-clears-first-eustr-swaps>.

The availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the contract on terms that are consistent with the material terms and trading conventions on which the contract is then traded

Eurex Clearing already has a well-developed rule framework and support infrastructure for clearing the Contracts. Eurex Clearing intends to leverage this existing operational capacity when clearing the Contracts on the DCO. Eurex Clearing ensures that it has the appropriate risk management, operations, and technology capabilities in place to ensure that it is able to liquidate positions in the Contracts in an orderly manner in the event of a default. The Contracts are subject to margin and clearing fund requirements set forth the FCM Regulations and the Clearing Conditions.

The effect on mitigation of systemic risk, taking into account the size of the market for such contract and the resources of the DCO available to clear the contract

The benefits of central clearing of the Contracts through Eurex Clearing are significant, including reduction of counterparty risk, margin and collateral efficiencies, client asset segregation, and legal certainty. With an overall collateral pool of EUR 55 billion, Eurex Clearing's stress-tested lines of defense and with over 200 Clearing Members from 19 countries, Eurex Clearing has the necessary resources to clear the Contracts from a market size and resources perspective.

The effect on competition, including appropriate fees and charges applied to clearing

Eurex Clearing does not believe that its clearing of the Contracts will have a negative or material impact on the competition. The fee schedule for the contracts Eurex Clearing clears is attached as Exhibit A.

The existence of reasonable legal certainty in the event of the insolvency of the relevant DCO or one or more of its Clearing Members with regard to the treatment of customer and swap counterparty positions, funds and property

Eurex Clearing observes the "Principles for financial market infrastructures" published by the Committee on Payment and Settlement Systems and International Organisation of Securities Commissions (the "PFMIs"). In February 2015, Eurex Clearing published an assessment of its compliance with the PFMIs, including the conclusion that it fully complies with the PFMIs. This assessment and conclusion was reviewed and validated by KPMG as an independent outside auditor. This assessment is available at: http://www.eurexclearing.com/blob/148684/58e6fe89e3f54ebe169e530ac2235b43/data/cpps-iosco-pfmi_assessment_2014_en.pdf. As part of this assessment, Eurex Clearing's default management procedures were assessed to be certain in the event of its or its Clearing Members' insolvency with regard to the treatment of customer and counterparty positions and collateral. Eurex Clearing subsequently performed an updated detailed assessment of its compliance against the PFMI and the associated disclosure framework as of March 2018.

Eurex Clearing also has previously provided a legal memorandum to the Commission on the ring-fenced treatment of cleared swaps customer collateral pursuant to Part 22 of the Commission's regulations.

A potential insolvency of Eurex Clearing and the operation of default management procedures under the Clearing Conditions would be governed by German Law, except for certain FCM Regulations and Clearing Conditions that relate to cleared swaps customer collateral that are governed by U.S. federal laws.

Further information (CFTC Regulation §39.5(b)(iii-viii)

Product terms of the Contracts are market standard and follow the 2006 ISDA Derivatives Definitions.

Participant eligibility standards are the same as Eurex Clearing's general FCM Clearing Member and Clearing Member standards.

There are no additional price sources required as prices are readily available from the price sources already used by Eurex Clearing.

Eurex Clearing has a sound framework for the comprehensive management of all material risks. In this regard Eurex Clearing has established documented policies, procedures, and systems to identify, monitor, and manage such risks.

The rules, policies, and procedures that apply to the clearing of the Contract are set forth in the FCM Regulations and the Clearing Conditions.

The maximum remaining term for the Contracts is no more than 50 years (to align with Euribo and fallback scenarios). The minimum term for the Contracts is at least one business day.

Eurex Clearing is providing notice of this submission to Clearing Members by posting this submission under the CFTC DCO Filings webpage at: <http://www.eurexclearing.com/clearing-en/resources/cftc-dco-filings>.

If you have any questions, please contact Eric Seinsheimer, US CCO, Eurex Clearing AG, at eric.seinsheimer@eurexchange.com or (312) 544-1087.

Yours faithfully,



Eric Seinsheimer
US CCO, Eurex Clearing AG