

clear to trade



eurex clearing circular 120/17

Date: 24 November 2017
Recipients: All Clearing Members, Non-Clearing Members, Basic Clearing Members,
FCM Clients and Registered Customers of Eurex Clearing AG and Vendors
Authorized by: Heike Eckert

EurexOTC Clear: Amendments to the Clearing Conditions of Eurex Clearing AG and introduction of the Settled-to-Market (STM) model for OTC IRS transactions

Related Eurex Clearing circular: 102/17

Contact: Your Clearing Key Account Manager, clearing.services-admission@eurexclearing.com or
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Content may be most important for:

➤ All departments

Attachments:

1 and 2: Amended sections of the Clearing Conditions of Eurex Clearing AG

Summary:

This circular contains information with respect to Eurex Clearing's service offering and corresponding amendments to the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) regarding the following topic:

1. Amendments to the Clearing Conditions and introduction of the Settled-to-Market (STM) model for OTC IRS transactions

The amended sections of the Clearing Conditions, as decided by the Executive Board of Eurex Clearing AG, are attached to this circular.

The amendments to the Clearing Conditions and the introduction of the Settled-to-Market model for OTC IRS transactions will come into effect on 18 December 2017.



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EurexOTC Clear: Amendments to the Clearing Conditions of Eurex Clearing AG and introduction of the Settled-to-Market (STM) model for OTC IRS transactions

This circular contains information with respect to Eurex Clearing's service offering and corresponding amendments to the Clearing Conditions of Eurex Clearing AG (Clearing Conditions) regarding the following topic:

1. Amendments to the Clearing Conditions and introduction of the Settled-to-Market (STM) model for OTC IRS transactions

The amended sections of the Clearing Conditions, as decided by the Executive Board of Eurex Clearing AG, are attached to this circular.

The amendments to the Clearing Conditions and the introduction of the Settled-to-Market model for OTC IRS transactions will come into effect on 18 December 2017.

Terms used and not otherwise defined in this circular shall have the meanings ascribed to them in the Clearing Conditions.

1. Amendments to the Clearing Conditions introducing the Settled-to-Market (STM) model for OTC IRS transactions

Eurex Clearing expands its EurexOTC Clear Service portfolio by introducing the Settled-to-Market model for OTC IRS transactions.

By introducing this model, Eurex Clearing will allow OTC IRS Clearing Members to change their outstanding and newly cleared OTC Interest Rate Derivatives transactions from the current contract model (Collateralised-to-Market, CTM transactions) to the new Settled-to-Market contract model (STM transaction). In the current contract model, variation margin payments are legally treated as collateral, whereas in the new Settled-to-Market model, payments of the STM amounts are legally treated as settlement payments.

STM transactions will be structured as follows:

- I. All of the outstanding transaction exposure arising from such contracts will be fully and finally settled on a daily basis.
- II. The terms will be reset daily so that the market value of such contracts will be zero. The economics of the transaction will not be affected by the switch to the STM model.

The switch to the STM model will be optional for all OTC IRS Clearing Members. The switch to the STM model can be requested - with earliest possible effectiveness on 18 December 2017 - via the EurexOTC Clear Static Data Form for Production, which is available on the Eurex Clearing website www.eurexclearing.com under the path:

Resources > Forms

Technical readiness to support the STM model will be achieved with EurexOTC Clear Release 8.0 as of 4 December 2017 (please refer to Eurex Clearing circular 102/17).

The following provisions of the Clearing Conditions will be amended, as outlined in Attachment 1, to reflect the introduction of the Settled-to-Market model for OTC IRS transactions:

- Chapter VIII Part 1 Number 1.2.1, 2.1.4, 2.1.7, 2.2.1, 2.7.

The full version of the amended Clearing Conditions will be available for download on the Eurex Clearing website as of their effectiveness date on 18 December 2017 under the path:

Resources > Rules and Regulations

Pursuant to Chapter I Part 1 Number 17.2.2 and Number 17.2.6 of the Clearing Conditions, the amendments to the Clearing Conditions communicated with this circular are being published at least fifteen (15) Business Days prior to the effective date (Regular Notification Period) and are deemed to have been accepted by each Clearing Member, Basic Clearing Member, FCM Clearing Member, Non-Clearing Member and each Registered Customer and FCM Client affected by such amendment unless it objects by written notice to Eurex Clearing prior to 18 December 2017.

If you have any questions or require further information, please do not hesitate to contact your Clearing Key Account Manager, clearing.services-admission@eurexclearing.com or otcrelease@eurexclearing.com.

24 November 2017

Chapter VIII of the Clearing Conditions of Eurex Clearing AG

Clearing of OTC Derivative Transactions

As of 18.12.2017

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 2

AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

[...]

Part 1 General Provisions

[...]

1.2 Conclusion of Transactions

OTC Derivative Transactions pursuant to this Chapter VIII are concluded by way of novation in accordance with the following provisions:

1.2.1 Novation

[...]

- (4) Under the CCP Transactions created upon novation, the relevant Clearing Member or Basic Clearing Member has, in economic terms, the same economic role (e.g. as floating rate payer or as fixed rate payer, respectively) as such Clearing Member or Basic Clearing Member (in case of Own Transactions), or Registered Customer (in case of RC-Related Transactions) or Undisclosed Direct Client (in case of UDC-Related Transactions) or Specified Client (in case of SC-Related Transactions) of the Clearing Member had under the Original OTC Transaction (in the case of STM Transactions, subject to the amendments pursuant to Part 2 Number 2.1.4 Paragraph (3)). The same principle applies to CM-RC Transactions *mutatis mutandis*. Under the CCP-OTC IRS FCM Client Transactions created upon novation, the relevant OTC IRS FCM Client has, in economic terms, the same economic role (e.g. as floating rate payer or as fixed rate payer, respectively) as such OTC IRS FCM Client had under the Original OTC Transaction.

[...]

- (7) For the purposes of this Chapter VIII,

[...]

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 3

- (i) “STM Transaction” means an STM Eligible Transaction in respect of which an STM Election has been made.

[...]

Part 2 Clearing of OTC Interest Rate Derivative Transactions

2.1 General Provisions

[...]

2.1.4 CTM Transactions and STM Transactions

- (1) A Clearing Member may, by way of an STM Election, elect that all (but not some only) of its STM Eligible Transactions shall be cleared as STM Transactions. In the case of Existing STM Eligible Transactions, the CTM Transactions shall be established as STM Transactions upon the STM Effective Date pursuant to Paragraph (2). In the case of Original STM Eligible Transactions, the OTC Interest Rate Derivative Transactions created by way of novation pursuant to Part 1 Number 1.2.1 shall be converted into STM Transactions upon such novation pursuant to Paragraph (3) below. In the case of Transfer STM Eligible Transactions, the OTC Interest Rate Derivative Transactions created by way of novation pursuant to Number 2.7 in connection with Chapter I Part 1 Number 1.2.2 Paragraph (5)(c) shall be converted into STM Transactions upon such novation pursuant to Paragraph (4) below.
- (2) If an STM Election is made, all Existing STM Eligible Transactions shall be amended upon the STM Effective Date as follows:
- (a) the additional primary payment obligations of the Clearing Member and Eurex Clearing AG set out in Number 2.2.1 Paragraph (5) shall arise under the relevant STM Transaction; and
- (b) Eligible Margin Assets actually delivered as Variation Margin by the relevant Variation Margin Provider with respect to the Existing STM Eligible Transaction and with respect to which a Redelivery Claim exists immediately prior to the STM Effective Date shall be rededicated as STM Amounts which were paid by the party that was the Variation Margin Provider to the party that was the Variation Margin Taker. Such rededication shall settle the outstanding exposure of the relevant STM Transaction as of the Business Day immediately preceding the STM Effective Date. The Redelivery Claim of the relevant Variation Margin Provider in relation to the Existing STM Eligible Transaction shall expire.
- (3) If an STM Election is made, the relevant Original STM Eligible Transaction shall be amended upon the effectiveness of the novation pursuant to Part 1 Number 1.2.1 (provided the point in time of such effectiveness falls on or after the STM Effective

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 4

Date) so that the additional primary payment obligations of the Clearing Member and Eurex Clearing AG set out in Number 2.2.1 Paragraph (5) shall arise under the relevant STM Transaction.

- (4) If an STM Election is made, the relevant Transfer STM Eligible Transaction shall be amended upon the effectiveness of the novation pursuant to Number 2.7 in connection with Chapter I Part 1 Number 1.2.2 Paragraph (5)(c) (provided the point in time of such effectiveness falls on or after the STM Effective Date) so that the additional primary payment obligations of the Clearing Member and Eurex Clearing AG set out in Number 2.2.1 Paragraph (5) shall arise under the relevant STM Transaction.
- (5) For the avoidance of doubt, in the case of the occurrence of a Termination with respect to the Clearing Member or a Failure to Pay Event or an Insolvency Event with respect to Eurex Clearing AG, the additional primary payment obligations set out in Number 2.2.1 Paragraph (5) shall be taken into account when determining the Liquidation Price or CCP Exchange Price, respectively, of the relevant STM Transaction.
- (6) For the purposes of this Chapter VIII,
- (a) “**CTM Transaction**” means a Transaction in respect of which the Variation Margin Requirement and PAI as set out in Number 2.1.7 Paragraphs (3) and (4) apply.
- (b) “**Existing STM Eligible Transaction**” means a CTM Transaction that is an Own Transaction and an OTC Interest Rate Derivative Transaction and was created as a CTM Transaction between the Clearing Member and Eurex Clearing by way of novation prior to the STM Election.
- (c) “**Original STM Eligible Transaction**” means, an Own Transaction that is an OTC Interest Rate Derivative Transaction and is created by way of novation pursuant to Part 1 Number 1.2.1.
- (d) “**Settled-to-Market**” means that the outstanding exposure of an STM Transaction is settled pursuant to Number 2.2.1 Paragraph (5).
- (e) “**STM Effective Date**” means the date agreed between Eurex Clearing AG and Clearing Member as effective date of the STM Election.
- (f) “**STM Election**” means the election by the Clearing Member that all (but not some only) of its Own Transactions which are OTC Interest Rate Derivative Transactions shall be Settled-to-Market.
- (g) “**STM Eligible Transactions**” means, with respect to a Clearing Member, all of its (i) Existing STM Eligible Transactions, (ii) Original STM Eligible Transactions (iii) Transfer STM Eligible Transactions and (iv) Own Transactions that are OTC Interest Rate Derivative Transactions and are created upon novation pursuant to Numbers 2.5 or 2.6.

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 5

(h) “Transfer STM Eligible Transaction” means, an Own Transaction that is an OTC Interest Rate Derivative Transaction and is created by way of novation pursuant to Number 2.7 in connection with Chapter I Part 1 Number 1.2.2 Paragraph (5)(c).

[...]

2.1.54 Novation Criteria and Process Regarding OTC Interest Rate Derivative Transactions

[...]

2.1.45.1 Transaction Type Specific Novation Criteria

[...]

2.1.45.2 Documentation of Original OTC Transactions

[...]

2.1.45.3 Daily Novation Process

[...]

2.1.54.4 Scheduled Intraday Margin Calls

- (1) If Eurex Clearing AG determines that the aggregate value of the Eligible Margin Assets actually delivered to Eurex Clearing AG is insufficient to provide the cover required in order to fulfil the margin requirement (as set forth in Number 2.1.67) also taking into account all Original OTC Transactions which are to be novated in the course of the Daily Novation as well as all CCP Transactions pursuant to Numbers 2.6, 2.7 and Number 2.8. (any such shortfall the **“Shortfall Margin Requirement”**), Eurex Clearing AG will require from the Clearing Member (in the case of CCP-OTC IRS FCM Client Transactions, from the relevant OTC IRS FCM Clearing Member acting for the account of the relevant OTC IRS FCM Client) or from the Basic Clearing Member intra-day to provide additional Eligible Margin Assets in an amount up to the Shortfall Margin Requirement in accordance with the following provisions.

[...]

- (4) The payment made by direct debit of the Final Shortfall Margin Amount determined in the OTC Margin Call Report produced and made available by Eurex Clearing AG at 13:00 CET, 15:00 CET and 19:00 CET shall constitute cover in respect of the Margin to which the margin requirement pursuant to Number 2.1.67 relates and accordingly will constitute (i) Proprietary Margin or Omnibus Margin delivered by the Clearing Member pursuant to the Elementary Clearing Model Provisions, (ii) Segregated Margin delivered by the Clearing Member pursuant to the Individual

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 6

Clearing Model Provisions, (iii) OTC IRS FCM Client Margin delivered by the relevant OTC IRS FCM Clearing Member for the account of the relevant OTC IRS FCM Client pursuant to the U.S. Clearing Model Provisions or (iv) Basic Clearing Member Margin delivered by the Basic Clearing Member pursuant to the Basic Clearing Member Provisions. The payment made by direct debit of the Final Shortfall Margin Amount determined in the OTC Margin Call Report produced and made available by Eurex Clearing AG at 22:30 CET shall be treated accordingly and shall constitute cover either in respect of (i) the Proprietary Margin or Omnibus Margin delivered by the Clearing Member pursuant to the Elementary Clearing Model Provisions, (ii) the Segregated Margin delivered by the Clearing Member pursuant to the Individual Clearing Model Provisions, (iii) the OTC IRS FCM Client Margin delivered by the OTC IRS FCM Clearing Member for the account of the relevant OTC IRS FCM Client pursuant to the U.S. Clearing Model Provisions or (iv) the Basic Clearing Member Margin delivered by the Basic Clearing Member pursuant to the Basic Clearing Member Provisions .

[...]

2.1.45.5 Bulk Backloading of Original OTC Transactions

[...]

2.1.56 Daily Evaluation Price

[...]

2.1.67 Margin Requirements

[...]

- (2) The applicable Margin Type with respect to CTM Transactions shall be the Additional Margin and Variation Margin. The applicable Margin Type with respect to STM Transactions shall be the Additional Margin.
- (3) The Variation Margin Requirement, OTC IRS FCM Client Variation Margin Requirement or Basic Clearing Member Variation Margin Requirement (each as defined in Chapter I Part 2 Subpart A Number 5, Subpart B Number 6, Subpart C Number 7, Part 3 Subpart A Number 6, Part 4 Number 6 or Part 5 Number 8, as applicable), and/or any Redelivery Amount, as the case may be, for CCP Transactions that are OTC Interest Rate Derivative Transactions and CTM Transactions shall equal the profit or loss amount determined on any Business Day on the basis of the daily evaluation price (Number 2.1.5) as follows: For each outstanding CCP Transaction concluded prior to the relevant Business Day, the relevant profit or loss amount shall be the difference between the daily evaluation prices of the CCP Transaction on the relevant Business Day and the previous Business Day. For CCP Transactions concluded on the relevant Business Day, the relevant profit ~~and~~ or loss amount shall be the difference between zero and the daily

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 7

evaluation price for such Business Day. Additionally, the Variation Margin, the OTC IRS FCM Client Variation Margin or the Basic Clearing Member Variation Margin includes two correction terms for considering the time delay between its calculation and settlement. For this purpose, the coupon payments and transaction fees on the current Business Day are added and the coupon payments and transaction fees on the next Business Day (second next Business Day for DKK, NOK, SEK and JPY) of the respective currency are subtracted.

- (4) Eurex Clearing AG will charge the price alignment interest (“PAI”) to the Clearing Member, the OTC IRS FCM Clearing Member (for the account of the OTC IRS FCM Client) or the Basic Clearing Member together with the Variation Margin, the OTC IRS FCM Client Variation Margin or the Basic Clearing Member Variation Margin, as the case may be. It corresponds to the overnight interest paid or received on the cumulative Variation Margin, OTC IRS FCM Client Variation Margin or Basic Clearing Member Variation Margin over the lifetime of the portfolio. The cumulative Variation Margin, OTC IRS FCM Client Variation Margin or Basic Clearing Member Variation Margin, respectively, of the previous Business Day corresponds to the ~~present~~ value of the IRS portfolio on the previous Business Day.

If the overnight interest rates are positive and, from a Clearing Member’s, an OTC IRS FCM Client’s or a Basic Clearing Member’s perspective, the value of the portfolio has a positive portfolio value, Eurex Clearing AG will charge PAI ~~from to~~ the Clearing Member, the OTC IRS FCM Client or the Basic Clearing Member. If the overnight interest rates are positive and from a Clearing Member’s, an OTC IRS FCM Client’s or a Basic Clearing Member’s perspective, the value of the portfolio has a negative portfolio value, Eurex Clearing AG will credit PAI to the Clearing Member, the OTC IRS FCM Client or Basic Clearing Member. In case of negative overnight interest rates, Eurex Clearing AG will credit PAI to a Clearing Member, an OTC IRS FCM Client or Basic Clearing Member if, from a Clearing Member’s, an OTC IRS FCM Client’s or a Basic Clearing Member’s perspective, the value of the portfolio it has a positive portfolio value and will charge PAI ~~from to~~ the Clearing Member, the OTC IRS FCM Client or the Basic Clearing Member if, from the Clearing Member’s, OTC IRS FCM Client’s or Basic Clearing Member’s perspective, the value of the portfolio is has a negative portfolio value.

PAI shall be calculated and payable for each currency on each Business Day with respect to each CTM Transaction in accordance with the following formulas.

For EUR, GBP, PLN and CHF, PAI is defined as:

$$PAI(T) = -MtM_exCF(T - 1) * ONR(T, T + 1) * YF(T, T + 1),$$

where:

“MtM_exCF(T - 1) = MtM(T - 1) - CF(T)” is the present value of the previous Business Day excluding today’s cash flows from coupons or fees

“ONR(T, T + 1)” is the overnight rate valid from today to the next Business Day and

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 8

“YF(T, T + 1)” the year fraction from today to the next Business Day using the daycount convention of the corresponding overnight index.

For USD, the OIS rate valid from T to T+1 is published not before T+1. Therefore, a modified definition of PAI is required:

$$PAI(T) = - MtM_{exCF}(T - 1) * ONR(T - 1, T) * YF(T, T + 1)$$

The equation above is also applied for GBP FRAs with settlement in advance, where VM and PAI are instructed intraday before the SONIA overnight rate is available.

For T+2 currencies (JPY, DKK, SEK, and NOK) VM is settled on T+2 (in contrast to EUR, USD, GBP, CHF and PLN where ~~VM~~ is settled on T+1). Thus, PAI for T+2 currencies is defined as:

$$PAI(T) = - MtM_{exCF}(T - 2) * ONR(T, T + 1) * YF(T, T + 1),$$

with

$$MtM_{exCF}(T - 2) = MtM(T - 2) - CF(T - 1) - CF(T).$$

The relevant indices are

- (a) In case the currency is EUR then EONIA;
- (b) In case the currency is USD then FED FUNDS;
- (c) In case the currency is GBP then SONIA;
- (d) In case the currency is CHF then ~~TOISSARON~~ TOISSARON;
- (e) In case the currency is JPY then TONAR;
- (f) In case the currency is DKK then T/N (published by Danish National Bank);
- (g) In case the currency is SEK then STIBOR T/N;
- (h) In case the currency is NOK then NOWA (Norwegian Overnight Weighted Average);
- (i) In case the currency is PLN then POLONIA (Polish Overnight Index Average).

2.1.78 Default Fund

[...]

2.1.89 Calculation Agent

[...]

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 9

2.2 General product-related terms for OTC Interest Rate Derivative Transactions

The following general product-related terms shall apply to the OTC Interest Rate Derivative Transactions provided for in Number 2.3 and 2.4.

2.2.1 Payment Obligations

- (1) The relevant Clearing Member, OTC IRS FCM Clearing Member (for the account of the OTC IRS FCM Client) or Basic Clearing Member (or its Clearing Agent acting for its account) and Eurex Clearing AG shall pay either Fixed Amounts or Floating Amounts and, if applicable, any initial amount payable under the relevant CCP Transaction, as provided for in Number 2.3 and 2.4. ~~Eurex Clearing AG may discharge its payment obligations by way of set-off in accordance with Chapter I Part 1 Number 1.3.1 Paragraph (1) (a) and (f) and Chapter I Part 1 Number 1.3.1 Paragraph (2) (a) (aa), (b) and (c) (subject to the limitations set out in Chapter I Part 5 Number 4).~~

[...]

- (5) The following additional primary payment obligations apply under STM Transactions:

- (a) The Clearing Member or Eurex Clearing AG, as the case may be, shall pay an STM Amount on each Business Day (i) from (and including) the STM Effective Date (in case an STM Transaction was an Existing STM Eligible Transaction), the date of novation pursuant to Part 1 Number 1.2.1 (in case an STM Transaction was an Original STM Eligible Transaction), the date of novation pursuant to Number 2.5, the date of novation pursuant to Number 2.6.2 or the date of novation pursuant to Number 2.7 in connection with Chapter I Part 1 Number 1.2.2 Paragraph (5)(c), as relevant, (ii) to (and including) the "Termination Date" of the STM Transaction (as specified in the relevant OTC Trade Novation Report), the date of the cancellation pursuant to Number 2.6.2, the date of the release from the obligations under the Original Transaction pursuant to Number 2.7 in connection with Chapter I Part 1 Number 1.2.2 Paragraph (5)(c) or the date of a termination pursuant to Numbers 2.5 or 2.8, as relevant (the relevant date under (ii) is the "**Last STM Amount Payment Date**").

"STM Amount" means, an amount which shall equal the profit or loss amount determined with respect to an outstanding STM Transaction on the relevant Business Day on the basis of the daily evaluation price (pursuant to Number 2.1.5) as follows: For STM Transactions concluded on the relevant Business Day, the relevant profit or loss amount shall be the difference between zero and the daily evaluation price for such Business Day. For each outstanding STM Transaction concluded (whether as STM Transaction or CTM Transaction) prior to the relevant Business Day, the relevant profit or loss amount shall be the difference between the daily evaluation prices of the STM Transaction on the relevant Business Day and the previous Business Day. On the Last STM Amount Payment Date, the relevant profit or loss amount shall be the difference

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 10

between the daily evaluation price of the STM Transaction of the previous Business Day and zero. Additionally, the STM Amount includes two correction terms for considering the time delay between its calculation and settlement. For this purpose, the coupon payments and transaction fees on the current Business Day are added and the coupon payments and transaction fees on the next Business Day (second next Business Day for DKK, NOK, SEK and JPY) of the respective currency are subtracted.

- (b) A price alignment amount (“**Price Alignment Amount**” or “**PAA**”) shall be payable by the Clearing Member or Eurex Clearing AG, as the case may be, together with the STM Amount. The PAA corresponds to the overnight interest paid or received on the cumulative STM Amounts over the lifetime of the STM Transaction. The cumulative STM Amounts of the previous Business Day correspond to the value of the STM Transaction on the previous Business Day.

If the overnight interest rates are positive and, from the Clearing Member's perspective, the value of the STM Transaction is positive, Eurex Clearing AG will charge the Price Alignment Amount to the Clearing Member. If the overnight interest rates are positive and, from the Clearing Member's perspective, the value of the STM Transaction is negative, Eurex Clearing AG will credit the Price Alignment Amount to the Clearing Member. In case of negative overnight interest rates, Eurex Clearing AG will credit the Price Alignment Amount to the Clearing Member if, from the Clearing Member's perspective, the value of the STM Transaction is positive and will charge the Price Alignment Amount to the Clearing Member if, from the Clearing Member's perspective, the value of the STM Transaction is negative.

PAA shall be calculated and payable for each currency on each Business Day with respect to each STM Transaction in accordance with the following formulas.

For EUR, GBP, PLN and CHF, PAA is defined as:

$$PAA(T) = -MtM_{exCF}(T-1) * ONR(T, T+1) * YF(T, T+1),$$

where:

“ $MtM_{exCF}(T-1) = MtM(T-1) - CF(T)$ ” is the present value of the previous Business Day excluding today's cash flows from coupons or fees

“ $ONR(T, T+1)$ ” is the overnight rate valid from today to the next Business Day and

“ $YF(T, T+1)$ ” the year fraction from today to the next Business Day using the daycount convention of the corresponding overnight index.

For USD, the OIS rate valid from T to T+1 is published not before T+1. Therefore, a modified definition of PAA is required:

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 11

$$PAA(T) = -MtM_{exCF}(T-1) * ONR(T-1, T) * YF(T, T+1)$$

The equation above is also applied with respect to GBP FRAs with settlement in advance, where the STM Amount and the PAA are instructed intraday before the SONIA overnight rate is available.

For T+2 currencies (JPY, DKK, SEK, and NOK) the STM Amount is settled on T+2 (in contrast to EUR, USD, GBP, CHF and PLN where the STM Amount is settled on T+1). Thus, PAA for T+2 currencies is defined as:

$$PAA(T) = -MtM_{exCF}(T-2) * ONR(T, T+1) * YF(T, T+1),$$

with

$$MtM_{exCF}(T-2) = MtM(T-2) - CF(T-1) - CF(T),$$

The relevant indices are

- (a) In case the currency is EUR, then EONIA;
- (b) In case the currency is USD, then FED FUNDS;
- (c) In case the currency is GBP, then SONIA;
- (d) In case the currency is CHF, then SARON;
- (e) In case the currency is JPY, then TONAR;
- (f) In case the currency is DKK, then T/N (published by Danish National Bank);
- (g) In case the currency is SEK, then STIBOR T/N;
- (h) In case the currency is NOK, then NOWA (Norwegian Overnight Weighted Average);
- (i) In case the currency is PLN, then POLONIA (Polish Overnight Index Average).

- (6) Eurex Clearing AG may discharge its payment obligations by way of set-off in accordance with Chapter I Part 1 Number 1.3.1 Paragraph (1) (a) and (f) and Chapter I Part 1 Number 1.3.1 Paragraph (2) (a) (aa), (b) and (c) (subject to the limitations set out in Chapter I Part 4 Number 4).

[...]

2.5 Multilateral Compression

- (1) Eurex Clearing AG may from time to time agree with one or more Clearing Members on the termination of CCP Transactions that are OTC Interest Rate Derivative Transactions and their subsequent replacement with other CCP Transactions whose combined notional value is less than that of the terminated CCP Transactions (a

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 12

“Multilateral Compression”). Multilateral Compression may only include CCP Transactions that are Own Transactions, regardless of whether a Clearing Member has made an STM Election.

[...]

2.7 Transfer of CCP Transactions and Account Transfer

- (1) A CCP Transaction (other than a CCP- OTC IRS FCM Client Transaction) or a CM-RC Transaction, if applicable, may be transferred in accordance with Paragraphs (3) to ~~(8)~~ and Number 2.7.1 and 2.7.2 below, as applicable.

[...]

- (4) Any novation through which a transfer pursuant to Number ~~2.6-7~~ is to be made shall take effect when a respective OTC Trade Daily Summary Report is made available to the relevant Clearing Members or Basic Clearing Members (or Clearing Agents acting on behalf of the Basic Clearing Member) electronically via Eurex Clearing AG's system.

- (5) If the CCP Transaction to be transferred is an STM Transaction and no STM Election is made or no STM Election is permitted with respect to the CCP Transaction resulting from the novation pursuant to Chapter I Part 1 Number 1.2.2 Paragraph (5) (c), the additional primary payment obligations of the Clearing Member and Eurex Clearing AG set out in Number 2.2.1 Paragraph (5) shall not arise under the CCP Transaction resulting from the novation pursuant to Chapter I Part 1 Number 1.2.2 Paragraph (5) (c).

- ~~(56)~~ Where such transfer or account transfer pursuant to Numbers 2.7.1 or 2.7.2 affects and/or creates (i) a CM-RC Transaction, the relevant Clearing Member is obliged to obtain the required instruction from the relevant Registered Customer before initiating any such transfer or (ii) a corresponding Client Clearing CM-RC Transaction, the relevant Clearing Member is obliged to obtain the required instruction from the relevant Registered Customer before initiating any such transfer and the Clearing Member, and the Registered Customer should agree on a bilateral basis that, as a result of such transfer or account transfer, any such corresponding Client Clearing CM-RC Transaction shall be created or be subject to a transfer or cancellation, as the case may be.

- ~~(67)~~ To the extent the CCP Transactions that are subject to a transfer or account transfer pursuant to Number 2.7.1 or 2.7.2 are UDC-Related Transactions or SC-Related Transactions, it is a matter of the relevant parties to agree whether, as a result of such transfer or account transfer, any corresponding CM-Customer Transactions shall be created or be subject to a transfer or cancellation.

- ~~(87)~~ For the avoidance of doubt, Eurex Clearing AG is not obliged to verify whether the transfer or account transfer instructions were given by the relevant Registered Customer or other Direct Client to the Clearing Member.

	Eurex04e
Clearing Conditions of Eurex Clearing AG	As of 18.12.2017
	Page 13

(98) The provisions of Paragraphs (67) and (78) above shall apply *mutatis mutandis* to any transactions of a Registered Customer with its customers.

(109) The provisions of Chapter I Part 4 on the replacement of an OTC IRS FCM Clearing Member by an OTC IRS FCM Client shall remain unaffected.

2.7.1 **Transfer of a CCP Transaction to another Clearing Member or Basic Clearing Member (Trade Transfer)**

(1) Upon request of a Clearing Member or Basic Clearing Member (or the Clearing Agent acting on behalf of the Basic Clearing Member) or a Registered Customer entered into the system of Eurex Clearing AG, a CCP Transaction (other than a CCP-OTC IRS FCM Client Transaction) may be transferred from a Clearing Member or Basic Clearing Member to another Clearing Member or Basic Clearing Member holding the required Interest Rate Derivatives Clearing License. If the CCP Transaction to be transferred is an RC-Related Transaction, the corresponding CM-RC Transaction, if applicable, will be transferred simultaneously. In the case of any Client Clearing CM-RC Transactions or UDC-Related Transactions or SC-Related Transactions, Number 2.7 Paragraphs (56) and (67) apply.

[...]

2.8 **Early Termination**

(1) A CCP Transaction or a CM-RC Transaction, if applicable, that is an OTC Interest Rate Derivative Transaction may be early terminated in accordance with Paragraphs (2) to (8) and Numbers 2.8.1 to 2.8.2 below, as applicable.

[...]

(3) Any early termination pursuant to this Number 2.8 shall take effect when a respective OTC Trade Daily Summary Report is made available to the relevant Clearing Members or Basic Clearing Members (or the Clearing Agent acting on behalf of the relevant Basic Clearing Member) via Eurex Clearing AG's system.

(4) Without prejudice to the early termination provisions set out in this Number 2.8 and any early termination rights a Clearing Member or Basic Clearing Member may have pursuant to Chapter I, Clearing Members or Basic Clearing Members have no right to exercise any early termination option under any CCP Transaction and no mandatory early termination shall apply to a CCP Transaction. This paragraph shall not restrict the parties to agree on a bilateral basis that one party shall have a right to demand from the other party its consent to a termination of CCP Transactions and/or CM-RC Transactions.

[...]
