



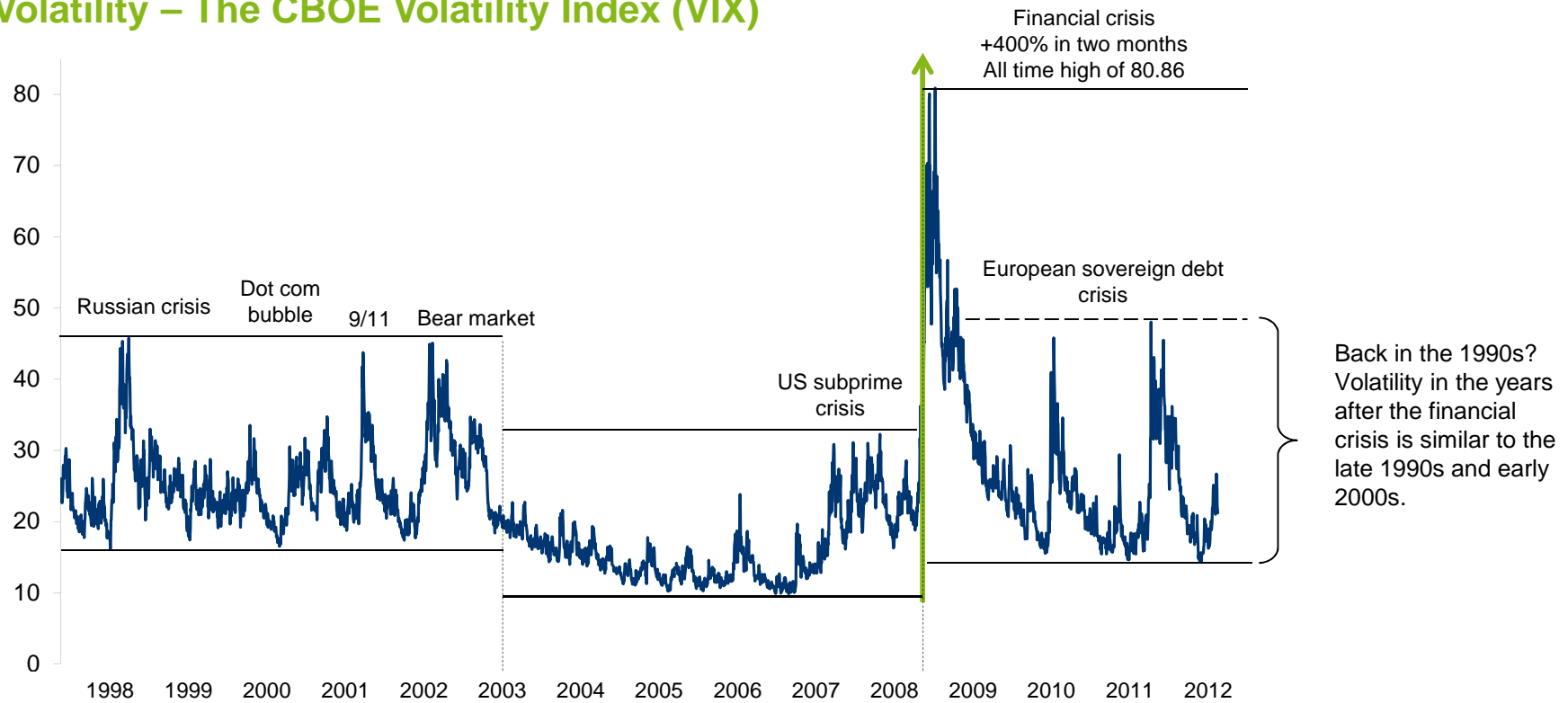
The market for derivatives and clearing after EMIR

Marcus Zickwolff, EACH Chairman
Executive Vice President System Design – Eurex Group

March 13, 2013

Drivers of demand for clearing services I

Volatility – The CBOE Volatility Index (VIX)



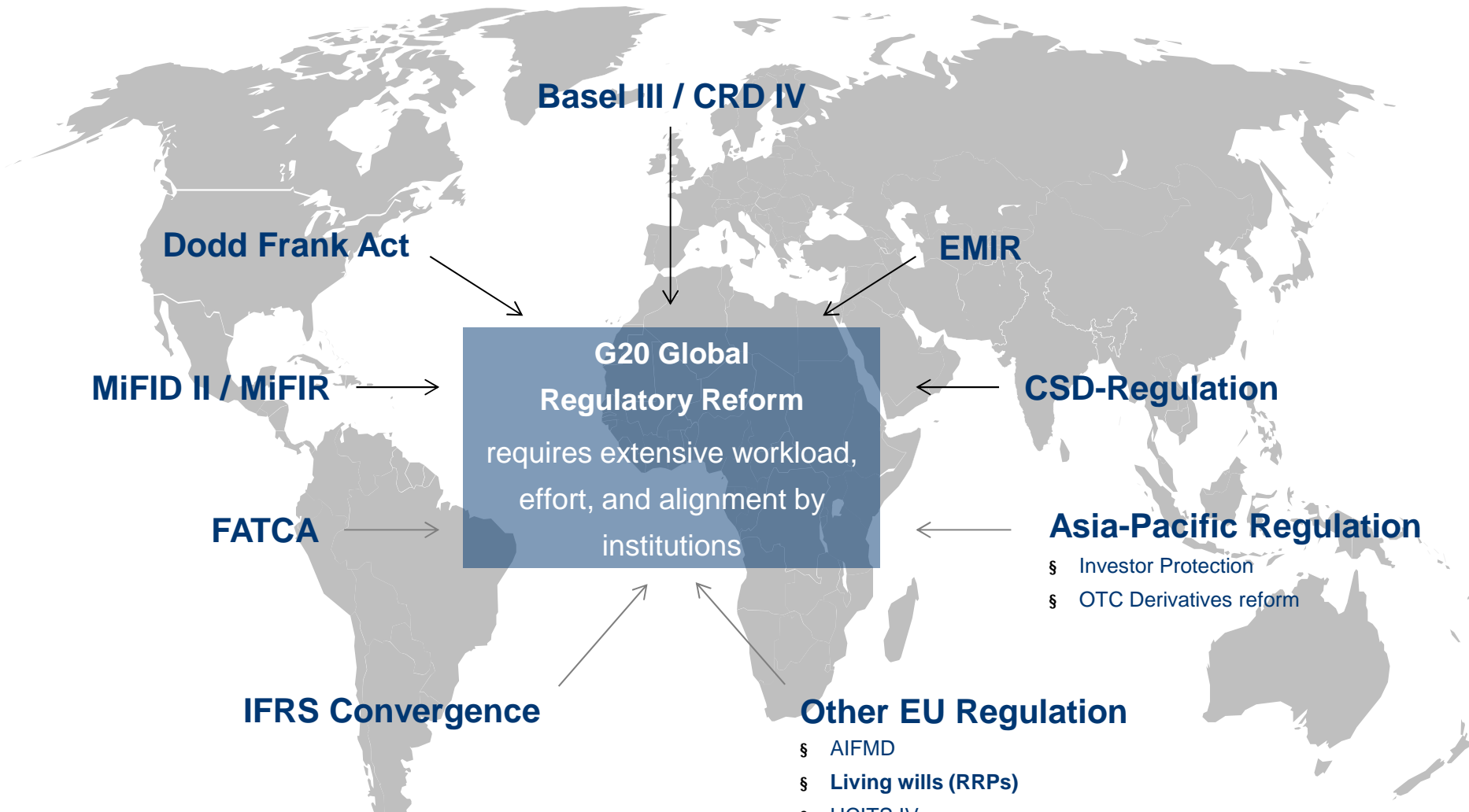
Average	25.5
High	45.7
Low	16.2

Average	16.3
High	32.2
Low	9.9

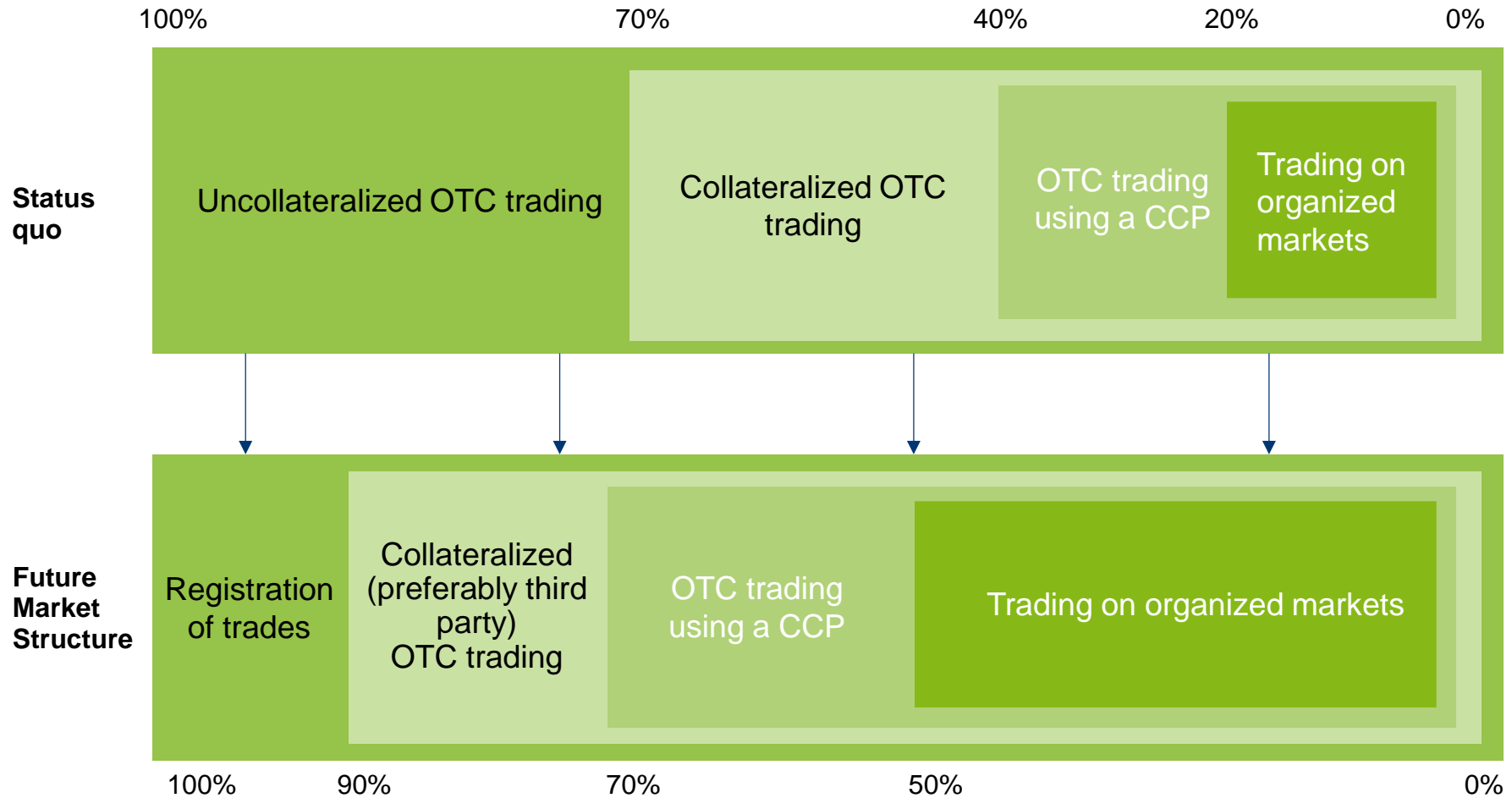
Average	27.6
High	80.9
Low	14.3

Total	
Average	22.6
High	80.9
Low	9.9

Global regulatory reform



Objective of future market structure



□ Box size represents the notional amount outstanding

Drivers of demand for clearing services

Clearing value proposition

Market integrity

- 1) Reduces the likelihood of counterparty default
- 2) Minimizes adverse consequences in case of a clearing member default

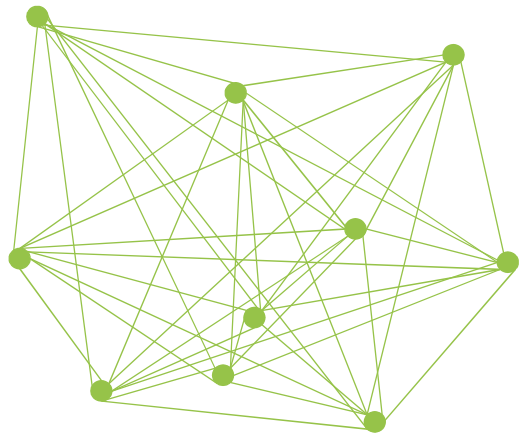
Market efficiency

- 3) Increases operational efficiency
- 4) Increases capital efficiency
- 5) Improves efficiency of price formation on trading layer (post trade transparency)

Effective risk management is the primary function of a CCP. In its role as a central counterparty, the clearing house consolidates counterparty risk by becoming the buyer to every seller and the seller to every buyer.

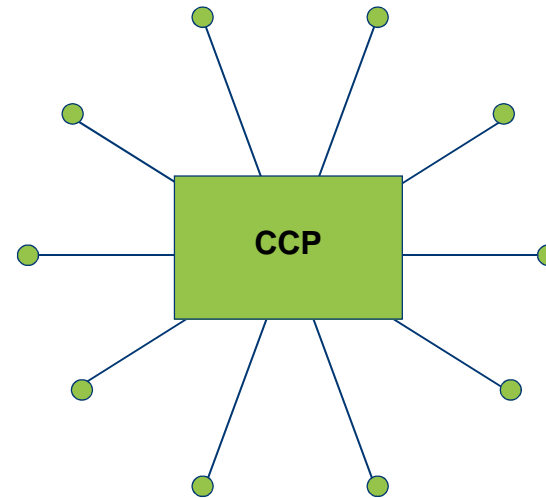
Complexity reduction through CCP clearing

Bilateral market organization

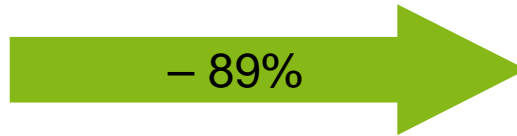


10 market participants
90 counterparty relations

Multilateral market organization via CCP



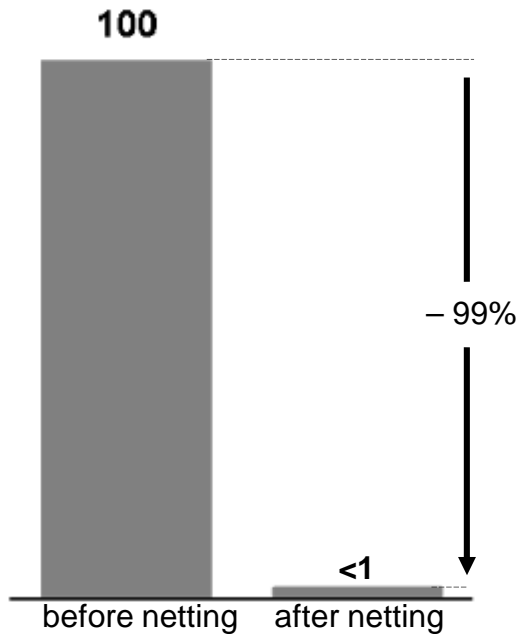
10 market participants
10 counterparty relations



Netting efficiency – multilateral (CCP) netting

Exposure before netting = 100

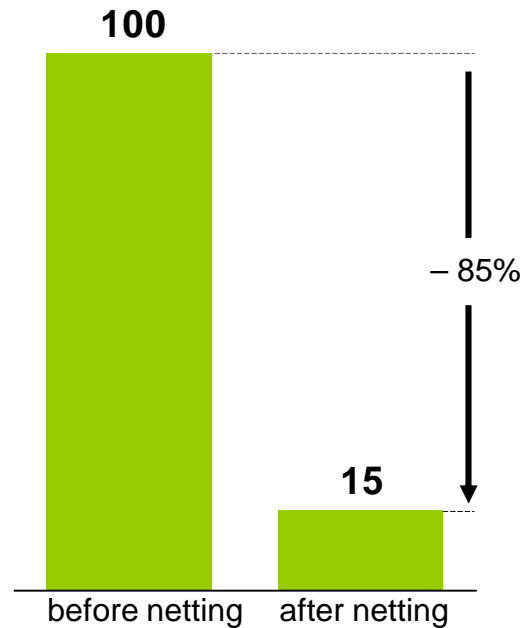
Multilateral (CCP) netting in an
on-exchange market¹⁾



Netting efficiency – bilateral netting

Exposure before netting = 100

Bilateral netting in an OTC
market²⁾

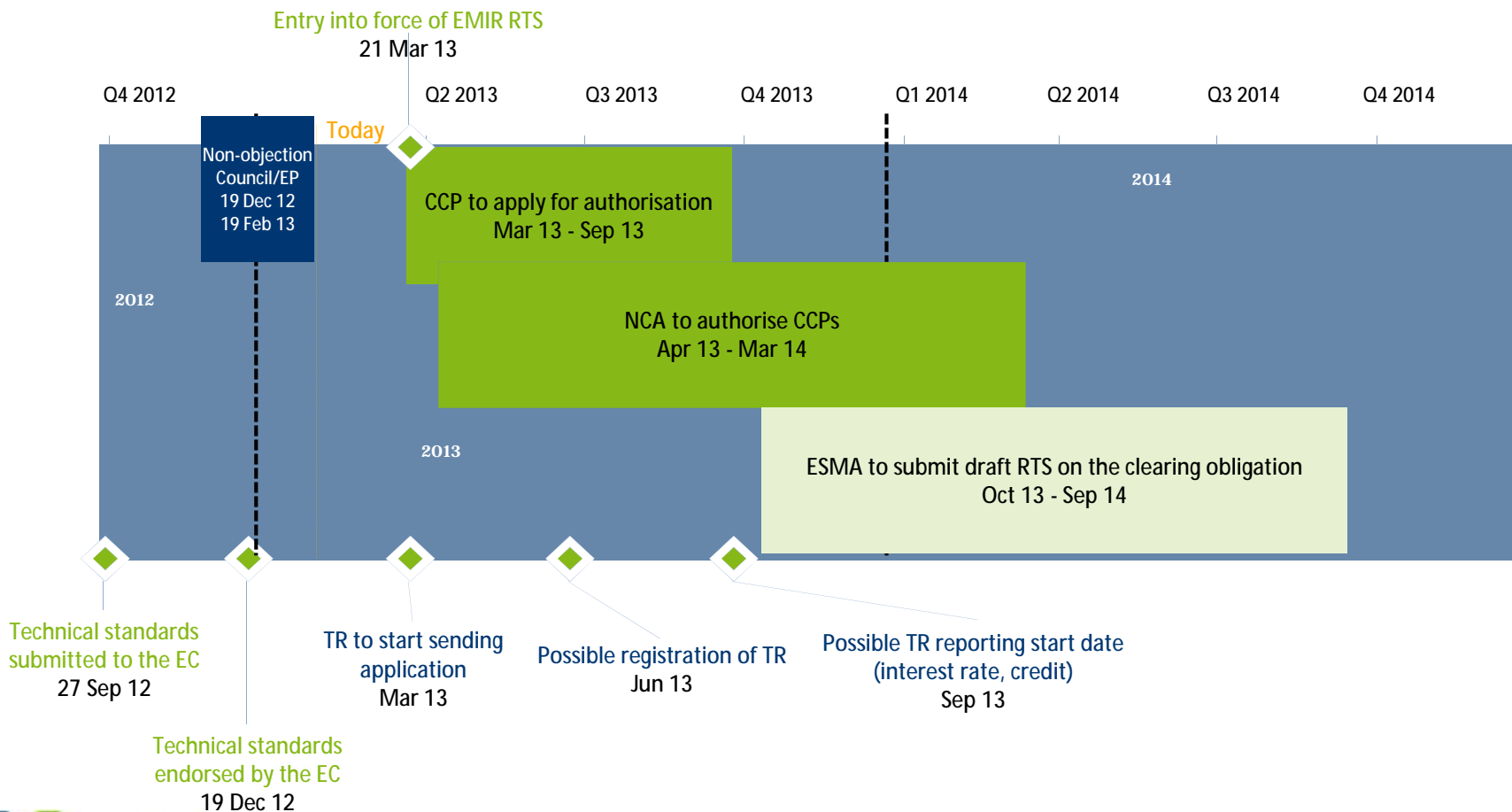


1) Eurex Clearing example

2) Netting efficiency calculated as gross credit exposure/gross market value, including both netting and offsetting of netted positions under legally enforceable bilateral netting agreements

Source: Eurex, BIS

EMIR timeline



**Thank you
for your attention!**

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Appendix:

EACH – European Association of CCP Clearing Houses

EACH – European Association of CCP Clearing Houses

- Founded in 1992
- Belgian not-for-profit organization
- Representation of CCP Clearing Houses in Europe
- Membership is open for CCPs based in Europe and incorporated as CCPs in their home countries
- EACH membership comprises 23 CCPs incorporated in 16 European Countries

EACH – European Association of CCP Clearing Houses

- EACH works with public authorities and representatives from the financial industry on a broad range of issues.
- EACH offers the consolidated opinion of our membership in regulatory discussions and consultations, and helps member CCPs to agree appropriate standards and guidelines.
- In 2001 EACH developed risk management standards for CCP clearing houses that formed the base of subsequent recommendations and standards issued by regulatory authorities worldwide.
- It also provides a forum for the exchange of views between CCP representatives, fostering circulation of ideas and acting as a catalyser for the diffusion of best practices in clearing and in risk management.

Recent consultations on clearing

- 09.03.2011 EACH CRD IV response
- 16.03.2011 EACH Amendments on Langen report
- 19.07.2011 EACH comments on CPSS-IOSCO Consultative Report
- 22.09.2011 EACH - Basel III CCP Exposures
- 17.11.2011 EACH technical comments on EMIR
- 25.11.2011 EACH response to BIS on Basel III

- 13.01.2012 EACH Survey on Fails Management and Penalties 2012
- 17.01.2012 EACH technical comments on EMIR 2012
- 13.02.2012 EACH response to CDS/SSR Consultation
- 19.03.2012 EACH comments on ESMA draft Technical Standards Discussion Paper
- 02.04.2012 EACH comments on EBA Draft Technical Standards Discussion Paper
- 02.04.2012 EACH comments on EBA-EIOPA-ESMA Draft Regulatory Technical Standards Joint Discussion Paper
- 25.07.2012 EACH comments on Bank Recovery and Resolution Directive
- 27.04.2012 EACH MiFID-MiFIR Position paper
- 12.06.2012 EACH comments on Green Paper on Shadow Banking
- 15.06.2012 EACH comments on CPSS-IOSCO Consultative Reports
- 02.07.2012 EACH public paper on CSD Regulation
- 31.07.2012 EACH comments on EBA draft Technical Standards Consultation Paper
- 05.08.2012 EACH response to ESMA draft Technical Standards Consultation Paper
- 28.09.2012 EACH Response to the CPSS-IOSCO Consultation Recovery and Resolution of Financial Market Infrastructures
- 01.10.2012 EACH Response to the BCPS-ISSCO Consultation Margin Requirements for Non-Centrally-Cleared Derivatives
- 15.10.2012 EACH response to UCITS VI Consultation Paper
- 21.12.2012 ECSDA-EACH Letter on the SEPA Regulation
- 27.12.2012 EACH comment paper to the European Commission's Consultation on a possible recovery and resolution framework for institutions other than banks

The EACH membership

- CC&G (Cassa di Compensazione e Garanzia S.p.A.), Italy
- CCP Austria, Austria
- CME Clearing Europe, United Kingdom
- CSD and CH of Serbia, Serbia
- ECC (European Commodity Clearing AG), Germany
- EMCF (European Multilateral Clearing Facility), The Netherlands
- Eurex Clearing AG, Germany
- EuroCCP (European Central Counterparty Ltd), United Kingdom
- HELEX AS, Greece
- ICE Clear Europe, United Kingdom
- IRGiT S.A. (Warsaw Commodity Clearing House), Poland
- KDPW_CCP S.A., Poland
- KELER CCP Ltd., Hungary
- LCH.Clearnet Ltd, United Kingdom
- LCH.Clearnet SA, France
- MEFF, Spain
- NASDAQOMX, Sweden
- National Clearing Centre (NCC), Russia
- NOS Clearing ASA, Norway
- NYSE Liffe, United Kingdom
- OMI Clear, Portugal
- Oslo Clearing ASA, Norway
- SIX x-clear AG, Switzerland

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