



**e u r e x c l e a r i n g**

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***Clear to Trade***

***October 2008***

## Agenda

- Eurex Clearing - Who We Are
  
- What we do - Safe and Secure Markets
  
- Maintaining Market Integrity
  - Admission Requirements
  - Risk Management and Margining
  - Settlement Netting
  - Reporting
  - Lines of Defence
  
- Contact Us

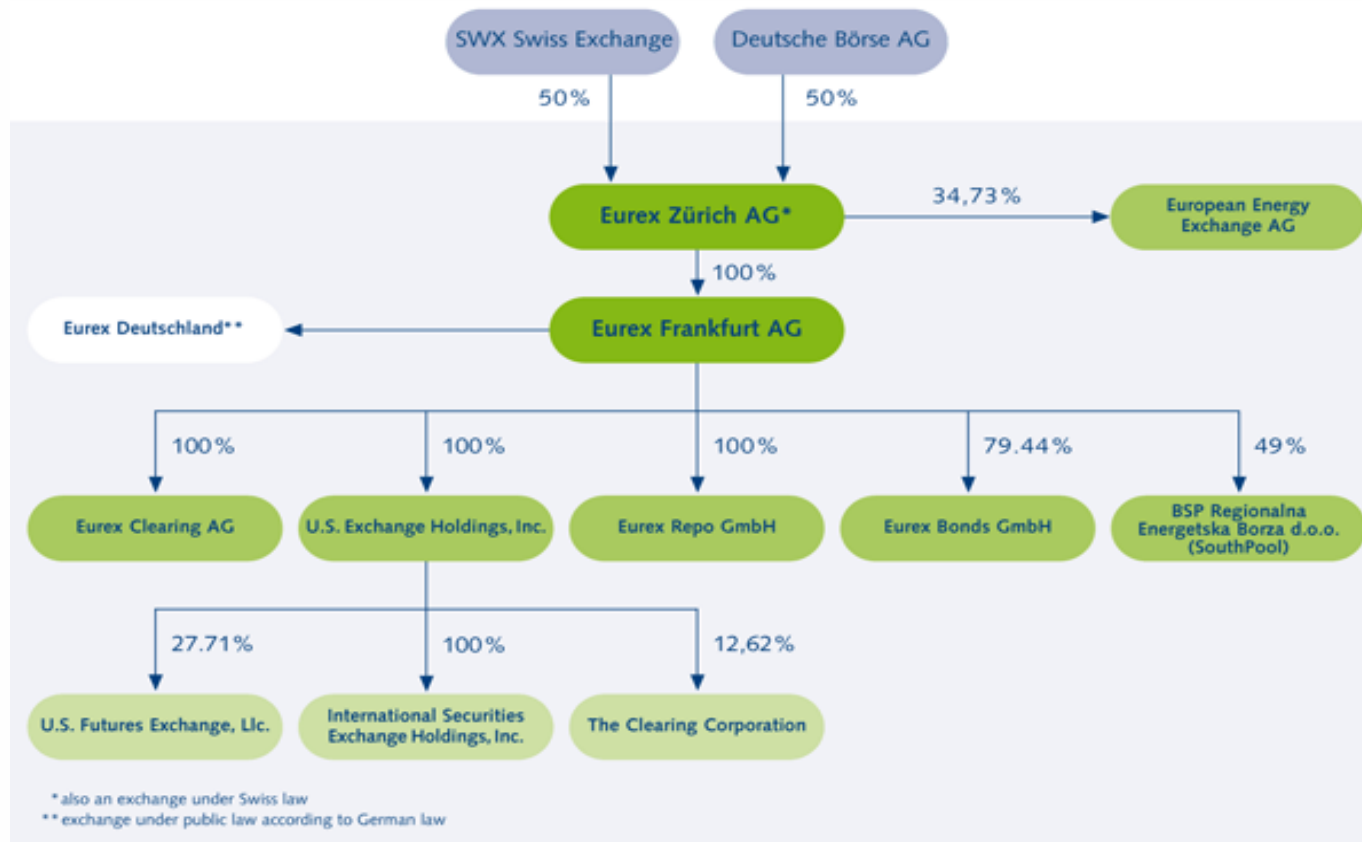
## Eurex Clearing Company Profile

Eurex Clearing is one of the world's leading Clearing Houses, offering fully automated and straight-through post trade services for Eurex since 1996, Eurex Bonds and Eurex Repo since 2000, FWB Xetra® and Floor transactions since 2003, Irish Stock Exchange (ISE) since 2005 and CO<sub>2</sub> emissions contracts through our alliance with the European Energy Exchange (EEX) since 2007.

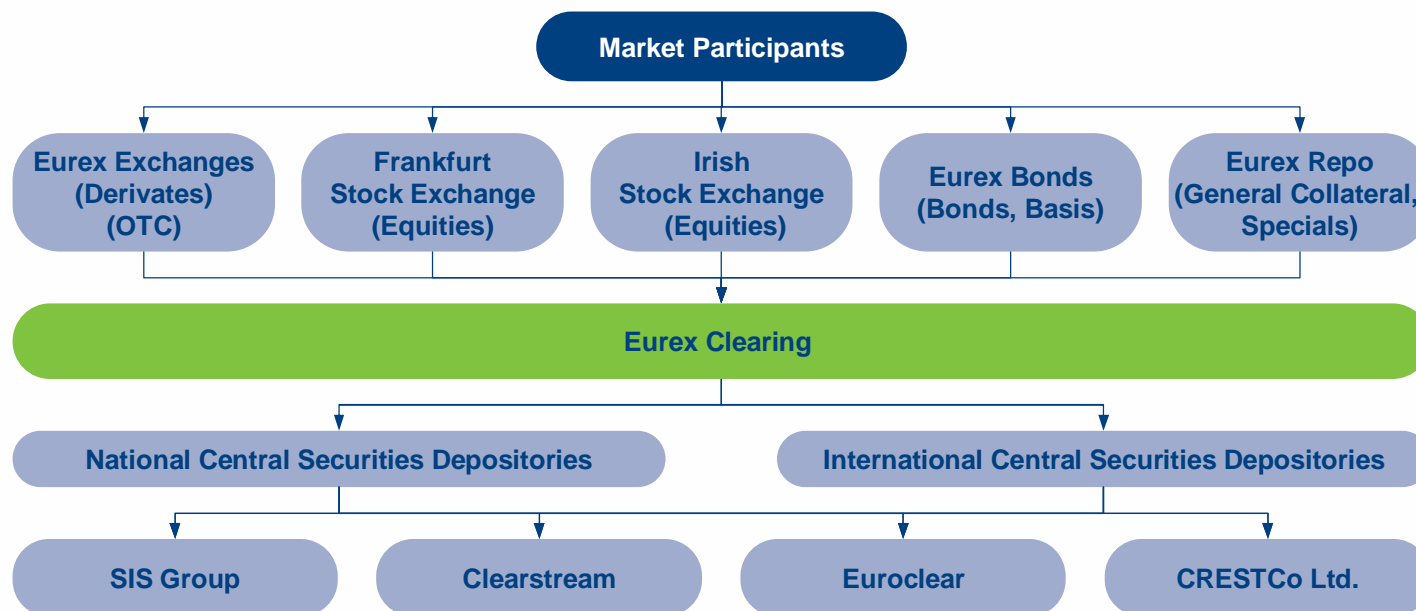
As a central counterparty, our focus is to increase market integrity for the multiple markets we provide clearing solutions for.

Eurex Clearing is licensed as a credit institution under the supervision of Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). In addition to this, the Financial Services Authority (FSA) has granted Eurex Clearing status as a Recognised Overseas Clearing House (ROCH), further enhancing our international standing.

# Eurex Clearing Ownership Structure



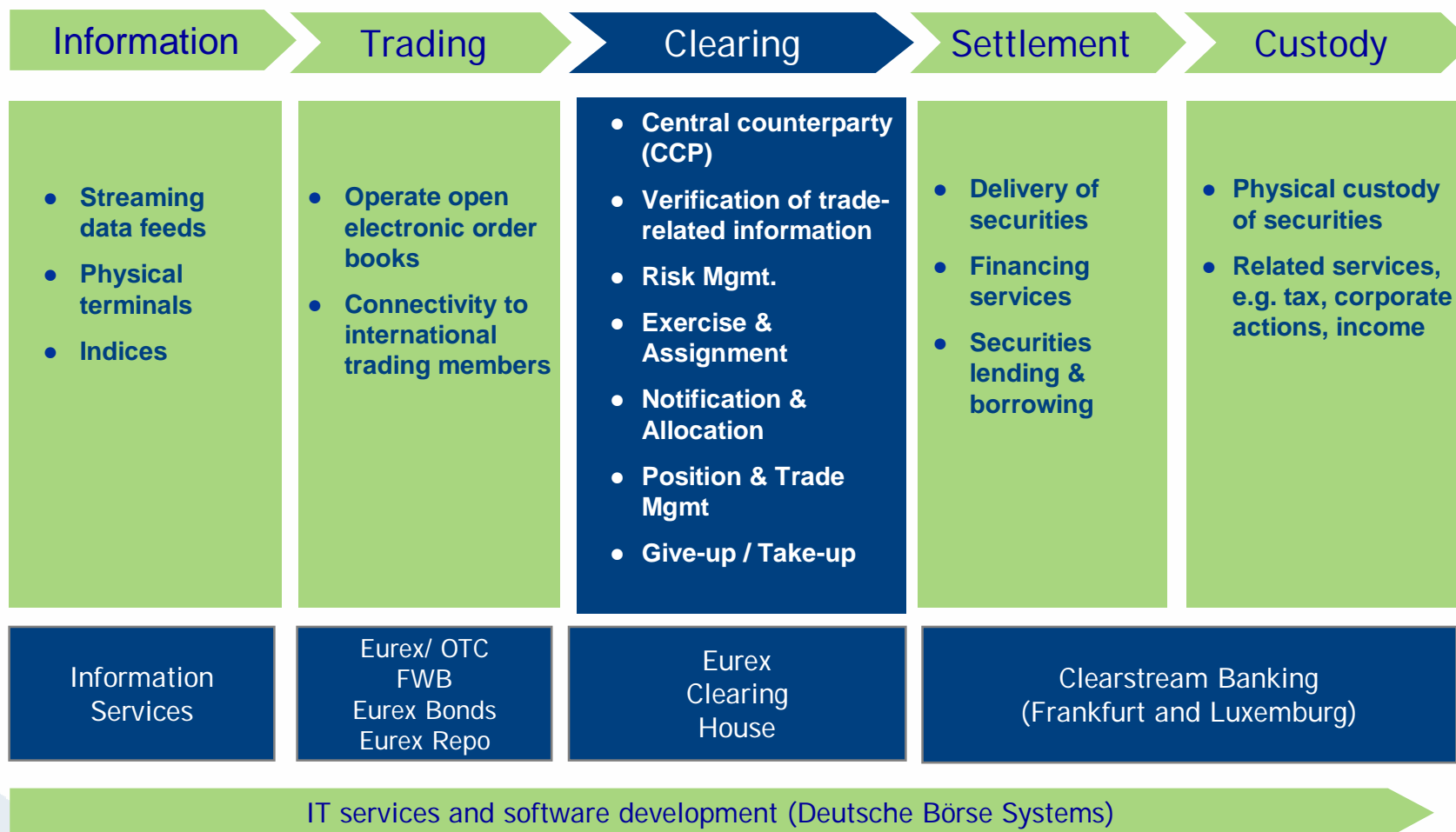
# The Central Counterparty for multiple asset classes across multiple markets



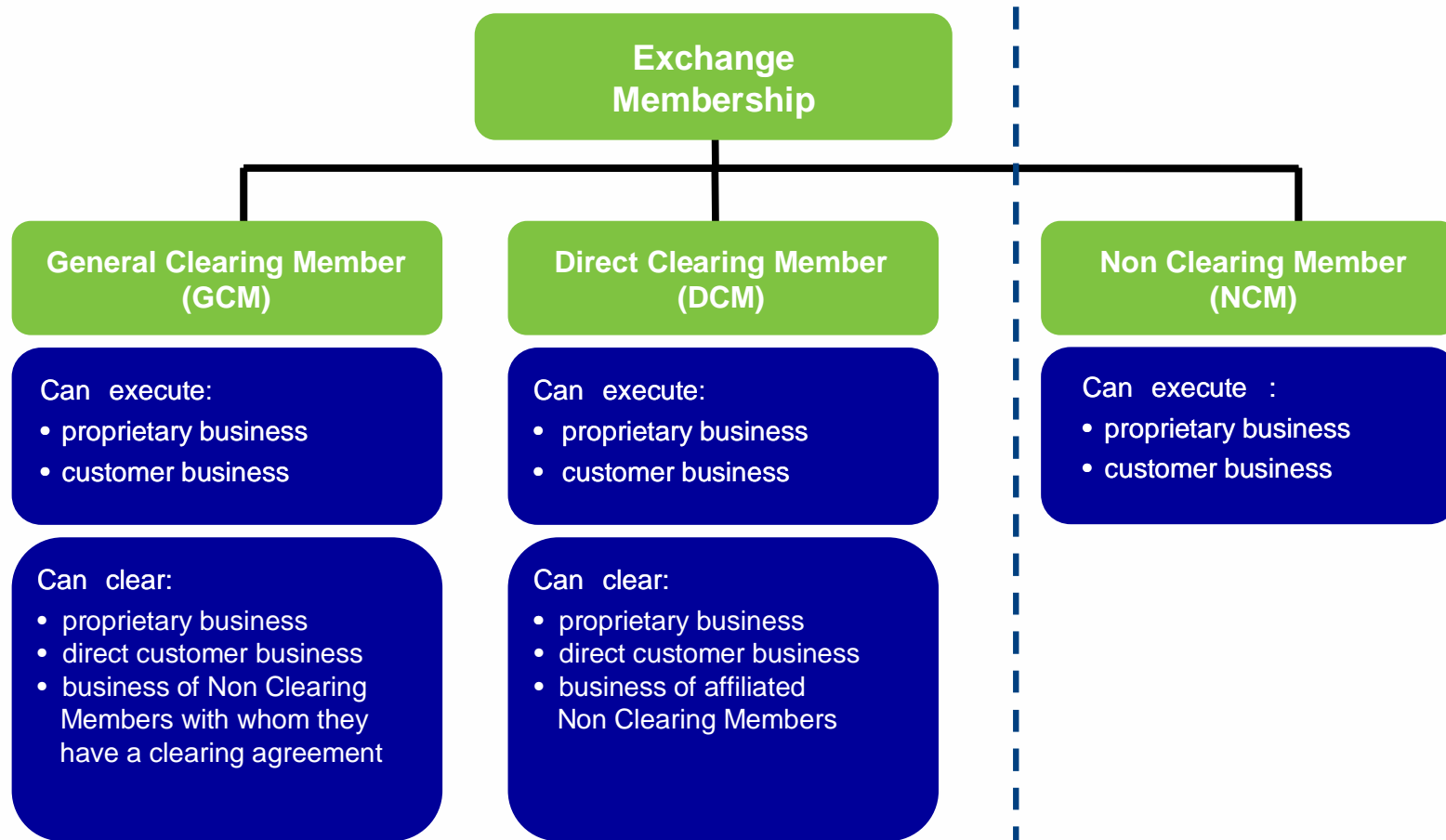
We act as central counterparty to every trade in the markets for which we provide our services. We apply the principle of open offer, standing between the buyer and seller as Clearing House and becoming counterparty for both contractual partners at the moment a trade is executed. By doing so, we enable both parties to make decisions fully independently of each other and eliminate counterparty risks to a single contractual partner.

*For the Frankfurt Stock Exchange (FWB®), the Irish Stock Exchange (ISE) and the European Energy Exchange Eurex Clearing is Central Counterparty only for CCP eligible trades.*

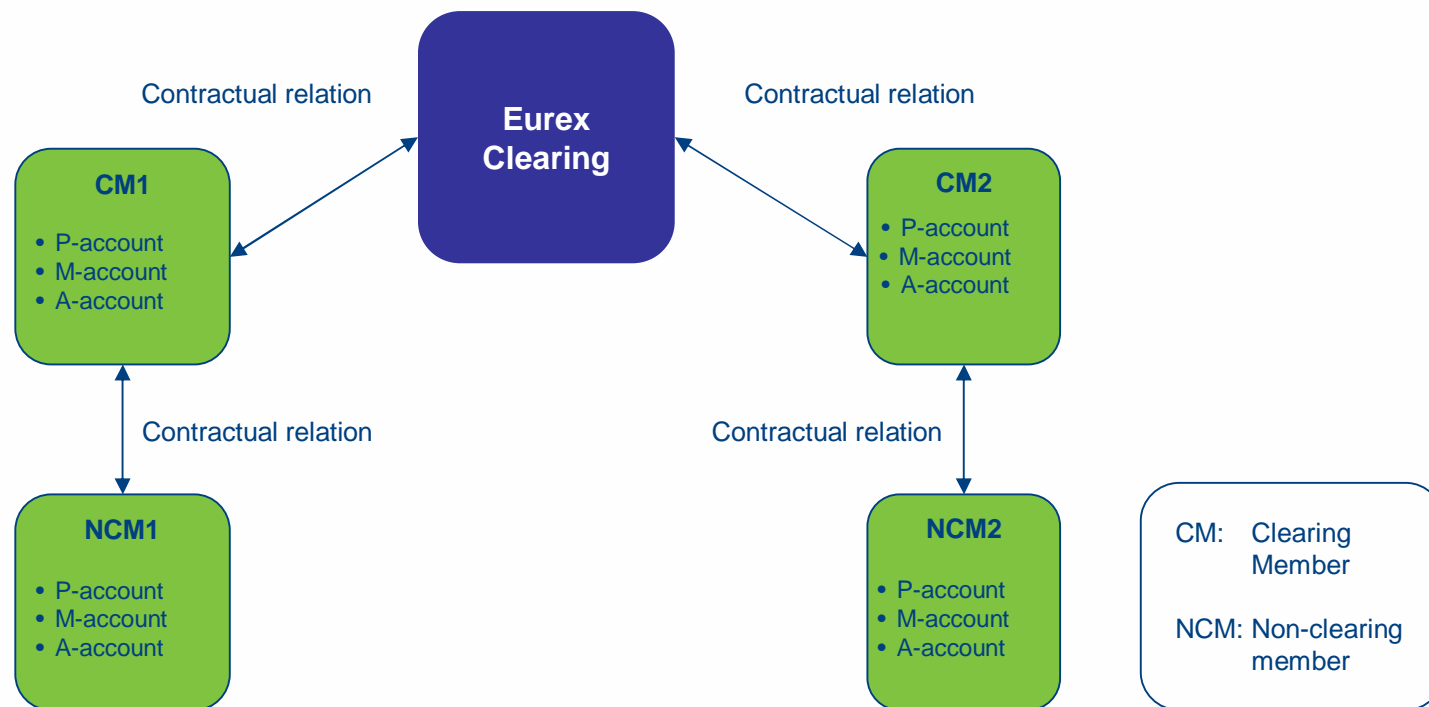
# Eurex Clearing is an integral part of the Deutsche Börse value chain



## Clearing members can become a General Clearing Member (GCM) or a Direct Clearing Member (DCM) on each of our markets

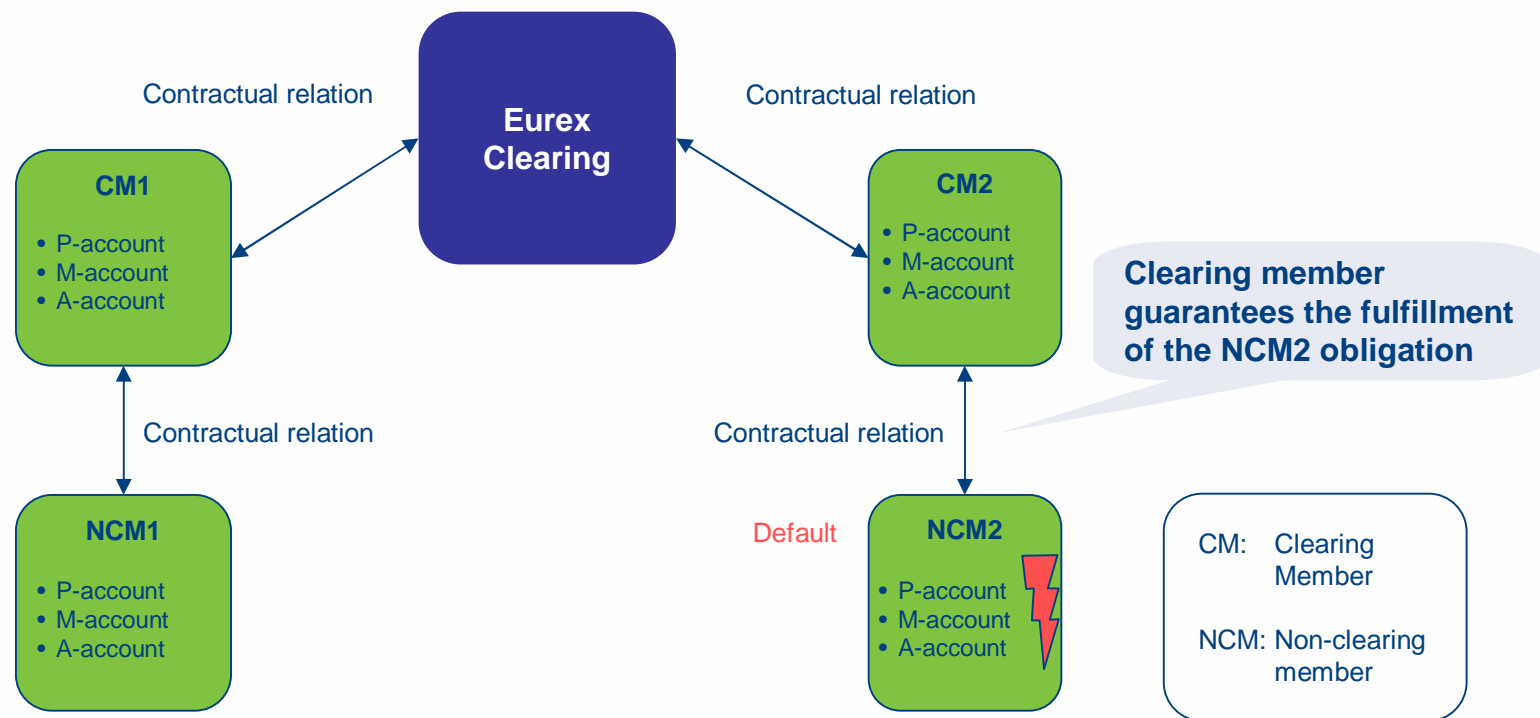


# As CCP Eurex Clearing ensures fulfillment on any market and product cleared

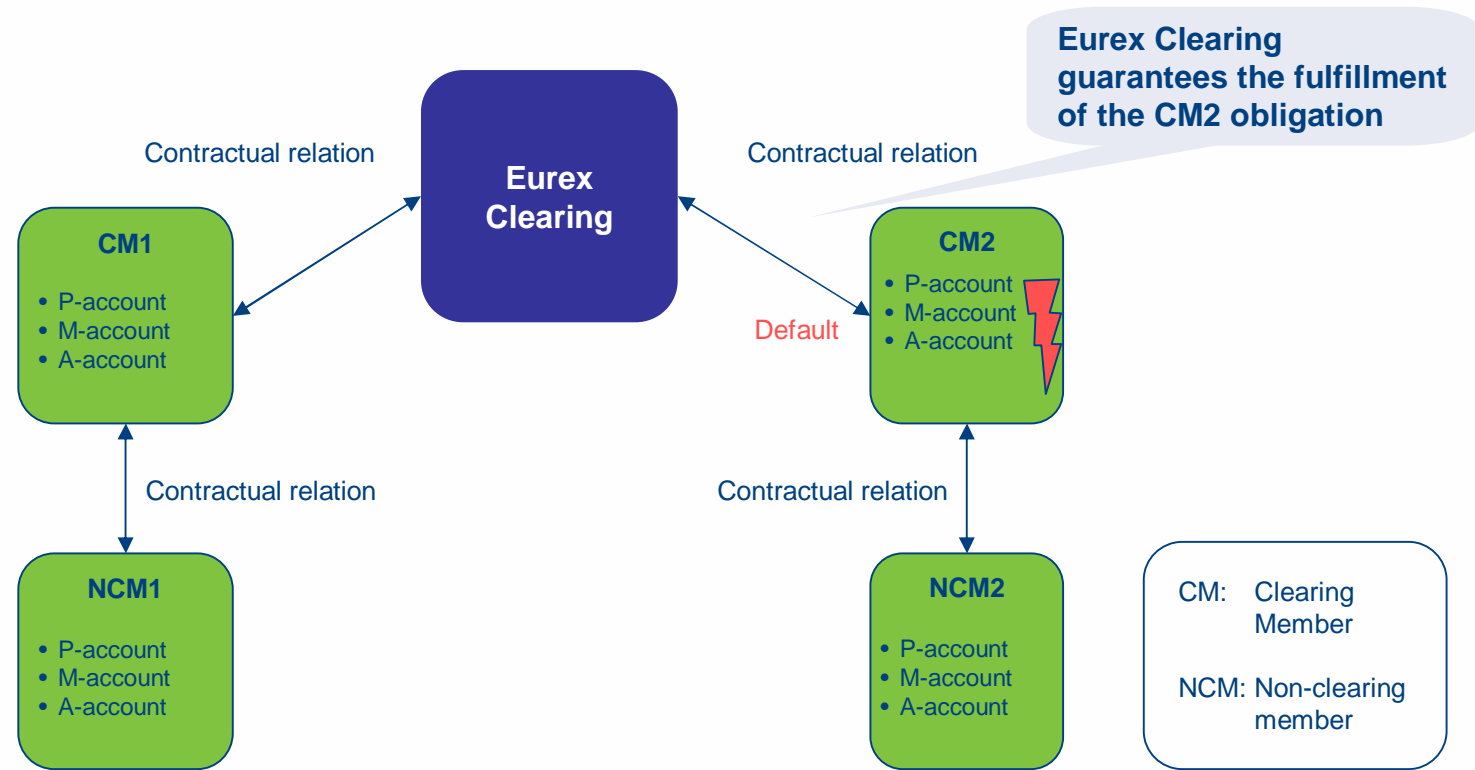


There is no contractual relationship between Eurex Clearing and NCM 1/2

# In case of a Non Clearing Member default the Clearing Member has to fulfill outstanding obligations



# In case of a Clearing Member default Eurex Clearing will fulfill its obligations



## It is the core aim of Eurex Clearing to ensure the protection of our members while maintaining the integrity of the market

This starts with our stringent membership admission criteria through to our lines of defence. Each step of the way, we apply the highest standards to ensure the lowest level of risk to our members and the Clearing House.



## Members need to fulfill strict admission requirements to become a clearing member

### 1 *Liable equity capital requirements, in EUR mn*

Product (1)	Market (2)	Dynamic, liable equity capital requirements		
		GCM Minimum (3)	DCM Minimum (4)	Maximum of (5)
Derivatives	Eurex Frankfurt/ Zürich	125	12.5	
Emission-Derivatives	EEX	125	12.5	
Bonds	Eurex Bonds	50	5	* 10% of average total margin requirement (30 days)
Repos	Eurex Repos	175	17.5	* 10% of average total margin requirement (250 days)
Equities (German)	FWB	25	2.5	* or column (3)/ (4)
Equities (Irish)	ISE	25	2.5	

Maximum capital requirement for multiple clearing licenses: €200mn (GCM) and €20mn (DCM).

### 2 *Regulatory oversight*

- Bank status or similar
- Supervision by responsible regulatory authority
- Registered in EU or Switzerland

### 3 *Contribution to Clearing fund, in EUR mn*

Product (1)	Market (2)	Dynamic contribution to Clearing Fund		
		GCM Minimum (3)	DCM Minimum (4)	Maximum of (5)
All products	All markets	5	1	* 2% of average total margin requirement (30 days) * 2% of average total margin requirement (250 days) * or column (3)/ (4)

### 4 *Additional requirements*

- Operational requirements (Qualified Back Office Staff Check, LZB/SNB-Account etc.)

## Credit, systemic and operational risk are the most relevant risks to a CCP

Event	Risk
<ul style="list-style-type: none"><li>• Member does not settle its obligation for full value</li></ul>	<ul style="list-style-type: none"><li>• Credit Risk</li></ul>
<ul style="list-style-type: none"><li>• Simultaneous insolvency of multiple important members and/or exceptional market failure</li></ul>	<ul style="list-style-type: none"><li>• Systemic Risk</li></ul>
<ul style="list-style-type: none"><li>• Systems of Clearinghouse fail due to internal or external reasons</li></ul>	<ul style="list-style-type: none"><li>• Operational Risk</li></ul>

# The protection mechanisms of Eurex Clearing comprehensively protect against credit risk

**1. Clearing member credit quality**

Eurex Clearing admits clearing members on the basis of their liable equity capital requirements, operational set up, credit quality and regulatory oversight

**2. Ongoing credit quality monitoring**

Eurex Clearing embeds effective and proactive control mechanisms to control credit quality

**3. Margining methodology - Risk adequate pos. netting**

Eurex Clearing assesses a clearing member's risk exposure on the basis of a risk adequate position netting

**4. Margining methodology - Product coverage**

Margining method covers the full product range

**5. Margining Methodology - Comprehensiveness**

Margining method covers all relevant risk components that impact a clearing member's credit default risk

**6. Margining Methodology - Accuracy & Reliability**

Eurex Clearing aims to set accurate, reliable margin requirements

**7. Neartime controls**

Eurex Clearing makes use of effective, timely intraday control mechanisms to monitor its clearing members' risk exposure

**8. Effective & efficient collateral management**

Eurex Clearing accepts secure, liquid and accessible collateral only, ensures accurate and timely valuation as well as efficient collateral processing

**9. Additional protection lines**

Eurex Clearing protects non-defaulting participants against a default of members by using additional lines of defense

**10. Settlements**

Eurex Clearing employs settlement arrangements that strictly limit its settlement risks

**11. Linked CCPs**

Eurex Clearing ensures that risks from linked CCPs are prudently managed

**12. Member service orientation**

Eurex Clearing provides a comprehensive, effective, efficient and transparent risk management service to its members

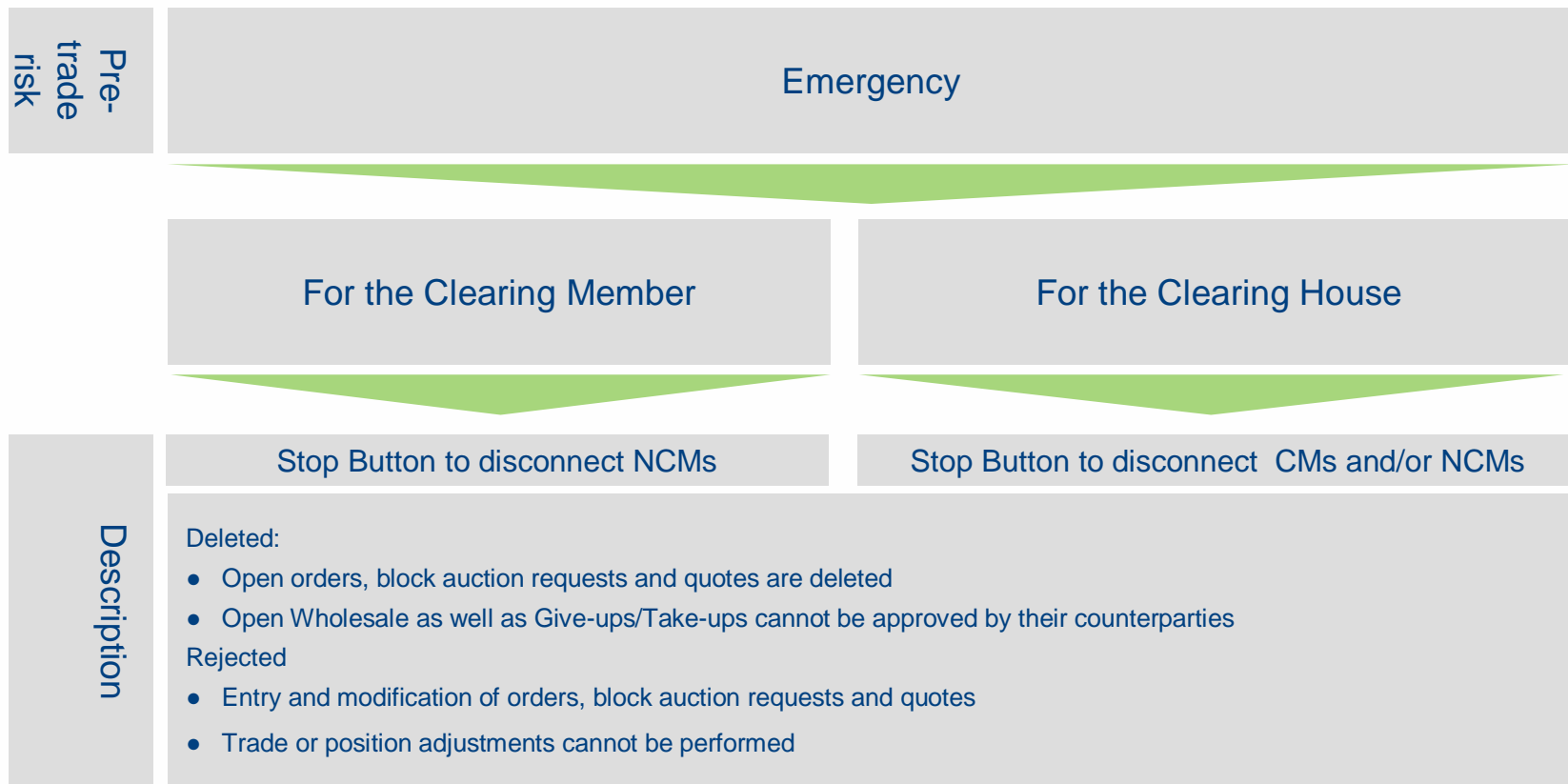
**13. Effective governance & efficient operations**

Eurex Clearing ensures effective and transparent governance as well as effective and efficient operations

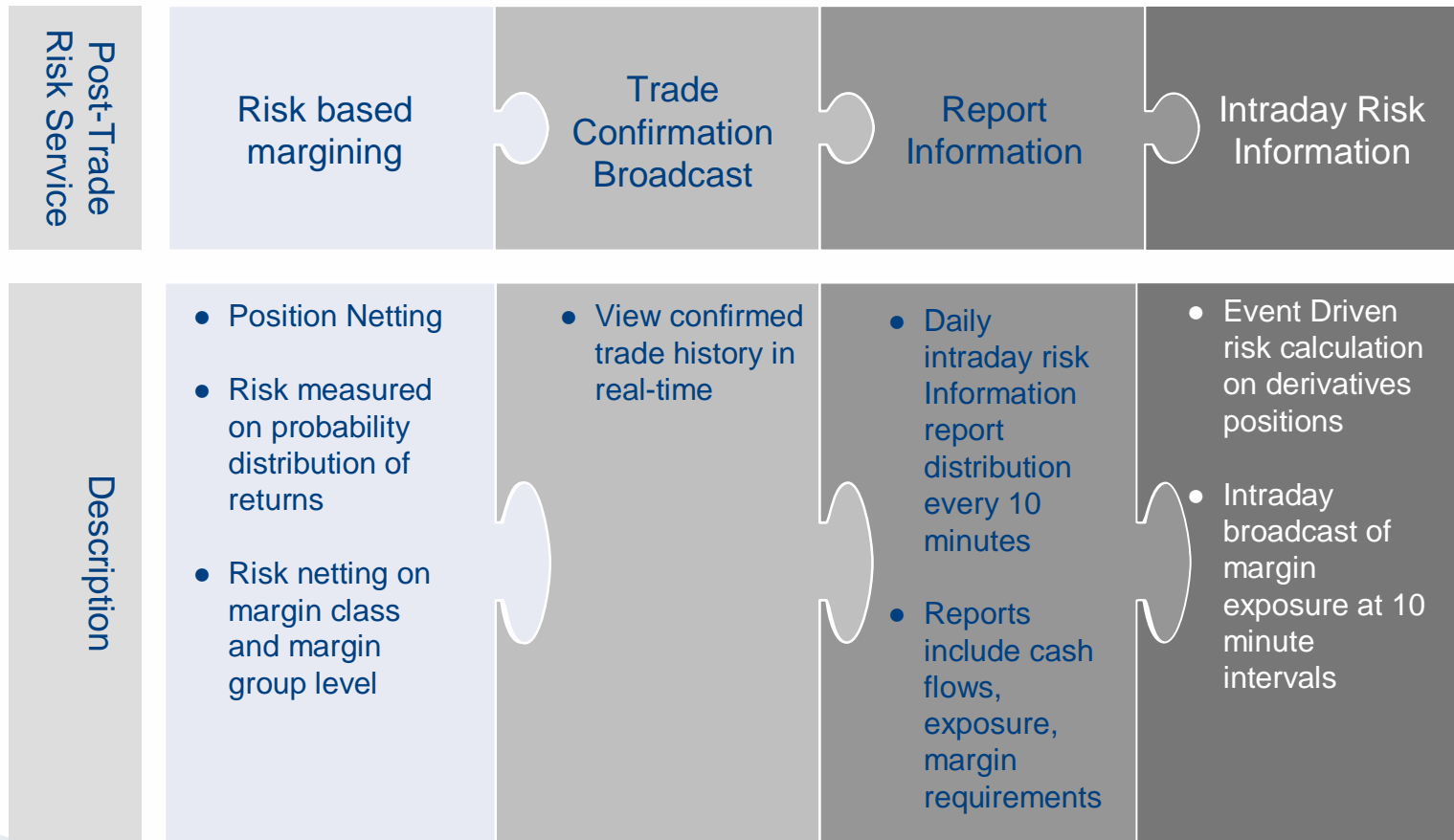
## Eurex Clearing's pre-trade risk services empower members to proactively manage their risk

Pre-trade risk	Order Size	Order Frequency	Size & Quality of Order book
Risk Control Service	Maximal Order Quantity	Order Limits per Time Interval	Size & Quantity of Order Book
Description	<ul style="list-style-type: none"> <li>• CM may predefine per NCM:                             <ul style="list-style-type: none"> <li>• max. Order Quantity on product level (on-exchange and OTC products)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• CM may predefine per NCM:                             <ul style="list-style-type: none"> <li>• # of order/ quotes per time interval</li> <li>• Accumulated lot-quantity per time interval</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• CM may predefine per NCM/ NCM may predefine per trader/ trader subgroup                             <ul style="list-style-type: none"> <li>• Accumulated quantity of open (unmatched) orders</li> </ul> </li> </ul>

# Not only do our pre-trade risk measures protect the member, they also ensure the integrity of the market overall

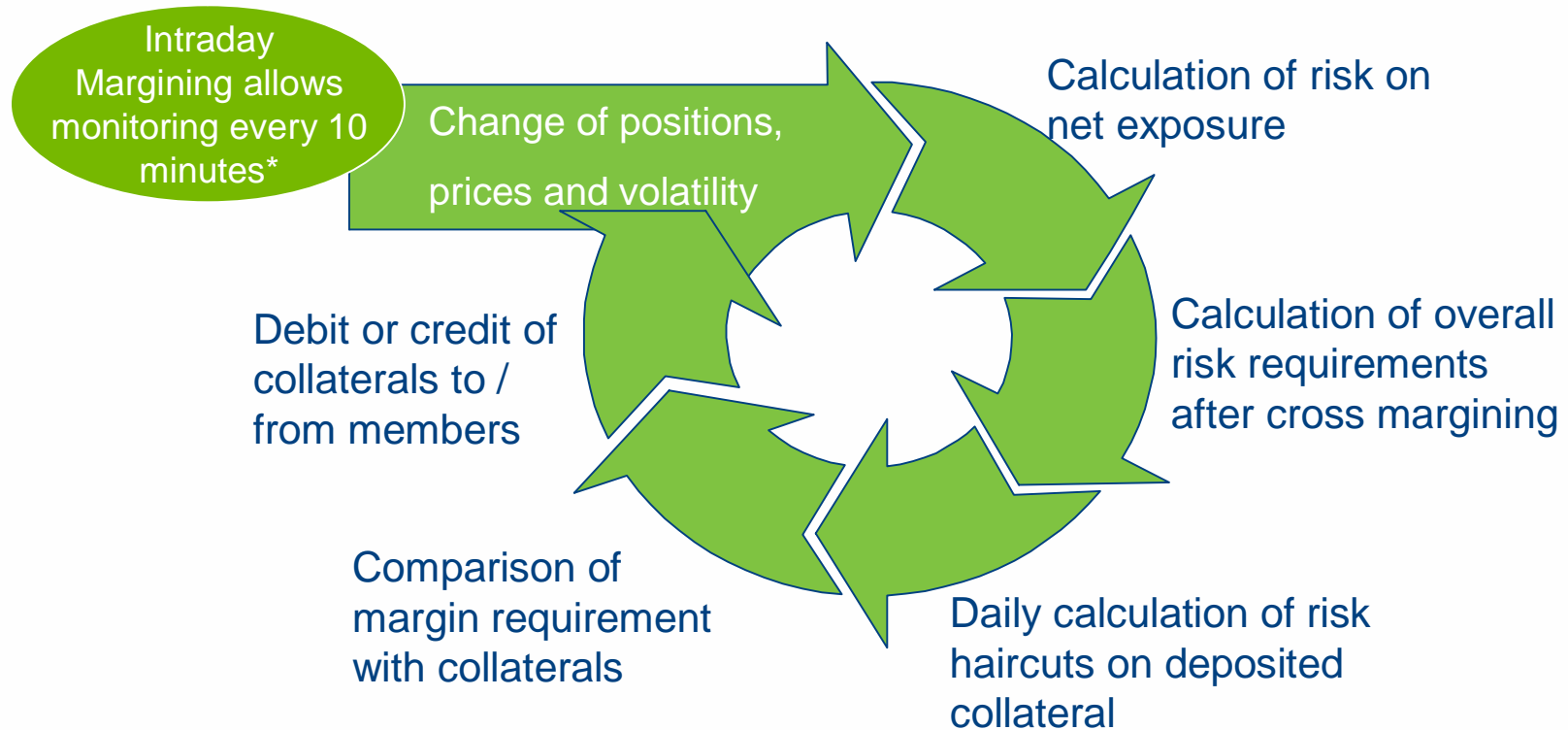


## Once a trade has been executed, our post-trade risk services provide near real-time information for optimised intraday risk management



# Intra-day Margining

Allows Eurex Clearing to quickly respond to increased price volatility or the changed positions of Members which, in turn, allows us to take action to lower the exposure to the CCP and protect the market



\*Event driven risk calculation for derivatives market with Eurex Release 11.0

## Communication and cooperation are the key elements for efficient handling of the margin call process

- | An intraday margin call will be issued by phone first and confirmed by facsimile transmission as soon as the individual member's threshold is exceeded
- | Eurex Clearing communicates
  - | the amount of the intra day margin call
  - | the breakdown of the margin requirement to NCMs (equivalent to CC050)
  - | the timeframe
- | An intra day margin call can be covered by reducing the risk position within 30 minutes
- | If the risk position isn't reduced within 30 minutes Eurex Clearing issues an intraday margin call payment by FAX
- | The clearer is requested within additional 30 minutes to cover the intraday margin call payment by placing collateral to the pledge account (CBF and SIS) or by placing cash on his cash account (LZB and SNB) or transfer of USD cash to Eurex Clearing

## Members can meet their margin and default fund requirements by providing various forms of collateral

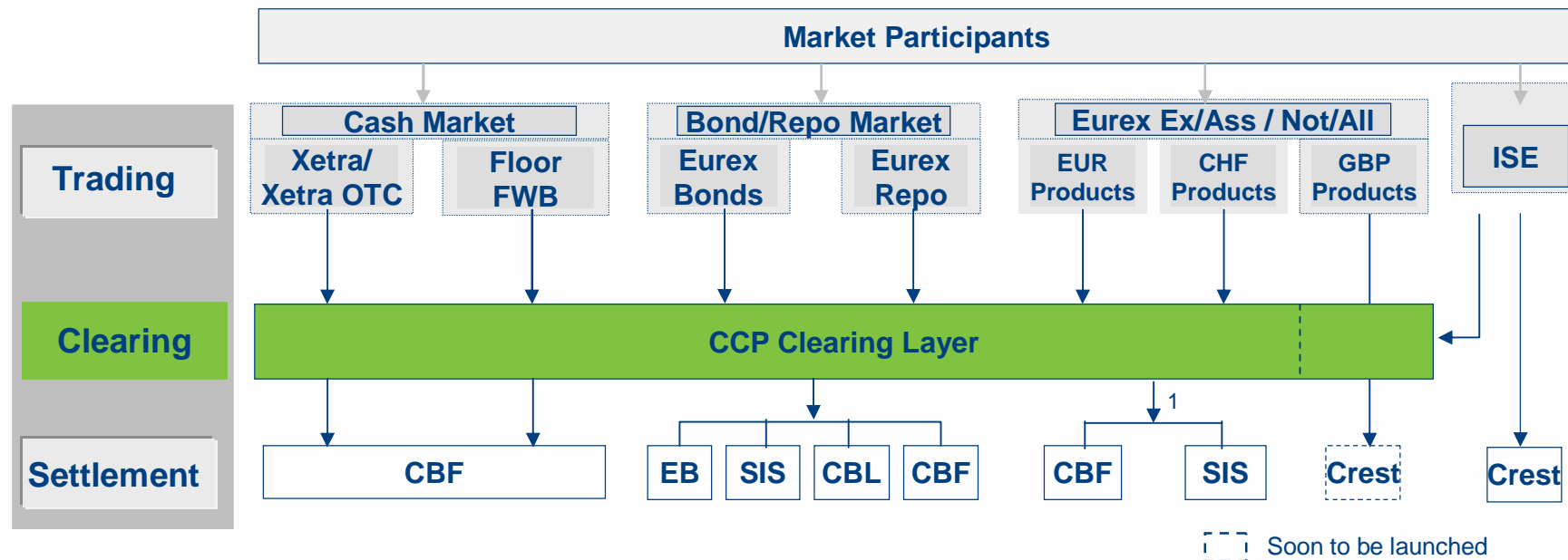
A list of acceptable collateral types are available online: [www.eurexclearing.com](http://www.eurexclearing.com)

Collateral Type	%*
Cash	3.5%
Government Bonds	51.6%
Local Government Bonds & State Agencies	4.6%
Corporate Bonds	34.6%
Jumbopfandbriefe	1.6%
Guarantees*	0.4%
Equities, ETFs	3.7%
<b>Total</b>	<b>100.0%</b>

*Collateral composition of margin collaterals and clearing fund  
(As of Q2, 2008)*

\*Member Default Fund only

# Our Central Counterparty (CCP) System facilitates an efficient delivery management process for settlement instructions from the CCP to the CSD

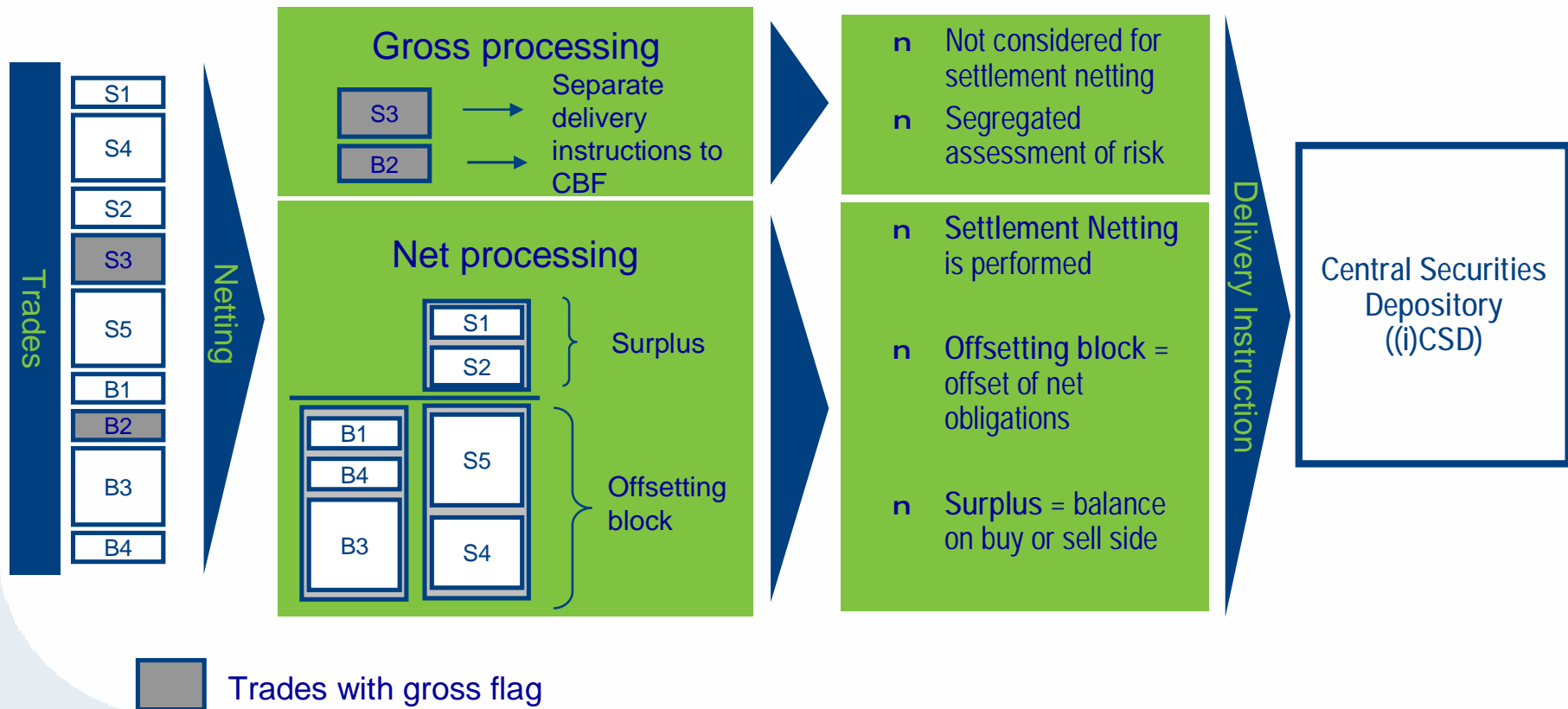


With each Member having a CCP as its single counterparty, multi-lateral netting reduces the number of daily market settlements across markets.

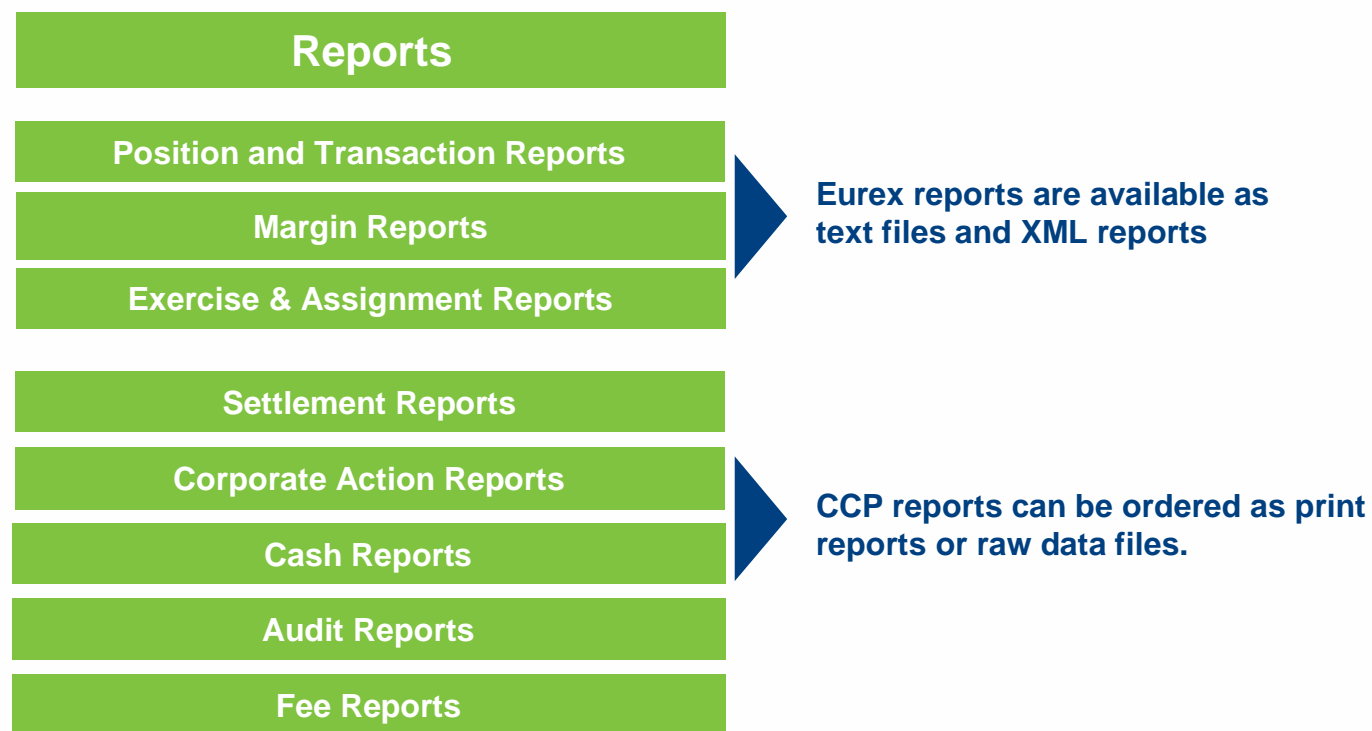
<sup>1</sup> Held in collective safe custody

# Netting of multiple trades creates direct savings in settlement transaction costs, greater efficiency and reduced operational costs

Our settlement netting model allows each member to choose whether to settle gross or take advantage of net processing



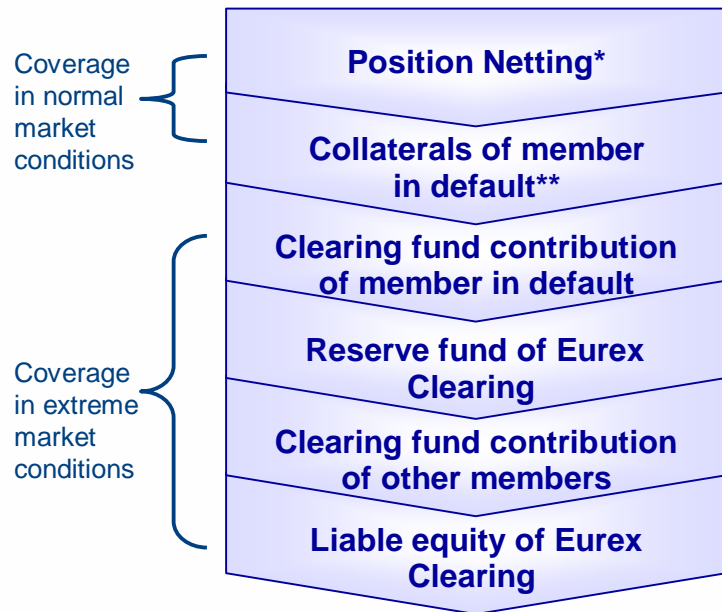
## Eurex Clearing provides comprehensive information on risk, collateral and delivery management to its members



Clearing processes take place on two back-ends: the CCP back-end and the Eurex back-end.

Therefore there are differences between the risk and collateral management reports delivered by the Eurex back-end and the delivery management reports provided by the CCP back-end.

# When things go wrong our lines of defence step in to limit the exposure to the clearing house and our members



Losses resulting from a default of a Non Clearing Member are covered by the corresponding Clearing Member

In the event of Clearing Member liquidation we will support Non Clearing Members to move positions to an alternative Clearer with the least amount of impact to their business

\* Close-out of all positions results in a surplus or shortfall

\*\* Collateral Sell-Out to cover potential shortfall

## Contact

For further information about Eurex Clearing and its services please see [www.eurexclearing.com](http://www.eurexclearing.com)

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