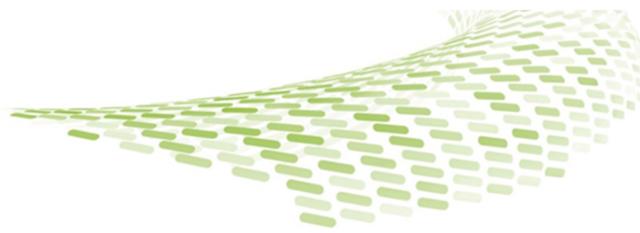


Attachment to Eurex Clearing circular 071/19

Eurex Clearing is aware of its responsibility and special role in a successful euro transition process and has started to implement the following measures:

- EurexOTC Clear Service for Interest Rate Swaps

- a) Across 1 and 2 October 2019, EONIA will move from an in-advance to in-arrears publication (from T to T+1 publication date change). This change will require the following adaptations:
- **Reporting:** There will be no impact on report formats or content as well as no additional reports. The Rate Reset Report CD201 will continue to display EONIA fixings with respect to the interest period start date. Due to the delay in EONIA publication, the respective EONIA fixings will be displayed in the CD201 report one day later compared to today.
 - **Price Alignment Interest (PAI)** will evolve seamlessly throughout the publication time change and continue to be calculated with the latest available EONIA rate. The EONIA rate on each day T is currently taken as the rate published at around 19:00 CET and will evolve to reflect the rate published around 09:15 CET on that day starting 2 October 2019. On 1 October 2019, no EONIA rate will be published. The EONIA rate to be used on 1 October 2019 will be the last available EONIA rate published before that date.
 - **Settlement processes remain unchanged.** All calculations of floating amounts related to **EONIA Overnight Index Swaps (OIS)** will evolve seamlessly across the publication time change of EONIA. There is no additional gap induced by the publication delay of EONIA in the time series of fixings. All fixings which are required to determine the related floating amounts are available at least one day before the cash flow settlement date (this is a result of the market convention to use a payment lag for OIS).
 - Already today, Eurex Clearing allows **OIS with payment lags** of one and two business days to be submitted for clearing. In case market participants would like to adopt a payment lag of two business days (instead of the current default payment lag of one business day for swaps denominated in euro) for their cleared OIS to harmonise with other currencies, they can already submit such transactions as this feature is already offered by the EurexOTC Clear service.
- b) **€STR will be first published** on 2 October 2019 and EONIA's methodology will be recalibrated as €STR plus a fixed spread of 8.5 basis points:
- All **contractual references** to EONIA between Eurex Clearing and its Clearing Members and other contractual parties are and will be understood as references to EONIA, taking into account as of 2 October 2019 EONIA's recalibrated methodology.
 - All EurexOTC Clear derivatives denominated in euro will remain under an EONIA based PAI and discounting regime. A switch to a common €STR-based discounting and PAI regime is envisaged for 2020/2021 and will be aligned with the Clearing Members.
 - €STR+8.5 basis points will be considered **as a fallback index to the EONIA benchmark** (being triggered by the cessation of EONIA) both for EONIA-linked OTC derivatives as well as for collateral remuneration in the form of PAI linked to EONIA.
 - Corresponding changes to the Clearing Conditions of Eurex Clearing AG will be announced separately.



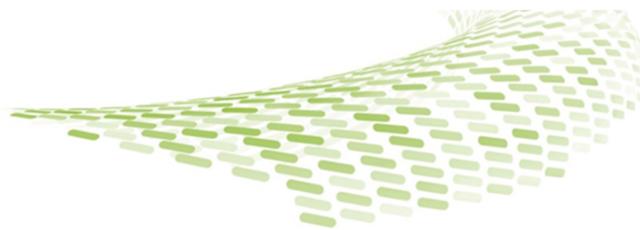
c) EurexOTC Clear Release 10.0 (go-live on 18 November 2019):

- Euro overnight index swaps (fix for float) referencing the €STR benchmark (up to 50 years) subject to completion of remaining governance steps.
- Eligibility of euro OIS with a spread on the floating leg of the trade (the spread is treated as simple interest above the self-compounding floating rate).
- €STR-Euribor (up to 50 years) basis swaps and EONIA-Euribor basis swaps (float for float)
- All cleared OTC derivatives referencing the €STR benchmark will reside under a common EONIA-based discounting and PAI regime like all other euro OTC derivatives. A switch to a common €STR-based discounting and PAI regime is envisaged for 2020/2021 and will be aligned with the Clearing Members.
- There are no changes required to Eurex Clearing's risk management procedures stemming from the 2019 EONIA recalibration efforts.
- The €STR curve used for clearing purposes will be included in the daily distribution of the interest rate curve report CC210 (available via the Member Section and additionally on the Eurex Clearing website under this link: [Markets Services > EurexOTC Clear > Interest Rate Swaps > Settlement Prices](#)).
- The content of the daily distributed interest rate sensitivity report CC233 will be enhanced for euro OIS by splitting the sensitivity to EONIA into a discounting and forwarding value. This allows to estimate the impact of a shift in discounting levels also for EONIA OIS.
- To facilitate transparency, Member reports containing trade level net present values (NPVs) and interest rate DV01s (rate deltas) based on €STR as the discount curve will be published alongside productive reports (under EONIA discounting). These additional reports are NOT required to reconcile margining or clearing related payments. Instead, the additional reports shall give all our Clearing Members and their clients equal and continuous access to potential valuation changes which could result from a future switch of the discounting and PAI regime from EONIA and €STR.

d) Further changes to the Clearing Conditions of Eurex Clearing AG:

Eurex Clearing will implement the following changes to its Clearing Conditions to increase contractual robustness with regard to certain index cessation events.

- **Permanent Index Cessation:** Based on the ISDA Benchmarks Supplement, Eurex Clearing will specify which events trigger a permanent index cessation under its rulebook and how a fallback index will be determined. Trigger events will be, among others, a public statement by the index administrator or Eurex Clearing that the index will cease to exist permanently or a statement or decision by a public authority that the use of the index will be a violation of laws applicable to Eurex Clearing. In this case, Eurex Clearing will use as successor index the index which has been designated as successor index by the index administrator of the ceasing index or the index which has been publicly announced by Eurex Clearing (taking into account market practice and recommendations by public authorities) as fallback index. If no successor index may be determined in application of this fallback regime, Eurex Clearing will include a provision to allow a cash settlement of any affected transactions.



- Eurex Clearing is also aware of the ongoing ISDA consultation on pre-cessation issues for IBORs and the principles for fallback contract language published by the ARRC in 2018. We envisage to align the implementation of any pre-cessation trigger with bilateral market practice.
- Temporary Index Cessation: Eurex Clearing will also clarify which values will be used if an index administrator temporarily does not publish values for an index, but no permanent index cessation trigger event has occurred. Eurex Clearing currently envisages to surrogate each missing index value by the latest available index level. If the missing index values are retrospectively published, Eurex Clearing will, under certain circumstances, take these values into account and correct its calculations accordingly.

- Eurex Repo

- Eurex Clearing currently supports the clearing of variable repos which use EONIA as a reference rate. As of 2 October 2019, the calculation of the settlement amount of the end-leg will take place with the available EONIA rate of the current business day. Once the final EONIA rate will be available on T+1, Eurex Clearing will process any cash differences as “delta payments” on the settlement day in order to consider the current EONIA rate in the settlement of the end-leg. In our view, this approach is in harmony with our existing processes and thus least challenging for us to integrate the determination of EONIA on T+1 in our operational cycles.
- Eurex Clearing will also introduce €STR as a new reference rate for the clearing of variable repos. Due to the availability of €STR on T+1, the final settlement amount of the end-leg will be calculated on T+1. Thus, any cash differences will be processed as “delta payments” like it will be the case for EONIA.