



## eurex clearing circular 131/13

**Date:** 8 November 2013  
**Recipients:** All Clearing Members, Non-Clearing Members, Registered Customers of Eurex Clearing AG and Vendors  
**Authorized by:** Thomas Laux



High priority

**Additionally Monitored Risks:**  
**Credit Risk, Concentration Risk and Wrong Way Risk - Clarification**

**Related Eurex Clearing circular:** 121/13

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**Content may be most important for:**

☞ All departments

**Attachment:**

none

**Summary**

Eurex Clearing would like to clarify the following aspects regarding its Eurex Clearing circular 121/13 (“Additionally Monitored Risks: Credit Risk, Concentration Risk and Wrong Way Risk”) from 25 October 2013:

- a) Handling of concentration risk limits on Member level vs. limits on clearing house level (CCP)
- b) Handling of concentration risk thresholds on country/sovereigns and supra national issues classified as “Green”.

**Additionally Monitored Risks:**  
**Credit Risk, Concentration Risk and Wrong Way Risk - Clarification**

Eurex Clearing would like to clarify the following aspects regarding its Eurex Clearing circular 121/13 (“Additionally Monitored Risks: Credit Risk, Concentration Risk and Wrong Way Risk”) from 25 October 2013:

- a) Concentration risk limits on issue/securities level (see table 1, no. 1) are only applicable to the collateral pool. Here, the existing methodology remains unchanged. This means that there are no issue-specific limits for a Clearing Member’s portfolio on issue/securities level (i.e. on securities for repo collateralization for example are not affected by this concentration risk limit).
- b) In general, all thresholds indicated in Table 2 and Table 3 of this circular are applied for each Clearing Member individually. Concentration risk thresholds on country/sovereign and supra national issuer level for countries and supra nationals classified as “Green” are applicable for a Clearing Member’s collateral pool, only. The current situation for a Clearing Member’s portfolio remains unchanged for countries classified “Green” (e.g. there is no country specific threshold).

For countries classified “Yellow”, “Orange”, “Red” or “Black”, the concentration risk thresholds apply to the Clearing Member’s collateral pool as well as to its portfolio.

Consequently, the applicable concentration risk thresholds are as follows:

		<b>Exposure</b>
<b>1</b>	<b>Issue/security</b>	A threshold of 25% of the issued capital per issue (for bonds)* <b>or</b> 5% of free float (for equities)*
<b>2</b>	<b>Issuer</b>	Thresholds are set on the level of exposure per issuer: <ul style="list-style-type: none"> <li>• per <b>Country/sovereign</b>, see table 2,</li> <li>• per <b>Supra nationals</b>, see table 3.</li> <li>• 2bn EUR or 5% of total issued capital per <b>Sector</b> issuer*.</li> </ul> The total issued capital per issuer is restricted to what is known to the CCP.
<b>3</b>	<b>Groups of issuers</b>	Absolute and relative thresholds are set on aggregated exposures to all issuers belonging to the same group: <b>Country/sovereigns</b> , see table 2, <b>Supra nationals</b> , see table 3.
<b>4</b>	<b>Diversification</b>	Stock ratio in the collateral pool must not exceed a ratio of more than 30% of the entire collateral pool as a threshold.

Table 1: Concentration risk limits, which may not be breached

\*threshold only applicable to collateral pool (i.e. not applicable to a Clearing Member’s portfolio).

		Country/sovereign			
		Aggregated exposure		Exposure per issuer	
		absolute (EUR)	Relative to overall exposure	absolute (EUR)	Issued capital
Country classification	green	≤ 10bn*	≤ 100%	n.a.	≤ 10%*
	yellow	≤ 5bn	≤ 75%	n.a.	≤ 5%
	orange	≤ 3bn	≤ 60%	n.a.	≤ 3%
	red	≤ 2bn	≤ 50%	n.a.	≤ 2%
	black	0	0%	0	0%

Table 2: Concentration risk thresholds per country classification

\* threshold only applicable to collateral pool (i.e. not applicable to a Clearing Member's portfolio).

		Supranational organisation			
		Aggregated exposure		Exposure per issuer	
		absolute (EUR)	relative	absolute (EUR)	Issued Capital
Supranational organization classification	green	≤ 10bn*	≤ 100%	n.a.	≤ 5%*
	yellow	≤ 5bn	≤ 50%	n.a.	≤ 5%
	orange	≤ 3bn	≤ 35%	n.a.	≤ 3%
	red	≤ 2bn	≤ 25%	n.a.	≤ 2%
	black	0	0%	0	0%

Table 3: Concentration risk thresholds per supranational organisation classification

\* threshold only applicable to collateral pool (i.e. not applicable to a Clearing Member's portfolio)

Eurex Clearing reserves the right to put further restrictions on certain issues and/or issuers if this is deemed necessary due to credit, market and/or liquidity risk reasons.

The prohibition of posting "own issues" or "close link" securities is also applicable to both, a Clearing Member's portfolio (e.g. repo collateral) and its collateral pool.

For more information, please contact Risk Control on tel. +49-69-211-1 24 52 or e-mail [risk@eurexclearing.com](mailto:risk@eurexclearing.com).

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