

Chapter VIII of the Clearing Conditions of Eurex Clearing AG

# Clearing of OTC Derivative Transactions

As of 13.06.2016

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

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## Preamble

This Chapter VIII forms an integral part of the Clearing Conditions of Eurex Clearing AG and respective references in other rules or documents to the Clearing Conditions shall also apply to this Chapter VIII.

In accordance with Chapter I Part 2 Number 2.1.1, Chapter I together with this Chapter VIII and all references to other Chapters or Annexes of the Clearing Conditions shall apply for all Clearing Members (including FCM Clearing Members) with a respective Clearing License, their Non-Clearing Members, Registered Customers, ICM Clients and FCM Clients as well as all Interim Participants (if applicable).

[...]

## Part 2 Clearing of OTC Interest Rate Derivative Transactions

[...]

### 2.1.4.1 Transaction Type Specific Novation Criteria

The following Transaction Type specific novation criteria must be fulfilled for OTC Interest Rate Derivative Transactions (based on the trade record transmitted to Eurex Clearing AG via the Approved Trade Source System):

[...]

(11) Calculation periods

[...]

If a payment date for a fixed or floating rate payment is adjusted in accordance with any applicable ~~B~~business ~~D~~day ~~c~~Convention, the numbers of days in the relevant calculation period may either be adjusted to the new payment date or remain unadjusted, which is to be specified in the trade record submitted via the Approved Trade Source System.

[...]

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#### (15) Business Day Convention

The ~~B~~business ~~D~~day ~~C~~convention must be one of the following as defined in Number 2.4 Paragraph (1): (i) Following, (ii) Modified Following, or (iii) Preceding;

#### 2.1.4.5 Bulk Backloading of Original OTC Transactions

[...]

- (3) Bulk Backloaded Original OTC Transactions that are to be included in the Clearing by way of novation may be submitted to Eurex Clearing AG at any point in time. Bulk Backloaded Original OTC Transactions which are submitted prior to ~~5-3~~ p.m. CET on a Business Day and which fulfil all applicable novation criteria will be included in the novation process on such Business Day.
- (4) The novation process for OTC Bulk Backloaded Original Transactions which are submitted beyond ~~5-3~~ p.m. CET on a Business Day will be carried out on the following next Business Day.
- (5) At ~~35~~ p.m. CET and ~~59~~ p.m. CET on each Business Day Eurex Clearing AG will make available to the Clearing Member (in the case of a FCM Client Transaction, to the FCM Clearing Member acting on behalf of the relevant FCM Client) and Registered Customer a preliminary report indicating the Bulk Backloading Original OTC Transactions which have been received for Clearing and which fulfil the novation criteria pursuant to Number 2.1.4.1, the Margin Requirement as well as any shortage in actually delivered eligible Margin Assets.
- (6) Bulk Backloaded Original OTC Transactions which, on the day of submission, fulfil all novation criteria shall be novated on that Business Day. The novation will become effective when the respective OTC Trade Novation Report will be made available ~~at intraday at around 5:30 p.m. CET and at the end of a Business Day at~~ or around 11 p.m. CET.
- (7) For Bulk Backloaded Original OTC Transactions which, on the day of submission, fulfil all novation criteria except for the provision of the Eligible Margin Asset necessary to cover the margin requirement Eurex Clearing AG will debit the shortfall amount set forth in the OTC Margin Call Report produced and made available at 10:30 p.m. CET in the agreed Clearing Currency from the relevant Clearing Member Cash Account or relevant U.S. Clearing Member Cash Account, as relevant, in accordance with the daily cash clearing procedure pursuant to Chapter I Part 1 Number 1.4.1. Such payment made by direct debit shall constitute cover in respect of the Margin to which the margin requirement referred to in the foregoing sentence relates and accordingly will constitute (i) Elementary Proprietary Margin or Elementary 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 Clearing Model Provisions, (iii) Net

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Omnibus Margin delivered by the Clearing Member pursuant to the Net Omnibus Clearing Model Provisions or (iv) FCM Client Margin delivered by the FCM Clearing Member for the account of the relevant FCM Client pursuant to the U.S. Clearing Model Provisions. Eurex Clearing AG will make available an OTC Trade Novation Report on the Business Day following the day of submission at or around 9:30 a.m. CET to the Clearing Member (in the case of a FCM Client Transaction, to the FCM Clearing Member acting on behalf of the relevant FCM Client) and the Registered Customer.

- (8) A Clearing Member (in the case of a FCM Client Transaction, the FCM Clearing Member acting on behalf of the relevant FCM Client) or Registered Customer may subsequently cancel the submission with respect to any Bulk Backloading Original OTC Transaction submitted to Eurex Clearing AG via an Approved Trade Source System and intended to be novated by the latest by 9:5 p.m. CET on a Business Day, provided that

[...]

[...]

## 2.1.6 Margin Requirements

[...]

- (4) [...]

If the overnight interest rates are positive and a Clearing Member (or a FCM Client) has a positive portfolio value, Eurex Clearing AG will charge PAI. If the overnight interest rates are positive and a Clearing Member (or a FCM Client) has a negative portfolio value, Eurex Clearing AG will credit PAI to the Clearing Member (or the FCM Client). In case of negative overnight interest rates, Eurex Clearing AG will credit PAI if a Clearing Member (or a FCM Client) has a positive portfolio value and will charge PAI if a Clearing Member (or a FCM Client) has a negative portfolio value.

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

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

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

where:

"MtM<sub>exCF</sub>(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.

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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 JPY, VM is settled on T+2 (in contrast to EUR, USD, GBP and CHF where it is settled on T+1). Thus, PAI for JPY is defined as:

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

with

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

(5)

$$PAI(t) = -PV(t-d^-) \cdot ON(t-d^-, t) \cdot \frac{d^-}{360}$$

where:

“PV(t-d<sup>-</sup>)” means the present value on the previous Business Day

“ON(t-d<sup>-</sup>, t)” means the overnight interest rate of the corresponding currency for the period between today and today less d days.

“d<sup>-</sup>” means the number of calendar days between the current and the last derivation of the PAI.

(5) The rules on set-off of cash claims pursuant to Chapter I Part 1 Number 1.3.1 Paragraph (1) (a) Sentence 1 and Chapter I Part 1 Number 1.3.1 Paragraph (2) (a) (aa) (subject to the limitations set out in Chapter I Part 5 Number 4) apply.

[...]

## 2.2.1 Payment Obligations

[...]

- (4) If after adjustment in accordance with the applicable **bBusiness Day cConventions**, payments of Fixed or Floating Amounts become due on a Payment Date which is not a day on which TARGET2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open (a “**TARGET Settlement Day**”), such payments shall become payable on the next TARGET Settlement Day. For the period from (and including) the scheduled payment date until (and excluding) the next following TARGET Settlement Day, interest will be payable by the relevant fixed rate payer or floating rate payer on the relevant Fixed Amount or Floating Amount payable at a rate equal to EONIA (in case of Euro payments), SONIA (in case of GBP payments); FED FUNDS (in case of USD payments) TOIS (in case of CHF payments) or TONA (in case of JPY payments).

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[...]

## 2.2.5 Rates for calculating the Floating Amount

[...]

- (2) “**Reset Date**” means, for an OTC Interest Rate Derivative Transaction or a party, each day specified as such in the OTC Trade Novation Report for the OTC Interest Rate Derivative Transaction or that party, subject to adjustment in accordance with the applicable bBusiness dDay cConvention specified in the OTC Trade Novation Report, in each case on the basis of the data relating to reset dates as transmitted to Eurex Clearing AG via the Approved Trade Source System. If an adjustment in accordance with that bBusiness dDay cConvention would cause a Reset Date to fall on the Payment Date in respect of the Calculation Period to which that Reset Date relates, the Reset Date shall be the first Business Day preceding the date on which the Reset Date would have fallen without any adjustment.

[...]

## 2.3.1 General terms for ISDA Interest Rate Swaps or Forward Rate Agreements

In the case of ISDA Interest Rate Derivative Transactions that are interest rate swaps (each an “**ISDA Interest Rate Swap**”) or forward rate agreements (each an “**ISDA Forward Rate Agreement**”), the 2006 ISDA Definitions and, on their basis, the following general terms shall apply:

[...]

- (d) Termination Date (subject to adjustment in accordance with any applicable Bbusiness Dday Cconvention)
- (e) Business Days
- (f) Bbusiness Dday Cconvention

[...]

## 2.3.2 Terms for ISDA Fixed Rate-Floating Rate Swaps

In addition to the general terms for ISDA Interest Rate Swaps, the following product-specific terms, which are specified in, or may be derived from, the relevant OTC Trade Novation Report shall apply to ISDA Interest Rate Swaps that are fixed rate-floating rate swaps:

1. Fixed Amounts:
  - (a) Fixed Rate Payer
  - (b) Fixed Rate Payer Payment Dates (subject to adjustment in accordance with any applicable bBusiness Day Convention)

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[...]

2. Floating Amounts:

(a) Floating Rate Payer

(b) Floating Rate Payer Payment Dates (subject to adjustment in accordance with any applicable ~~b~~Business ~~D~~day ~~c~~Convention)

[...]

### 2.3.3 Terms for ISDA Floating Rate-Floating Rate Swaps

In addition to the general provisions for ISDA Interest Rate Swaps, the following product-specific terms, which are specified in, or may be derived from, the relevant OTC Trade Novation Report, shall apply to ISDA Interest Rate Swaps that are floating rate-floating rate swaps (“**basis**” swaps):

(a) Floating Rate Payer 1

(i) Floating Rate Payer Payment Dates (subject to adjustment in accordance with any applicable ~~b~~Business ~~D~~day ~~C~~convention)

[...]

(b) Floating Rate Payer 2

(i) Floating Rate Payer Payment Dates (subject to adjustment in accordance with any applicable ~~b~~Business ~~D~~day ~~c~~Convention)

[...]

### 2.3.4 Terms for ISDA Overnight Interest Rate Swap Transactions

In addition to the general terms for ISDA Interest Rate Swaps, the following product-specific terms, which are specified in, or may be derived from, the relevant OTC Trade Novation Report, shall apply to ISDA Interest Rate Swaps that are overnight interest rate-swap transactions:

1. Fixed Amounts:

(a) Fixed Rate Payer

(b) Fixed Rate Payer Payment Dates or Period End Dates, if Delayed Payment or Early Payment applies (subject to adjustment in accordance with any applicable ~~b~~Business ~~D~~day ~~c~~Convention)

(c) Fixed Rate and Fixed Rate Day Count Fraction

2. Floating Amounts:

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- (a) Floating Rate Payer
- (b) Floating Rate Payer Payment Dates or Period End Dates, if Delayed Payment or Early Payment applies (subject to adjustment in accordance with any applicable Bbusiness Dday cConvention)
- (c) Floating Rate for initial Calculation Period, if applicable
- (d) Floating Rate Option
- (e) Reset Dates being the last day of each Calculation Period (subject to adjustment in accordance with any applicable bBusiness Dday cConvention)
- (f) Compounding (“**straight**”) or Flat Compounding shall not be applicable.

### 2.3.5 Terms for ISDA Forward Rate Agreements

In addition to the general provisions for ISDA Forward Rate Agreements, the following product-specific terms shall apply to ISDA Forward Rate Agreements:

- (a) Fixed Rate Payer
- (b) Fixed Rate
- (c) Floating Rate Payer
- (d) Payment Date being the Effective Date or the Termination Date as specified in the OTC Trade Novation Report (subject to adjustment in accordance with any applicable Bbusiness Dday Cconvention)
- (e) Floating Rate Option
- (f) Designated Maturity
- (g) Spread: none
- (h) Floating Rate Day Count Fraction
- (i) Reset Date (subject to adjustment in accordance with any applicable bBusiness Dday cConvention)
- (j) FRA Discounting: Applicable if the FRA Amount is payable on the Effective Date and not applicable if the FRA Amount is payable on the Termination Date
- (k) Identical financial centres for fixings and payments.

### 2.3.6 Terms for ISDA Zero Coupon Inflation Swaps

In addition to the general terms for ISDA Interest Rate Swaps, the following product-specific terms, which are specified in, or may be derived from, the relevant OTC Trade Novation Report shall apply to ISDA Zero Coupon Inflation Swaps:



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1. Fixed Amounts:

- (a) Fixed Rate Payer
- (b) Fixed Rate Payer Payment Date (subject to adjustment in accordance with any applicable ~~B~~business ~~D~~day ~~C~~convention)
- (c) Fixed Rate (zero coupon) and Fixed Rate Day Count Fraction, or

2. Floating Amounts:

- (a) Floating Rate Payer
- (b) Floating Rate Payer Payment Date (subject to adjustment in accordance with any applicable ~~B~~business ~~D~~day ~~C~~convention)

[...]

[...]

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