

Chapter II: Special Provisions for Clearing of Interest Rate Derivative Transactions

## FCM Regulations of Eurex Clearing AG

As of 17.10.2020

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED

DELETIONS ARE CROSSED OUT

\*\*\*\*\*

[...]

**Part 1 General Provisions**

[...]

**1.2 Conclusion of Transactions**

[...]

**1.2.3 Novation Criteria for the Novation of Original Swap Transactions**

- (1) Eurex Clearing AG will accept an Original Swap Transaction for inclusion in the Clearing in accordance with the novation process if all of the following novation criteria are fulfilled:

[...]

- (h) If the Swap Transaction being cleared is an Interest Rate Derivatives Transaction, all applicable additional novation criteria set forth in Part 2 are fulfilled.

[...]

[...]

**1.8 Index-related Provisions**

[...]

**1.8.2 Permanent Index Cessation**

[...]

- (3) If a Permanent Index Cessation Event occurs, Eurex Clearing AG will determine each index level for a date from (and including) the Index Cessation Date based on

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the following fallbacks (any such fallback index a “Successor Index”), whereby lit. (a) – (d) mark the order of application of the relevant fallback. For the avoidance of doubt, a Successor Index may also consist of a fallback index plus or minus a certain fixed spread.

[...]

- (c) If an index is formally designated, nominated or recommended as a fallback index by (i) the competent central bank for the currency of the relevant index, the regulatory supervisor for either the relevant index or the Index Administrator, or any working group or committee officially endorsed or convened by any of the foregoing authorities, a group of any of the foregoing authorities, or the Financial Stability Board, or any part thereof, or (ii), if (i) does not apply, the Index Administrator of the relevant index ~~as a fallback~~, then, as of the Index Cessation Date, this fallback index shall be applied as the Successor Index, provided that Eurex Clearing states in accordance with Chapter I Number 15.1 that it is operationally and legally capable to use this fallback index.

[...]

[...]

### 1.8.3 Temporary Index Cessation

[...]

- (2) If a Temporary Index Cessation Event occurs, Eurex Clearing AG will determine each missing index level based on the following fallbacks:

[...]

- (c) If lit. (a) –(b) do not apply or the fallback mechanism contemplated therein is not feasible, Eurex Clearing will surrogate each missing Relevant Index Level by the latest available Relevant Index Level until the occurrence of an Permanent Index Cessation DateEvent.

[...]

[...]

## Part 2 Clearing of Interest Rate Derivative Transactions

### 2.1 General Provisions

[...]

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## 2.1.2 ~~Consultation of FCM Clearing Members~~ Types of Transactions eligible for the Clearing; Additional terms

[...]

## 2.1.3 License for the Clearing of Interest Rate Derivatives Transactions

[...]

[...]

## 2.1.5 Novation Criteria and Process Regarding Interest Rate Derivative Transactions

[...]

### 2.1.5.1 Specific Novation Criteria

The following specific novation criteria must be fulfilled for Interest Rate Derivative Transactions (based on the Trade Record transmitted to Eurex Clearing AG via the ATS):

[...]

#### (4) Maximum remaining term

The remaining term of the Interest Rate Derivative Transaction from the date of novation to the termination date must be

- (a) in case of IRS, no more than 51 years (18,675 calendar days) ~~50 years and 10 Business Days~~ for Original Swap Transactions in EUR, USD and GBP and no more than 31 years (11,375 calendar days) ~~30 years and 10 Business Days~~ for Original Swap Transactions in CHF, DKK, SEK, NOK and JPY and no more than 11 years (4,050 calendar days) ~~10 years and 10 Business Days~~ for Original Swap Transactions in PLN,
- (b) in case of OIS, (i) no more than 31 years (11,375 calendar days) ~~30 years and 10 Business Days~~ for Original Swap Transactions in ~~EUR referencing EUR-EONIA-COMPOUND, GBP, CHF and JPY~~, and (ii) no more than 51 years (18,675 calendar days) ~~50 years and 10 Business Days~~ for Original Swap Transactions in EUR, ~~GBP referencing EUR-EuroSTR-COUMPOUND~~ and USD,
- (c) in case of FRA, no more than 3 years (1,225 calendar days) ~~36 months and 10 Business Days~~ for Original Swap Transactions in EUR, USD, GBP, CHF, SEK, and JPY, ~~and no more than 24 months and 10 Business Days for Original Swap Transactions in~~ DKK, NOK and PLN, and

[...]

[...]

#### (10) Fixed rate and floating rate spread schedules

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IRS (but not ZCIS, OIS or FRA) may have a fixed rate and a floating rate spread schedule, i.e. a fixed rate or floating rate spread may vary across the calculation periods relative to their value in the relevant preceding calculation period provided that any such change to the fixed rate or the floating rate spread may only occur at the start of the relevant calculation period and must be pre-determined and specified in the Trade Record submitted via the ATS. Fixed rate or floating rate spread schedules are not eligible for zero coupon payments or payments made on a compounding basis.

[...]

#### (12) Notional amount

[...]

Except for ZCIS and FRA, the notional amounts can be different for each swap leg and may vary across the calculation periods relative to their value in the relevant preceding calculation period. The changes in notional can only take place at the start of the calculation periods and must be pre-determined and specified in the Trade Record submitted via the ATS. Changes in the notional amount across calculation periods may not be specified for ZCIS ~~and FRA, OIS nor for IRS with swap legs under which amounts are payable on a compounding basis or in the form of a zero coupon payment:~~

[...]

[...]

#### (17) Compounding

The floating leg (incl. spread) of an IRS can be subject to Compounding (also referred to as "~~s~~**Straight e**Compounding" if Flat Compounding is not specified as applicable) or Flat Compounding, each as defined in Number 2.2.4 below. Only standard monthly, quarterly, semi-annual and, in case of EUR and GBP only, annual floating rate indices can be referenced for payments made on a ~~Straight "straight"~~ Compounding or Flat Compounding basis, i.e. no Interest Rate Stub Periods may be specified for such Interest Rate Derivative Transactions;

For the fixed leg, neither ~~Straight "straight"~~ Compounding nor Flat Compounding may be selected in the ATS. However, a fixed rate can be specified under the zero coupon option which would result in one fixed payment at swap maturity for the fixed leg only applying the provided fixed rate subject to the applicable terms of calculation such as business day conventions and day count fractions. Alternatively, a lump sum can be entered manually that would be paid unadjusted on the last payment date of the relevant zero coupon swap.

[...]

[...]

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### 2.1.5.2 Documentation of Original Swap Transactions

- (1) In the Trade Record submitted via the ATS in respect of an Original Swap Transaction for purposes of Clearing of Interest Rate Derivative Transactions, one of the following frameworks has to be specified as the source of specifications (in particular the financial and/or pricing terms) applicable to the Original Swap Transaction:

[...]

- (3) By entering into the relevant FCM Clearing Agreement, the FCM Clearing Member declares vis-à-vis Eurex Clearing AG that it has received a copy of the 2006 ISDA Definitions, as published by ISDA, and any amendments and/or supplements issued thereto as of the date of such FCM Clearing Agreement. The FCM Clearing Member declares that it will be its own responsibility~~take charge of itself~~ to obtain~~receive~~ any amendments and/or supplements to the 2006 ISDA Definitions which are published after their entering into the FCM Clearing Agreement. The FCM Clearing Member further agrees to the passing on to ISDA of their company name and their company address in the context of the delivery to it of the documents referred to in the foregoing paragraph.

[...]

### 2.1.6 Daily Evaluation Price and Discounting of Future Cashflows

- (1) Eurex Clearing AG determines the daily evaluation price on the basis of (i) the fixings published on the Reuters Screen page as defined for the relevant floating rate in Number 2.2.5 Paragraph (1) below and (ii) the raw market quotes underlying the discount and forecast curve provided by a recognized third party provider (the respective quotes and third party provider to be selected at the reasonable discretion of Eurex Clearing AG), in each case as of the day of the determination of the daily evaluation price (each such day a “Reset Date” for the purposes of Number 2.2.5 Paragraph (1)). Where no information on the relevant fixings as referred to in (i) rates is available on the relevant screen page, Eurex Clearing AG will determine the daily evaluation price in accordance with Number 1.8. The relevant discount and forecast curves are laid out in the EurexOTC Clear Risk Methodology Description Interest Rate Swaps of Eurex Clearing AG.

[...]

[...]

## 2.2 General product-related terms for Interest Rate Derivative Transactions

[...]

### 2.2.1 Payment Obligations

[...]

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(5) The following additional primary payment obligations apply:

(a) [...]

“**Variation Settlement Amount**” means an amount which shall equal the profit or loss amount determined with respect to an outstanding Interest Rate Derivative Transaction on the relevant Business Day on the basis of the daily evaluation price (pursuant to Number 2.1.6) as follows: For Interest Rate Derivative Transactions ~~entered into~~~~concluded~~ on the relevant Business Day, the relevant profit or loss amount shall be the difference between zero and the daily evaluation price for such Business Day. For each outstanding Interest Rate Derivative Transaction ~~entered into~~~~concluded~~ prior to the relevant Business Day, the relevant profit or loss amount shall be the difference between the daily evaluation prices of the Interest Rate Derivative Transaction on the relevant Business Day and the previous Business Day. [...]

(b) [...]

(aa) The Price Alignment Amount means the overnight interest paid or received on the cumulative Variation Settlement Amounts over the lifetime of the Interest Rate Derivatives Transaction. The cumulative Variation Settlement Amounts of the previous Business Day correspond to the value of the Interest Rate Derivatives Transaction on the previous Business Day.

[...]

(bb) The relevant indices to determine the PAA are

(i) In case the currency is EUR, then ~~EONIA (until and including 24.07.2020) or €STR (from 25.07.2020 onwards);~~

(ii) In case the currency is USD, then ~~FEDFUNDSOFRS;~~

[...]

Eurex Clearing AG may switch the index to determine the PAA by amending this Paragraph (4) ~~(b) in accordance with Chapter I Part 1 Number 16.2 or by way of applying the provisions laid out in Part 1 Number 1.8.2, in case a Permanent Index Cessation Event occurs with respect to an index, by announcing a successor index in accordance with Chapter I Part 1 Number 16.1~~ (each a “**PAA Switch**”). Eurex Clearing AG may postpone the effective date of a PAA Switch by amending this Paragraph (4) (b) (bb) ~~in accordance with Chapter I Part 1 Number 16.2~~ or, if a Termination Event with respect to an FCM Clearing Member, a Termination Event (as defined in the Clearing Conditions) with respect to a Clearing Member, an Insolvency Termination Event with respect to an FCM Clearing Member, an Insolvency Termination Event (as defined in the Clearing Conditions) with respect to a Clearing Member, a Basic Clearing Member Termination Event (as defined in the Clearing Conditions) or a Basic Clearing Member Insolvency Termination Event (as defined in the Clearing Conditions) occurs and Eurex Clearing deems that such

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event may have an adverse impact on the proper course of the implementation of a PAA Switch, by publishing an announcement in accordance with Chapter Number 15.1 of the FCM Regulations.

[...]

[...]

#### 2.2.4 Calculation of Floating Amount

- (1) Eurex Clearing AG will calculate the floating amount payable by a party on a Payment Date (the “**Floating Amount**”) as follows:

[...]

- (b) if “**Compounding**” is specified as applicable and “**Flat Compounding**” is not specified as applicable, an amount equal to the sum of the Compounding Period Amounts for each of the Compounding Periods in the related Calculation Period;

[...]

- (2) If the Floating Amount payable by a party on a Payment Date is a negative number (either due to a quoted negative Floating Rate or by operation of a negative Spread that is added to the Floating Rate) and if “**Compounding**” or “**Flat Compounding**” is not specified for that Interest Rate Derivative Transaction, then the Floating Amount payable by that party on that Payment Date will be deemed to be zero and the other party will pay to that party the absolute value of the negative Floating Amount as calculated, in addition to any amounts otherwise payable by the other party for the related Calculation Period.

- (3) If either “**Compounding**” or “**Flat Compounding**” is specified in the Swap Trade Event Report to be applicable to that Interest Rate Derivative Transaction and the Compounding Period Amount, the Basic Compounding Period Amount or the Additional Compounding Period Amount is a negative number (either due to a quoted negative Floating Rate or by operation of a negative Spread that is added to the Floating Rate), then the Floating Amount for the Calculation Period in which that Compounding Period or those Compounding Periods occur will be either the sum of all Compounding Period Amounts or the sum of all the Basic Compounding Period Amounts and all the Additional Compounding Period Amounts in that Calculation Period (whether positive or negative).

[...]

[...]

#### 2.7 Transfer of Swap Transactions, Account Transfer and Trade Amendment

- (1) A Swap Transaction, including an Unallocated FCM Client Transaction, may be



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- (i) transferred in accordance with Paragraphs (2) to (45) and Numbers 2.7.1, 2.7.2 and 2.7.3 below or
- (ii) amended in accordance with Number 2.7.4.

[...]

- (3) Every Swap Transaction, including an Unallocated FCM Client Transaction, except in the case of the transfer of an Unallocated FCM Client Transaction pursuant to Number 2.7.3 Paragraph (2)(b), being transferred pursuant to Number 2.7.1 and 2.7.2, will be transferred by way of assumption of contract, without close out and rebooking of the transaction. Any transfer shall take effect when a respective Swap Trade Daily Summary Report is made available to the relevant FCM Clearing Member(s) or Non-FCM Clearing Member electronically via Eurex Clearing AG's system.

To the extent a transfer of a Swap Transaction is effected by way of novation, the novation criteria as laid out in Part 1 Number 1.2.3 (1) (d), (f) and (h) shall apply. Any such novation shall take effect when a respective Swap Trade Daily Summary Report is made available to the relevant FCM Clearing Member(s) or Non-FCM Clearing Member electronically via Eurex Clearing AG's system.

- (4) For the avoidance of doubt, Eurex Clearing AG is not obliged to verify whether the transfer or account transfer instructions were given by the relevant FCM Client to the FCM Clearing Member making the transfer request on the FCM Client's behalf.

(5) Eurex Clearing AG may, subject to further restrictions set out in the systems of Eurex Clearing AG, offer a bulk transfer of two or more Swap Transactions where the check in accordance with Part 1 Number 1.2.3 (1) (f) whether the FCM Clearing Member and, if applicable, the Non-FCM Clearing Member clearing the other side has delivered sufficient Eligible Margin Assets is performed on a net basis across all such Swap Transactions.

[...]

## **2.7.1 Transfer of a Swap Transaction to another FCM Clearing Member or Non-FCM Clearing Member (Trade Transfer)**

[...]

- (2) Any trade transfer or partial trade transfer of an Own Transaction may be effected by way of novation pursuant to Chapter I Number 1.3.3 Paragraph (3)(ii) and this Number 2.7.1. Any trade transfer or partial trade transfer of an FCM Client Transaction may be effected pursuant to Chapter I Number 1.3.3. Paragraph (3)(iii) and this Number 2.7.1 and is subject to Chapter II Part 2 Number 2.7.3.

## **2.7.2 Account Management or Account Transfers**

- (1) An FCM Clearing Member, including when acting as agent on behalf of a relevant FCM Client, may book Swap Transactions to or from any of its transaction accounts

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in accordance with this Number 2.7.2. Any transfer or partial transfer of an Own Transaction may be effected by way of novation pursuant to Chapter I Number 1.3.3 Paragraph (3)(+) and this Number 2.7.2. Any transfer relating to FCM Client Transactions may be effected by way of novation pursuant to Chapter I Number 1.3.3 Paragraph (3)(+), this Number 2.7.2 and is subject to Number 2.7.3.

[...]

[...]

## 2.8 Early Termination

[...]

### 2.8.2 Termination of Own Transactions and FCM Client Transactions

A Swap Transaction ~~constituting an Own Transaction or FCM Client Transaction~~ effbetween the FCM Clearing Member and Eurex Clearing AG may only be terminated if the following requirements are met:

[...]

[...]

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