

Chapter VIII of the Clearing Conditions of Eurex Clearing AG

## Clearing of OTC Derivative Transactions

As of 09.10.2017

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

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[...]

## 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):

#### (1) Categories of OTC Interest Rate Derivative Transactions

The OTC Interest Rate Derivative Transactions must be (i) an interest rate swap (including “**basis**” swaps and zero coupon swaps) (“**IRS**”), (ii) an overnight index swap (“**OIS**”), (iii) a forward rate agreement (“**FRA**”), or (iv) a ZCIS and, in each case, a Product Type recognised by Eurex Clearing AG;

[...]

#### (8) Floating rate indices

The floating rate index (Floating Rate Option or base rate) must be one of the following:

[...]

(o) CHF-SARON-OIS-COMPOUND

where:

For Paragraphs (a) – (e) and (k) – (n), the payment is between the period end date and the second Business Day following the period end date. The fixing for Paragraphs (a) – (e) and (k) – (n) is between ten Business Days prior to the period start date and the period start date;

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for Paragraphs (f), (i), ~~and~~ (j) and (o), the payment is between the period end date and the second Business Day following the period end date;

for Paragraphs (g) and (h), payment is on the first or second Business Day following the period end date;

[...]

[...]

[...]

### 2.1.6 Margin Requirements

[...]

- (4) Eurex Clearing AG will charge the price alignment interest (“**PAI**”) to the Clearing Member, the FCM Clearing Member (for the account of the FCM Client) or the Basic Clearing Member together with the Variation Margin, the FCM Client Variation Margin or the Basic Clearing Member Variation Margin, as the case may be. It corresponds to the overnight interest paid or received on the cumulative Variation Margin, FCM Client Variation Margin or Basic Clearing Member Variation Margin over the lifetime of the portfolio. The cumulative Variation Margin, FCM Client Variation Margin or Basic Clearing Member Variation Margin, respectively, of the previous Business Day corresponds to the present value of the IRS portfolio on the previous Business Day.

If the overnight interest rates are positive and a Clearing Member, a FCM Client or a Basic Clearing Member has a positive portfolio value, Eurex Clearing AG will charge PAI from the Clearing Member, the FCM Client or the Basic Clearing Member. If the overnight interest rates are positive and a Clearing Member, a FCM Client or a Basic Clearing Member has a negative portfolio value, Eurex Clearing AG will credit PAI to the Clearing Member, the FCM Client or Basic Clearing Member. In case of negative overnight interest rates, Eurex Clearing AG will credit PAI to a Clearing Member, a FCM Client or Basic Clearing Member if it has a positive portfolio value and will charge PAI from the Clearing Member, the FCM Client or the Basic Clearing Member if the Clearing Member, FCM Client or Basic Clearing Member 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, PLN and CHF, PAI is defined as:

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

where:

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“ $MtM_{exCF}(T - 1) = MtM(T - 1) - CF(T)$ ” 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 using the daycount convention of the corresponding overnight index.

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

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

with

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

The relevant indices are

- (a) In case the currency is EUR then EONIA;
- (b) In case the currency is USD then FED FUNDS;
- (c) In case the currency is GBP then SONIA;
- (d) In case the currency is CHF then SARONTOIS;

[...]

[...]

[...]

## 2.2.1 Payment Obligations

[...]

- (4) If after adjustment in accordance with the applicable business day conventions, 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

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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), ~~SARONTOIS~~ (in case of CHF payments), NOWA (in case of NOK payments), POLONIA (in case of PLN payments), the T/N -Rate (published by the Danish National Bank) (in case of DKK payments), STIBOR T/N (in case of SEK payments) or TONAR (in case of JPY payments).

[...]

## 2.2.5 Rates for calculating the Floating Amount

(1) The applicable Relevant Rate (in case of ISDA Interest Rate Derivative Transactions) or Base Rate (in case of DRV Interest Rate Derivative Transactions) applied by Eurex Clearing AG in calculating Floating Amounts will be set out in the OTC Trade Novation Report on the basis of the floating rate index specified in the trade record transmitted to Eurex Clearing AG via the Approved Trade Source System whereby:

(a) “**EUR-EURIBOR Reuters**” means that the rate for a Reset Date will be the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 Page as of 11:00, Brussels time. If a corrected rate is delivered till 15:00 Brussels time, then this rate will be used.

[...]

(j) “**CHF-TOIS-OIS-COMPOUND**”, “**CHF-SARON-OIS-COMPOUND**”, “**USD-Federal Funds-H.15-OIS-COMPOUND**”, “**GBP-WMBA-SONIA-COMPOUND**”, “**EUR-EONIA-OIS-Compound**”, “**JPY-TONA-OIS-COMPOUND**” will be calculated as set out in Number 2.2.7 below.

[...]

[...]

[...]

## 2.2.7 OIS Rate Calculation

The applicable Floating Rate for overnight interest rate swaps (OIS) pursuant to Number 2.3.4 or 2.4.2 below will be calculated in accordance with the following paragraphs of Section 7.1 of the 2006 ISDA Definitions:

[...]

“**CHF-TOIS-OIS-COMPOUND**” means that the rate for a Reset Date, calculated in accordance with the formula set forth below in this subparagraph, will be the rate of return

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of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).

“**CHF-TOIS-OIS-COMPOUND**” will be calculated as follows, and the resulting percentage will be rounded, if necessary, in accordance with the method set forth in Section 8.1(a) of the 2006 ISDA Definitions or, in the case of DRV Interest Rate Derivative Transactions, Number 2.4 Paragraph (3) below, but to the nearest on ten-thousandth of a percentage point (0.0001 per cent):

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{TOIS_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

“**d<sub>0</sub>**”, for any Calculation Period, is the number of Zurich Banking Days in the relevant Calculation Period;

“**i**” is a series of whole numbers from one to d<sub>0</sub>, each representing the relevant Zurich Banking Days in chronological order from, and including, the first Zurich Banking Day in the relevant Calculation Period;

“**TOIS<sub>i</sub>**”, for any day “**i**” in the relevant Calculation Period, is a reference rate equal to the rate for tomorrow next deposits in Swiss Francs which appears on the Reuters Screen CHFTOIS= as of 11:00, Zurich time, on the day that is one Zurich Banking Day preceding that day;

“**n<sub>i</sub>**”, is the number of calendar days in the relevant Calculation Period on which the rate is TOIS<sub>i</sub>; and

“**d**” is the number of calendar days in the relevant Calculation Period.

“**CHF-SARON-OIS-COMPOUND**” means that the rate for a Reset Date, calculated in accordance with the formula set forth below in this subparagraph, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the Swiss Franc Repo daily overnight reference rate).

“**CHF-SARON-OIS-COMPOUND**” will be calculated as follows, and the resulting percentage will be rounded, if necessary, in accordance with the method set forth in Section 8.1(a) of the Supplement number 51 to the 2006 ISDA Definitions or, in the case of DRV Interest Rate Derivative Transactions, Number 2.4 Paragraph (3) below, but to the nearest on ten-thousandth of a percentage point (0.0001 per cent):

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SARON_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

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“ $d_0$ ”, for any Calculation Period, is the number of Zurich Banking Days in the relevant Calculation Period;

“ $i$ ” is a series of whole numbers from one to  $d_0$ , each representing the relevant Zurich Banking Days in chronological order from, and including, the first Zurich Banking Day in the relevant Calculation Period;

“ $SARON_i$ ”; for any day “ $i$ ” in the relevant Calculation Period, is a reference rate equal to the rate for overnight repo transactions in Swiss Francs which appears on the Thomson Reuters Screen SARON.S under the heading ‘CLSFIX’ at or after 6:00 p.m., Zurich time, in respect of that day or, if such rate does not appear on the Thomson Reuters Screen SARON.S by 8 p.m. on such day, the rate for that day will be determined by Eurex Clearing AG.

“ $n_i$ ”, is the number of calendar days in the relevant Calculation Period on which the rate is  $SARON_i$ ; and

“ $d$ ” is the number of calendar days in the relevant Calculation Period.

[...]

[...]

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