



Eurex Clearing

Reuse of GC Pooling® Collateral for Eurex Clearing Margining

December 2011

Service Description

Agenda

- Management Summary
- Eurex Repo GC Pooling®
- Reuse GC Pooling® Collateral for the Eurex Clearing Margining
- How to participate in the Reuse service?
- Backup

Management Summary

What is Reuse?

Eurex Repo, Eurex Clearing and Clearstream offer a service to Eurex Repo GC Pooling® cash providers to reuse the received (“transferred”) GC Pooling® collateral¹⁾ for margin requirements arising from any product cleared by Eurex Clearing

Who can reuse GC Pooling® collateral?

GC Pooling® Cash providers using the Clearstream Banking Frankfurt collateral management system Xemac® are allowed to use the transferred GC Pooling® collateral up to the amount of their full value

What are the member benefits?

The Reuse of GC Pooling® collateral can achieve the following:

- reducing margin collateral funding cost
- increasing the trading flexibility of own securities
- reducing the operational effort to manage collateral substitutions
- mobilizing less flexible security pools

1) Eligible GC Pooling® baskets are: GC Pooling® ECB Basket, GC Pooling® ECB EXTended Basket, GC Pooling® Equity Basket

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Eurex Repo GC Pooling® – Trading, Clearing, Settlement

Secured Euro and US Dollar cash funding – Straight Through Processing

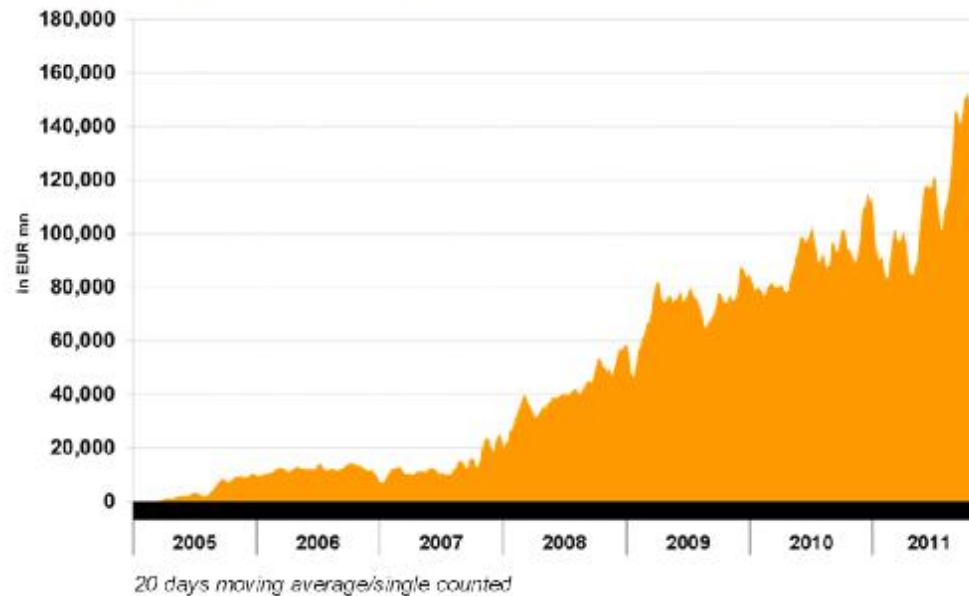
<p>Product</p>	<ul style="list-style-type: none"> • GC Pooling® is the cash-driven General Collateral (GC) market segment of Eurex Repo • Secured Euro and US Dollar cash funding, as a first step into multiple currencies, collateralized by standardized collateral baskets
<p>Trading</p>	<ul style="list-style-type: none"> • Trading of standardized collateral baskets against secured money • Anonymous trading on Open Order Book basis • No regulatory costs, depending on country of residence
<p>Clearing</p>	<ul style="list-style-type: none"> • Eurex Clearing is the Clearing House and Central Counterparty (CCP) for all GC Pooling® transactions, thereby allowing settlement netting and exposure netting • CCP Delivery Management via Clearstream Banking Frankfurt (CBF) / CASCADE
<p>Settlement</p>	<ul style="list-style-type: none"> • For all GC Pooling® transactions, CBF is the CSD to manage the collateral with Xemac®, and Clearstream Banking Luxembourg (CBL) providing agent services with CmaX • Thereby linking of CBF and CBL assets to create one virtual centralized collateral pool • Repo collateral is debited from the cash taker and credited to the cash provider via Eurex Clearing • In Xemac® reusability of received collateral with pledge towards ECB / Deutsche Bundesbank as well as towards Eurex Clearing for margining for CBF serviced members

Eurex Repo GC Pooling® - keeps on growing

Accessing a constantly growing collateral pool for Eurex Clearing margining

Volumes

Daily Average Outstanding Volume March 2005 - November 2011



Key Figures

- Daily outstanding volume record **€164.4 bn** on September 27, 2011
- **+48 % year-on-year:** €148.2 bn November 2011 average outstanding volume (€100.1 bn in November 2010)
- 74 participants are actively trading in the GC Pooling® market

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Reuse of GC Pooling® Collateral for the Eurex Clearing Margining

Claim based allocation and automatic substitution of basket securities

GCP Front Leg

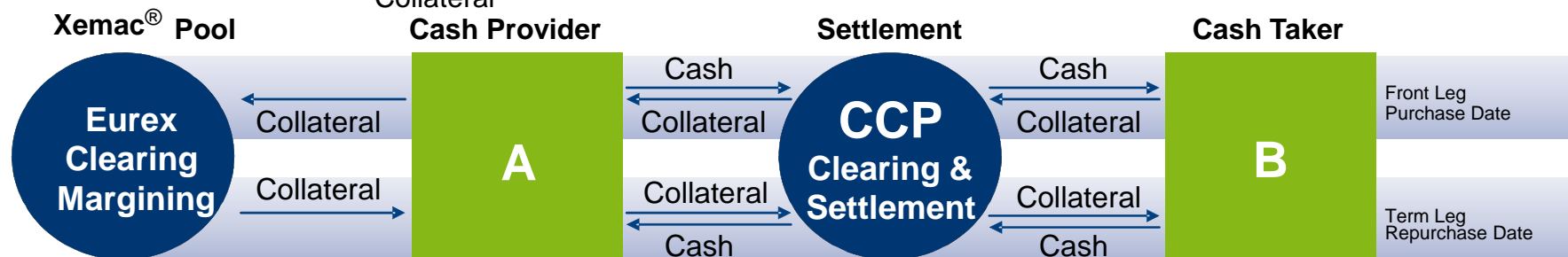
- The cash provider gives cash – EUR or USD – for collateral in the scope of the respective GC Pooling® Basket from the cash taker in order to collateralize the cash provided
- The GC Pooling® Basket collateral is debited via Eurex Clearing from the cash taker and credited to the cash provider

Reuse

- After concluding the respective Reuse contract for Eurex Clearing margining and defining the claim amount, the “transferred” collateral is automatically allocated to the Xemac® Reuse contract
- The concentration limits applicable for margin collateral of Eurex Clearing AG for the respective instruments are not applicable for the instruments allocated under the Reuse Service

Automatic Substitution

- Once a repo reaches the Term Leg settlement date, the allocated “transferred” collateral will be automatically substituted by other “transferred” collateral, if sufficiently available in Xemac®, to ensure settlement of the GC Pooling® transactions in due time
- Alternatively the Reuse amount should be reduced in time and replaced by other eligible Collateral



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How to participate in the Reuse service?

Reuse service requirements

Target Group

- The Reuse service addresses Clearing Members with a Eurex Repo clearing license who act as cash providers in the GC Pooling® market
- Repo Clearing Members must be a Xemac® user for Eurex Clearing margining and confirm the Xemac® contract conclusion “GC Pooling® for Eurex Margining” based on a respective contract definition type

Participation Rules & Regs

- Clearing conditions of the Eurex Clearing AG, the Xemac® special conditions as well as the terms and conditions for participation and trading on Eurex Repo form the legal basis for the Reuse service
- Upon request, Eurex Clearing allows German Settlement Institutions who operate the settlement of GC Pooling® transactions to manage the Xemac® collateral pool for the Reuse service under the Xemac® contract conclusion

Member Information & Forms

- Further details regarding the service, the application procedures and contacts were published in the Eurex Clearing circular 079/11 of November 3, 2011
- The following application forms are available on the Eurex Clearing website under the path: Documents > Forms > Eurex Repo & Eurex Bonds > Single Forms > Legal & Regulatory:
 - Request for Reuse of GC Pooling® Collateral for Eurex Clearing margining
 - Application & Power of Attorney for the use of a German Settlement Institution for provision of securities via Xemac® for the Reuse of GC Pooling® Collateral

How to participate in the Reuse service?

Further Requirements regarding trading and clearing requirements

Trading Admission

- Legal requirements
 - Applicant must be under the regulation of a domestic regulatory authority
 - Applicant must be subject to a financial market supervisory authority in its country of domicile and hold the status of a credit institution or an investment firm according to the definition set forth in Art. 1 Paragraph 1 and 2 and Art. 4 Paragraph 1 of the Council Directive on markets for financial instruments 2004/39/EG (MiFID)

Clearing Admission

- Clearing admission requirements
 - Clearing conditions for the Eurex Clearing AG, price lists etc. are available under the following link to the Eurex Clearing website:
http://www.eurexclearing.com/documents/regulations/clearing_conditions_en.html

Connectivity

- Technical connection requirements
 - Technical connection to the Eurex Repo trading system
 - Technical connection and to CCP / Eurex
 - Technical connection to Xemac®

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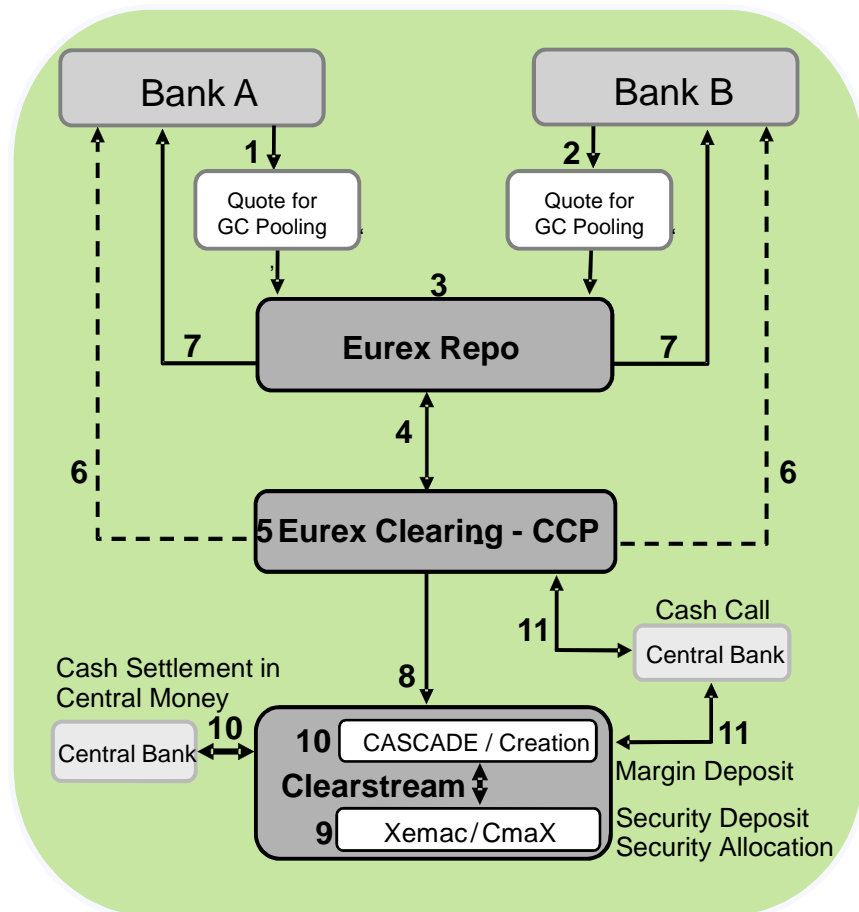
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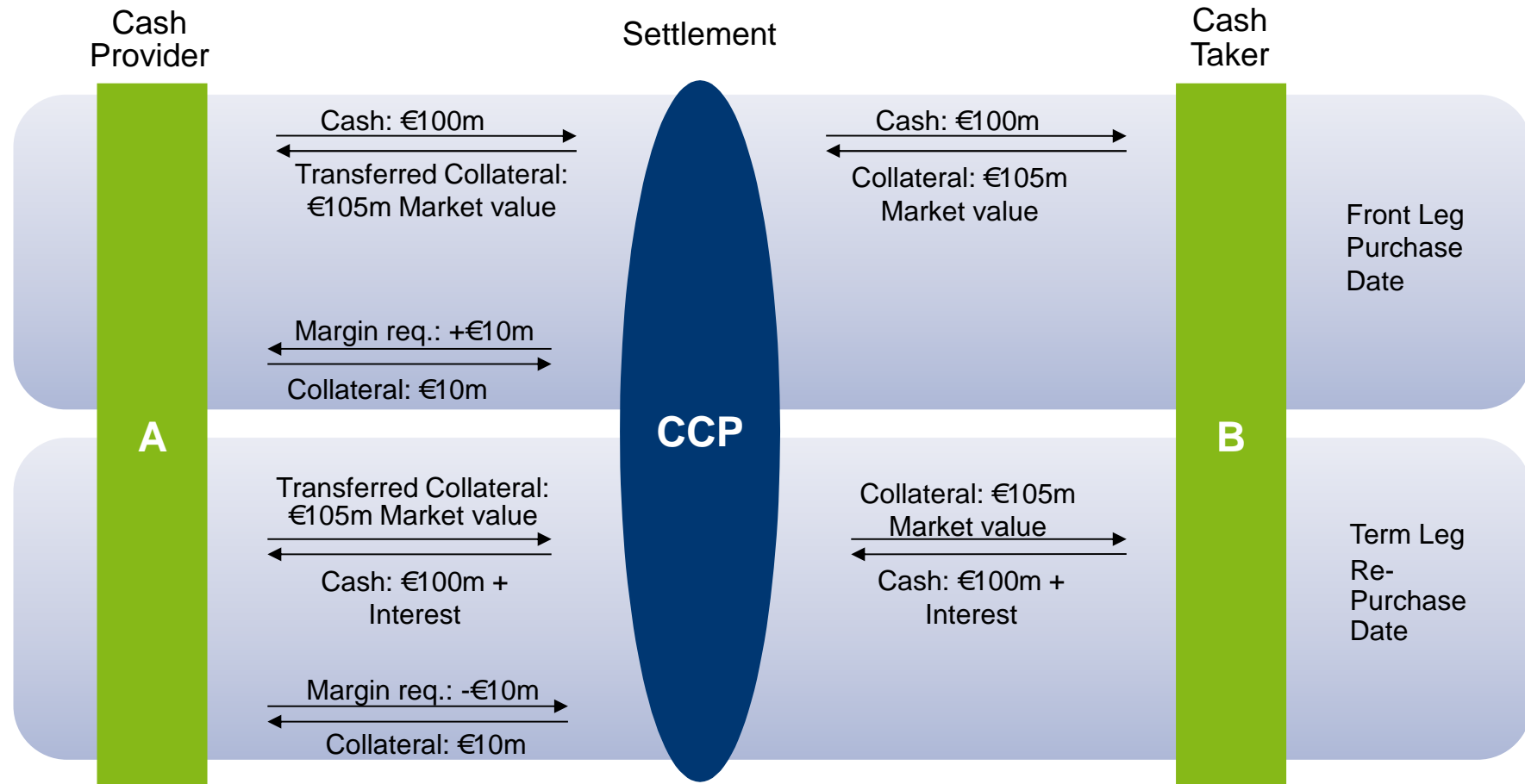
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Integrated Market concept for GC Pooling®

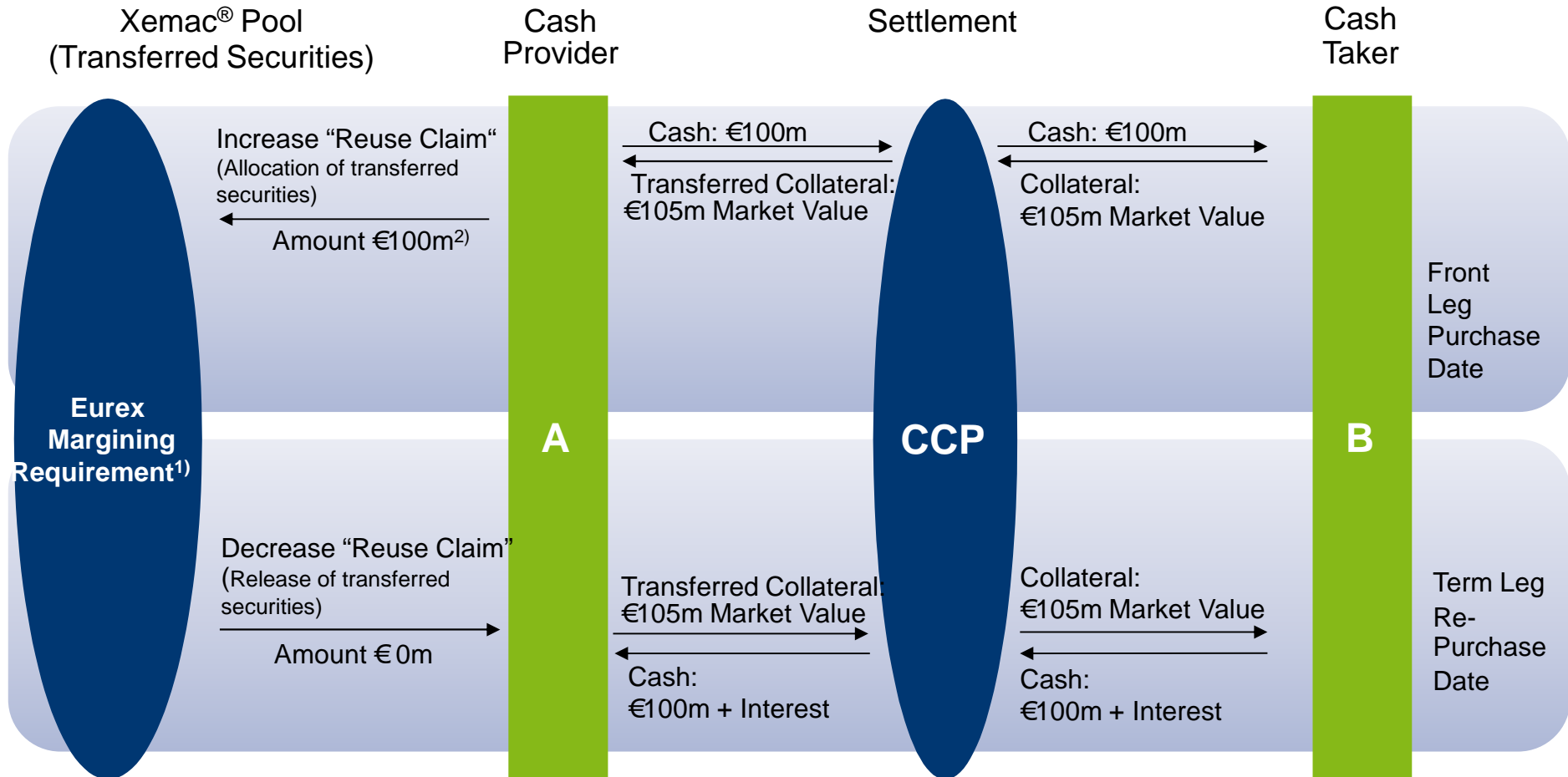


1. Bank A quotes the GC Pooling® Basket ISIN
2. Bank B hits the quote
3. The GC Pooling® repo trade is concluded. Contracting parties are Eurex Clearing and the respective banks
4. Eurex Repo submits the trading data to Eurex Clearing
5. Eurex Clearing process the repo-trade enrichment process and calculates
 - the repo interest cash amount,
 - the cash amount for repo transaction (Term Leg) and report these figures to Eurex Repo
6. Eurex Clearing sends the standard Clearing Reports to the banks including the GC Pooling® Basket ISIN
7. Eurex Repo produces a trade slip for the involved parties
8. Eurex Clearing submits the netted transactions as shaped settlement instructions to Clearstream
9. The Xemac® /CmaX Collateral Management System performs the collateralization by eligibility check, evaluation and allocation of individual securities
10. CASCADE and/or Creation settles the cash instruction and the instructions of the securities allocated by Xemac® /CmaX and produce the related settlement reports
11. Eurex Clearing performs the margin/risk mgmt. supported by the Xemac® system

GC Pooling[®] Repo Transactions – Example



GC Pooling® Reuse – Example



1) Total Eurex Clearing Margining Requirement, including Margin requirement for specific GC Pooling® transaction

2) Maximum Reuse Claim: Market value of Basket collateral - Haircut

GC Pooling® Baskets of Eurex Repo

Basket Specifics

- GC Pooling® ECB Basket
 - Based on the ECB EAD¹⁾
 - Approximately 8,000 ECB eligible securities (High-grade subset of the ECB EAD)
 - Reusable for German Banks towards the German central bank and towards Eurex Clearing margining
- GC Pooling® ECB EXTENDED Basket
 - Based on the ECB EAD¹⁾
 - ECB Basket components and further fixed income securities, issuers include also agency credit and agency non credit institutions
 - Approximately 22,000 ECB eligible securities
 - Reusable for German Banks towards Eurex Clearing margining (Not reusable towards German central bank)
- GC Pooling® Equity Basket
 - Top 50 selection of the HDAX® (highest traded volume in Xetra)
 - Reusable for German Banks towards Eurex Clearing margining
- Further details regarding the basket composition are available on the Eurex Repo website: <http://www.eurexrepo.com/gcpooling/baskets.html>

Valuation

- The principal collateral is valued by Xemac® prices (including accrued interest) and the ECB haircuts

1) Eligible Asset Database from the ECB

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