

Lending CCP: our service for securities lending

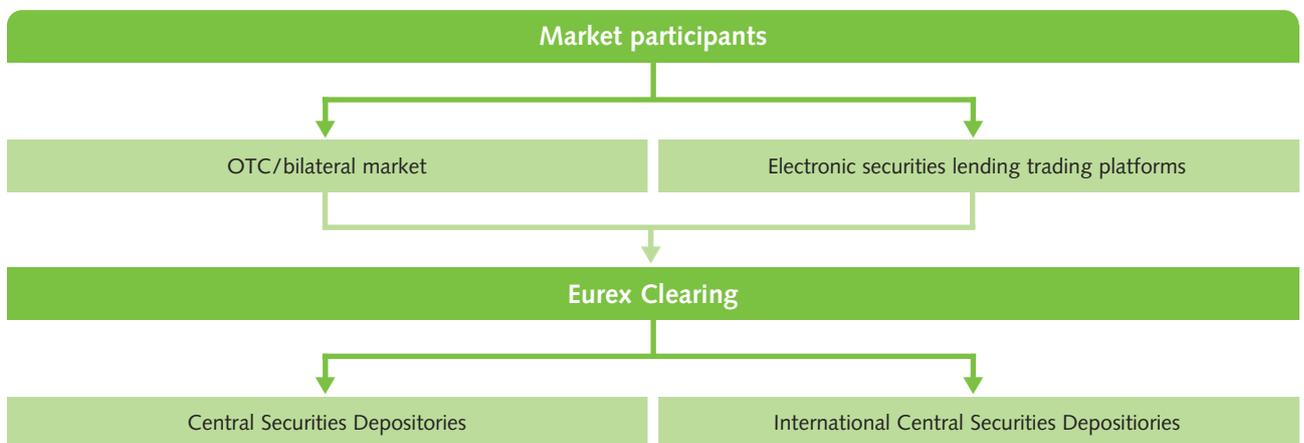
Eurex Clearing offers a central counterparty (CCP) service for the securities lending market, thereby strengthening our commitment to reducing systemic risk and ensuring the efficiency and safety of the market overall. Already a CCP for derivatives, equities, bonds, secured funding and securities financing, the establishment of our offering provides significant economies of scale for our customers and also delivers counterparty risk protection and operational efficiencies to the securities lending industry.

Market drivers for a CCP service

Driven by risk considerations, Beneficial Owners and Asset Managers are re-evaluating their borrowing/lending activities and paying close attention to risk management concerns. On top of the obvious advantage of a reduction in counterparty risk, Eurex Clearing's offering introduces a wide range of benefits, such as:

- Reduction of Borrowers' capital and overall financing costs
- Reduction of Agent Lenders' indemnification costs
- Allowing Beneficial Owners to participate with a specific license without margin payments
- Retaining bilateral trading and negotiation between market participants
- Preserving relationship management aspect of securities lending
- Reduction in maintenance of multiple bilateral counterparty agreements
- Providing a complete range of automated post-trade services characteristic of the securities lending business
- Outsourcing of processes like collateral and risk management simplifies daily operations and optimizes cost structures for market participants

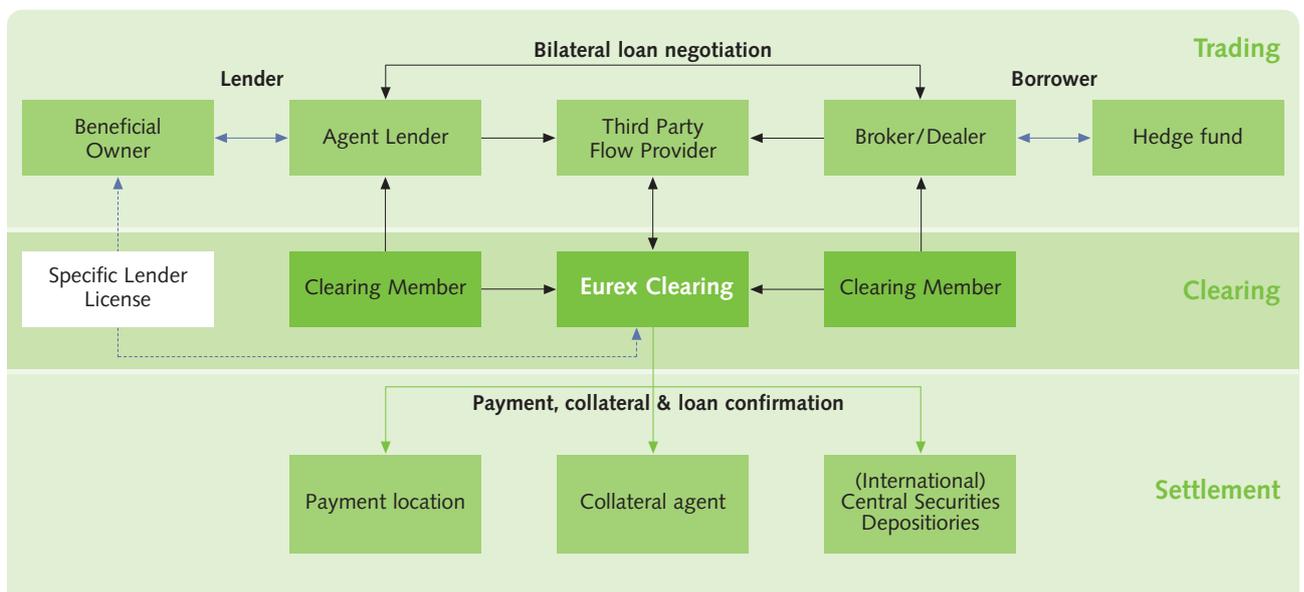
Eurex Clearing's CCP service in securities lending



Our solution services multiple trading venues to give market participants greater choice – bilaterally negotiated transactions (OTC) and trades concluded on electronic trading platforms are supported. Overall, we offer clearing services for loans in equities, ETFs and fixed income securities, at the outset covering European markets. Cash collateral and non-cash collateral are eligible.

Clearing Members that are already active in clearing of Eurex Clearing's other asset classes and trading venues can apply for an extension of their license to include Eurex Clearing's securities lending business.

Process flows: the securities lending model



Specific Lender License – a unique solution for Lenders

In close cooperation with leading market participants in the securities lending industry, Eurex Clearing has introduced a specific license that can be issued to lending-only participants (Beneficial Owners). This way, the Beneficial Owners remain principal as they have a direct relationship with the CCP whereas the Agent Lender remains as an account operator in its current agency role. Lenders using Eurex Clearing's Specific Lender License – which requires the pledge of non-cash collateral – does not create a risk position for the clearing house and therefore the clearing house does not calculate margin requirements.

Fully automated post-trade services

Eurex Clearing's service for the securities lending market has been designed as a full service model in order to increase the degree of automation, thus reducing manual error in the securities lending process chain. Additionally, Clearing Members can benefit from electronic reporting and trade reconciliation capabilities of our Lending CCP service. In particular, links to the existing specialist providers for the securities lending market are incorporated i.e. tri-party collateral management services and automated electronic compare services (Third Party Flow Providers).

The full range of the operational activities required for the securities lending market is wholly integrated into our existing clearing service offering. Automated services such as re-rates, mark-to-market, corporate actions as well as lending fee/rebate calculation and settlement give the opportunity for users to benefit from an increase in operational efficiency.

Integrated risk and collateral management

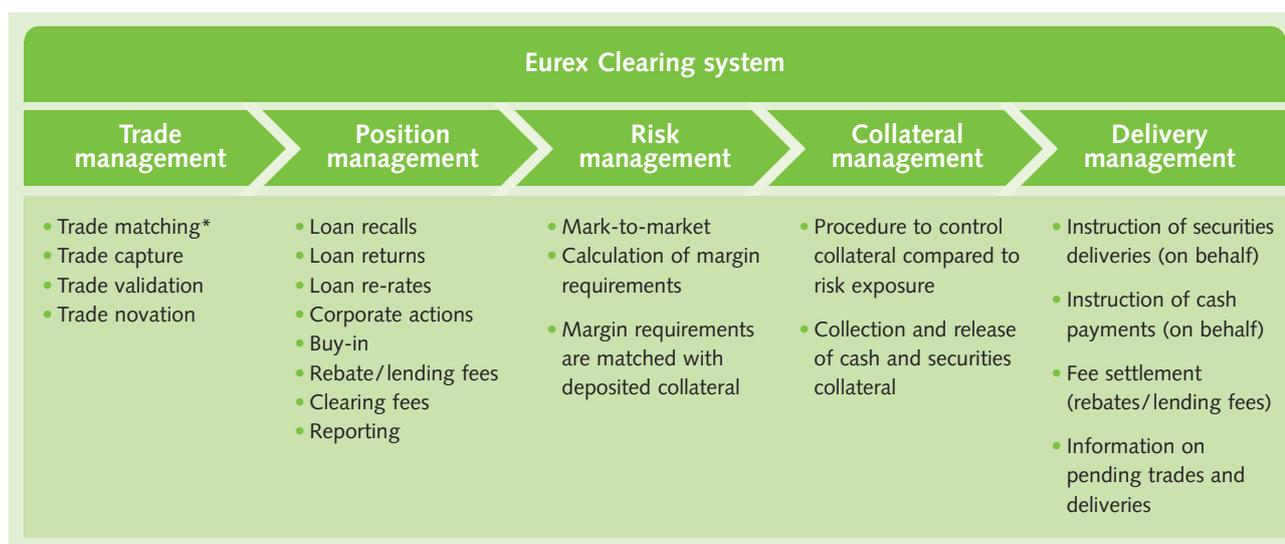
Although trading remains bilateral, on the clearing side the CCP novates the trade and becomes counterparty to the Clearing Members on the borrowing and the lending side. Credit and systemic risk are mitigated since Eurex Clearing becomes legal counterparty to all loans. Additionally, we collateralize risk exposure and provide post-default backing through our safeguards.

Eurex Clearing provides value added services by offering cross margining and cross collateralization facilities and a flexible yet secure collateral management service to Clearing Members. This approach reduces the overall margin requirement of a Clearing Member and makes efficient use of collateral.

Besides, Eurex Clearing offers a flexible solution via existing market infrastructure for the management of non-cash loan collateral being held at tri-party collateral agents. Collateral processing takes place in an efficient and transparent manner through intraday reports and monitoring functionalities.

Like other products cleared by Eurex Clearing, lending/borrowing positions are maintained in real-time. Customers can receive their position data including margin and risk related data in ten-minute-intervals via our Enhanced Risk Solution interface. Extensive overnight risk reporting will also be provided. This allows Members to closely monitor their position and risk developments. A quicker delivery of risk data promotes a more proactive risk management, which protects the integrity of the markets as a whole – especially during volatile markets. In addition, it enables very efficient use of collateral, and can provide indications of intra-day margin calls.

Integrated processing of securities lending transactions



* Loan matching functions carried out by Third Party Flow Provider

Flexible access to existing market infrastructure

The CCP service enables customers to make use of their existing connectivity to service providers for trade and collateral management. This ensures the seamless integration of CCP transactions using the same business processes and system interfaces that are already utilized by market participants.

Our services are designed to offer Members of the securities lending industry the benefits of safety and operational efficiency – thus keeping you **clear to trade**.

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