



Eurex Clearing's Collateral Solutions

Reuse of GC Pooling® Collateral for Eurex Clearing Margining

February 2014

Service Description

Summary

GC Pooling Reuse Service enables efficient collateral management

What is Reuse?

- In light of the increasing demand for collateral, efficient usage of collateral is becoming increasingly important
- Therefore, Eurex Clearing accepts reuse of collateral which has been received from GC Pooling® cash provider activities across all GC Pooling® Baskets* covering the margin requirements arising from any product cleared by Eurex Clearing from Clearstream Banking Frankfurt (CBF) and Clearstream Banking Luxemburg clients (CBL)

Who can reuse GC Pooling® collateral?

- GC Pooling® Cash providers are allowed to use the transferred GC Pooling® collateral up to the amount of their full value. The service is available to CBF and CBL serviced clients.

What are the member benefits?

- The Reuse of GC Pooling® collateral can achieve the following:
 - Ø reducing margin collateral funding cost
 - Ø increasing the trading flexibility of own securities
 - Ø reducing the operational effort to manage collateral substitutions
 - Ø mobilizing further collateral
 - Ø lowering securities handling fee (initially set to zero)

* Eligible GC Pooling® baskets are: GC Pooling® ECB Basket, GC Pooling® ECB EXTended Basket, GC Pooling® INT MXQ Basket & GC Pooling® Equity Basket

Eurex Repo GC Pooling® – Trading, Clearing, Settlement

Secured Euro and US Dollar cash funding – Straight Through Processing

Product	<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 collateralized by standardized high-quality collateral baskets
Trading	<ul style="list-style-type: none">• Trading of standardized high-quality collateral baskets against secured money• Anonymous trading on an open order book basis• Reduced regulatory capital costs, depending on country of residence [Basel III outlook]
Clearing	<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, exposure netting and balance sheet netting
Settlement	<ul style="list-style-type: none">• CBF and CBL are providing settlement services for GC Pooling® transactions• One virtual centralized collateral pool is being created by linking CBF and CBL assets• Repo collateral is debited from the cash taker and credited to the cash provider via Eurex Clearing• Reusability of received collateral with pledge towards the Eurosystem (Deutsche Bundesbank/ Banque Centrale de Luxembourg) as well as towards Eurex Clearing for margining

Eurex Repo GC Pooling® - keeps on growing

Accessing a constantly growing collateral pool for Eurex Clearing margining

Volumes

Daily Average Outstanding Volume 2005 - 2014



Key Figures

- Average outstanding volume in Dec 2013: Total €197.1 bn (+3%)¹; GC Pooling Market €154.7bn; CAGR 53% (2005-2013)
- Latest record of outstanding volume on June 13, 2013: Total €223.5bn; GC Pooling €185.5bn

Reuse of GC Pooling® Collateral for Eurex Clearing Margining

Claim based allocation and automatic substitution of basket securities

GCP Front Leg

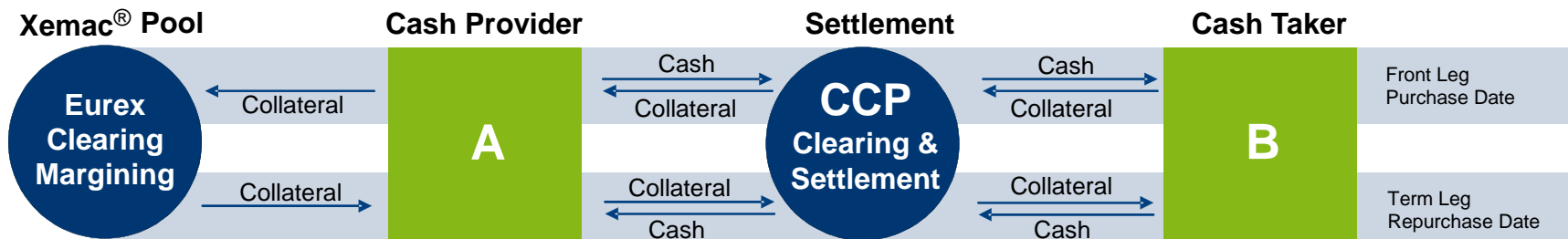
- The cash provider gives cash – EUR or USD – in turn for collateral in scope of the respective GC Pooling® Basket
- The cash taker collateralizes the cash amount with eligible securities and receives the cash amount in return
- The transaction is processed anonymously via Eurex Clearing

Reuse

- Once the respective reuse contract for Eurex Clearing margining is concluded and a claim amount is specified, the “transferred” collateral is automatically allocated
- CBL acts as an agent on behalf of the CBL serviced Clearing Members using CmaX® to allocate reuse collateral via Clearstream Banking Frankfurt (Xemac®) to Eurex Clearing

Automatic Substitution

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



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

Participation Rules & Regs

- CBF serviced clients: Clearing Conditions, Xemac® Special Conditions, CMSA, Eurex Repo participation Form for the Reuse service.
- CBL serviced clients: In addition to CBF's Serviced Clients, a side letter to the CMSA and the acceptance of the Eurex Clearing Pledge Agreement is required.
- Eurex Clearing allows Settlement Institutions to manage the collateral pool for the Reuse service for their clients.

Member Information & Forms

- For Further details regarding the service and the application procedures please see get in touch with our Business Development Team
- Application forms and information are available on the Eurex Clearing website via: www.eurexclearing.com

Connectivity

- Technical connection requirements
 - Technical connection to the Eurex Repo GC Pooling Market
 - Technical connection and to CCP / Eurex
 - Technical connection to Xemac or CmaX

Contacts

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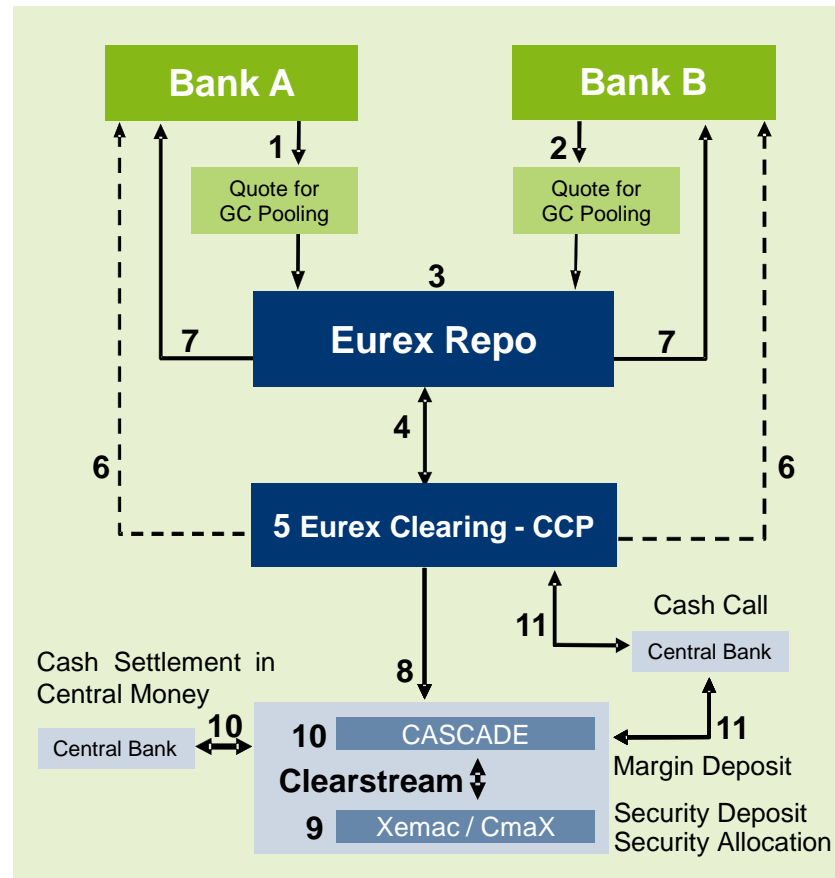
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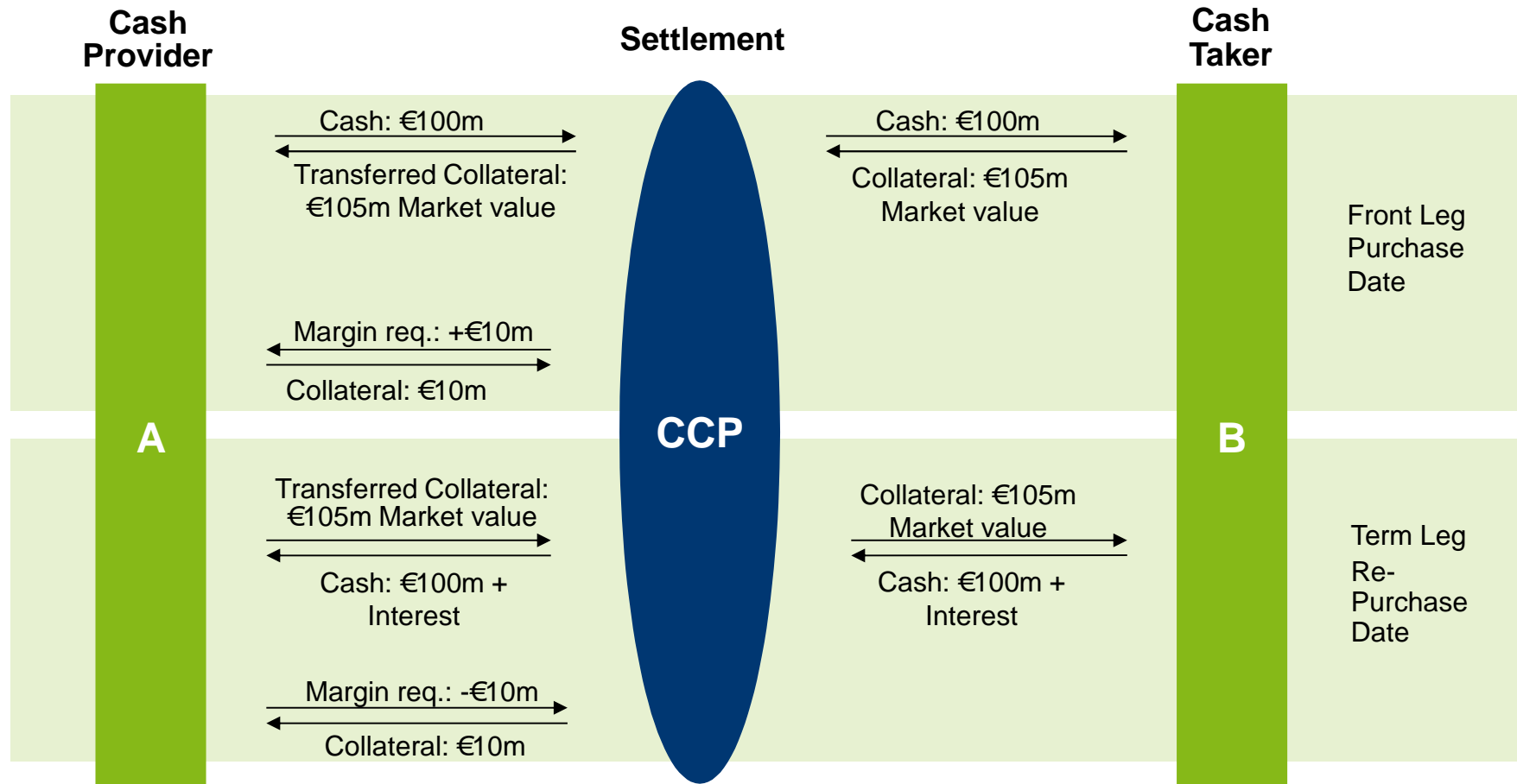
Backup

Integrated Market concept for GC Pooling®

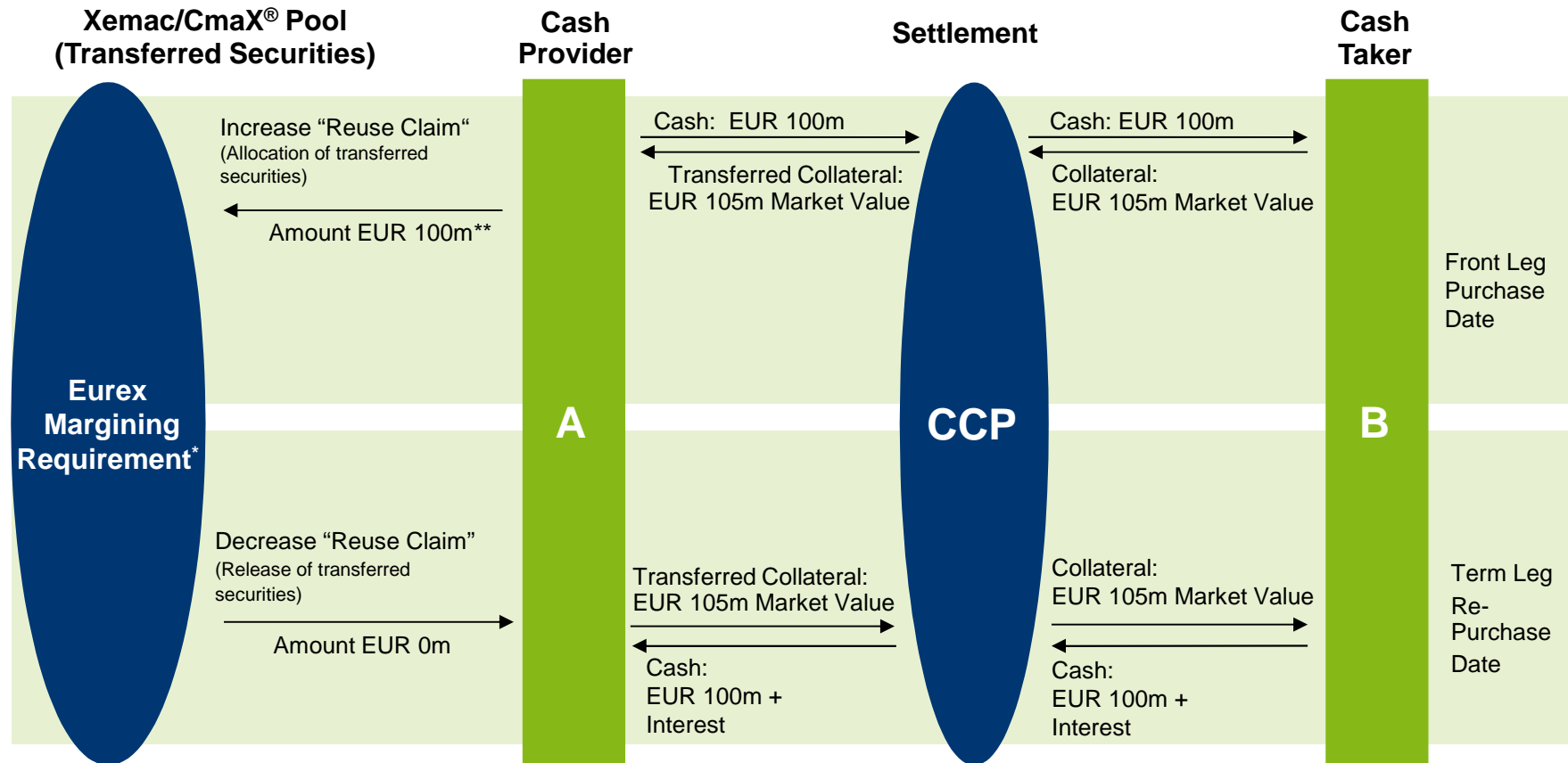


1. Bank A quotes the GC Pooling® Basket ISIN.
2. Bank B hits the quote.
3. The GC Pooling® repo trade is concluded. Contracting parties are Eurex Clearing and the respective banks.
4. Eurex Repo submits the trading data to Eurex Clearing.
5. Eurex Clearing process the repo-trade enrichment process and 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® Transaction – Example



GC Pooling® Reuse Service – Operational Flow



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

** 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 EAD*
 - Approximately 8,000 ECB eligible securities (High-grade subset of the ECB EAD)
 - Reusable towards the Eurosystem (if applicable) and towards Eurex Clearing for margining
- GC Pooling® ECB EXTENDED Basket
 - Based on the ECB EAD*
 - 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 towards Eurex Clearing for margining (not reusable towards the Eurosystem)
- GC Pooling® INT MXQ Basket
 - Based on Eurex Clearing Admissible Securities List (Margin Collateral)
 - Around 600 instruments of Central Banks, Central Governments, Supranationals
 - Reusable towards Eurex Clearing for margining (not reusable towards the Eurosystem)
- GC Pooling® Equity Basket
 - Top 50 selection of the HDAX® (highest traded volume in Xetra)
 - Reusable towards Eurex Clearing for margining (not reusable towards the Eurosystem)

Valuation

- Further details regarding the basket composition are available on the Eurex Repo website: <http://www.eurexrepo.com/repo-en/products/gcpooling/>
- The Repo securities are valued by using prices determined by Eurex Clearing (including accrued interest) and the ECB haircuts**

* Eligible Asset Database from the ECB

** Haircuts will be increased by Eurex Clearing in case a theoretical price is applied

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