Risk Management in the Clearing Business

Lines Of Defense

March 2020
Lines of defense waterfall ensures loss coverage in normal and extreme market conditions

Eurex Clearing’s lines of defense are crisis proven – default fund has never been employed

Eurex Clearing’s Default Waterfall

**Coverage in normal market conditions (Lehman/ MF Global / Maple Bank)**

- **Position Netting and Closing**
  - CM in default
  - CM
  - CM
  - CM

**Coverage in extreme market conditions**

- **Dedicated amount of Eurex Clearing**
- **Default fund contributions of non-defaulted CMs**
- **Assessments by CMs and additional contributions by Eurex Clearing**
- **Remaining funds of Eurex Clearing**

- **Close-out of all positions**
- **Collateral of clearing member in default**
  - (4.6 bn average for Top 10 CMs)*
- **Default fund contribution of clearing member in default**
  - (€ 236 m average for Top 10 CMs)*
  - Minimum € 1 m (DCM) or € 5 m (GCM)
  - € 200 m

- **Default fund contribution of other clearing members**
  - (Total Default fund approx. € 5.5 bn*)
  - Additional funds of non-defaulted members (capped at 2x of the Default Fund requirement) and further dedicated amount of Eurex Clearing (capped at EUR 300 m, part of letter of comfort). No spill-over across LGs
  - Remaining equity capital of Eurex Clearing (EUR 550 m)
  - backed by the letter of comfort provided by Deutsche Börse
  - (max. EUR 600 m minus any already utilised funds)

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* Values as of 31/03/2020

Total collateral held at Eurex Clearing approx. € 106.6 bn