Risk Management in the Clearing Business

Lines Of Defence

2 June, 2016
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: CM₁, ..., CMₙ
  - **Dedicated amount of Eurex Clearing**
  - **Clearing fund contributions of non-defaulted CMs**
  - **Assessments by CMs and additional contributions by Eurex Clearing**
  - **Parental Guarantee**
  - **Remaining equity of Eurex Clearing**

- **Coverage in extreme market conditions**
  - Close-out of all positions
  - Collateral of clearing member in default (€2.0 bn average for Top 10 CMs)*
  - Clearing fund contribution of clearing member in default (€180 m average for Top 10 CMs)*
  - Minimum €1 mn (DCM) or €5 mn (GCM)
  - €100 mn (planned to be increased to €150 mn in 2017)
  - Clearing fund contribution of other clearing members
    - Approx. €3.61 bn
    - Max. 2x each CM’s CF contribution as Assessment and up to €300 mn from Eurex Clearing (part of parental guarantee)
    - No spill-over across LGs
    - €300 mn (€600 mn Parental Guarantee - €300 mn provided as part of assessments)
  - Funds before Eurex Clearing’s regulatory required equity capital sum up to more than €10 bn

- **Parental Guarantee**
  - Dedicated amount of Eurex Clearing
  - Remaining equity of Eurex Clearing

* Values as of 20/06/2016

Total collateral held at Eurex Clearing approx. €53,18 bn

[www.eurexclearing.com](http://www.eurexclearing.com)