

EurexOTC Clear: Clearing of Interest Rate Swaps and Forward Agreements with highest safety and efficiency

Although a clearing obligation for OTC derivatives might not be effective until late 2014 early 2015, the majority of sell-side firms are already looking at early adoption as are many of the buy-side clients as a result of the on-boarding bottlenecks experienced in the U.S. In addition, the imminent adoption of Basel III/CRD IV at the beginning of 2014 is expected to result in differential pricing quotes for cleared versus non cleared derivatives and between CCPs as a result of the capital costs for the swap dealers and the Clearing Members.

Eurex Clearing has worked closely with both the buy- and sell-side to design an offering that meets the needs of the market. As a result, EurexOTC Clear for interest rate swaps (IRS) offers a strong holistic solution in terms of product coverage, Client Asset Protection, capital efficiency and ancillary services by leveraging the existing Eurex Clearing infrastructure.

What differentiates Eurex Clearing from other CCPs?

Unique asset segregation and collateral management

Our Individual Clearing Model (ICM) was the first operationally live asset segregation service globally to provide full protection and portability

- Protect your actual assets instead of a cash value equivalent.
- Immediate portability of your assets by re-assignment of your collateral pool within Clearstream Banking AG, Frankfurt. There are no settlement cycles, so porting is immediate.
- In the event of a Clearing Member default there is no liquidation risk as compared to a value model.
- Segregation and portability can be provided down to level of individual funds and even segments of funds.
- No mutualization of risks in losses created by the default of either your clearing broker or any fellow clients.

Our ICM is highly efficient from an operational, capital and funding perspective

- Operational efficiencies through creation of individual collateral accounts by way of asset tagging, instead of hundreds of physical individual accounts at a custodian/CSD
- No need for overnight pre-funding due to extended cut-off times enabling withdrawal of cash until late afternoon once a client provides collateral or enters risk reducing trades.
- Clients of Clearing Members who are subject to CRD IV benefit from an indirect two percent counterparty risk weight on segregated collateral.
- Option to remove transit risk by clients directly delivering securities to the CM collateral account held at Clearstream Banking for the benefit of Eurex Clearing
- Use your securities at hand to fund your margin requirement and benefit from our broad eligible collateral spectrum of more than 30,000 ISINs covering government bonds, corporate bonds as well as equities.

Our ICM is highly flexible to support realtime novation and collateral transformation

- Optionality for Clearing Members and their clients to enter into a collateral transformation arrangement prior to providing assets for segregation to Eurex Clearing
- Optionality for Clearing Members or their clients to fund the realtime novation of trades through full segregation of client excess

Leverage your existing Eurex ETD to lower margin and capital costs

Highest margin efficiencies in EUR- and CHF-denominated derivatives via Eurex Clearing Prisma

- Leverage your existing fixed income futures and options contracts cleared at Eurex Clearing by adding your EurexOTC IRS positions to benefit from portfolio risk reductions and cross margining resulting in lower initial margin requirements.
- Working with our partner, Eurex Exchange, we are continuously developing both new OTC and listed derivatives products to provide the maximum flexibility in hedging options as well as further expansion of cross margining benefits.

Highest capital efficiency for members and clients subject to Basel III/CRD IV

- Clearing Members benefit from the unique possibility to net cross product exposures against Eurex Clearing for different products under a single legal netting set liquidation structure (fixed income, futures, options, swaps, repos...).
- Benefit from the two percent counterparty risk weight for trade exposures against Eurex Clearing as Direct Clearing Members, and also as a ICM client.
- Benefit from the two percent risk weight for initial margin exposure for ICM segregated clients as opposed to four percent for omnibus models.
- Almost no capital charge based upon a c-factor of 0.50 percent for the Clearing Members default fund contribution

Low clearing costs for the Clearing Member benefit buy-side clients in two ways:

- Directly benefit from optimized margin requirements resulting in lower funding costs.
- The lower capital and margin charges for your clearing broker should allow you to benefit through more competitive swap spreads than clearing at another CCP or keeping the business bilateral.
- Zero charges by Eurex Clearing when you post cash or securities as collateral regardless of whether you want a segregated account per fund or if you use our unique asset tagging.
- Reduce or remove costs associated with pre-funding/ double funding of margin or reduce risks by intraday return of cash and securities collateral.

Our solution

With a collateral pool in excess of EUR 48 billion, stress-tested lines of defense and over 150 Clearing Members from 16 countries, Eurex Clearing provides the perfect basis for your OTC IRS business. Every month we process gross risks valued at almost EUR 9 trillion. Last year we cleared more than 2 billion derivatives contracts – nearly half of which were traded off-book.

Our EurexOTC Clear for IRS successfully launched on 13 November 2012 with ten Clearing Members and has continued to expand since. At the beginning of March 2014 we had 33 active Clearing Members and 123 buy-side firms onboarding.

Going forward we are convinced that based on our integrated service offering we are in a position to deliver and even increase the benefits we can offer to our customers. We are strongly committed to realize that highest level of safety and efficiency for our customers.

By continuously providing smarter support for your OTC business, we are keeping you **clear to trade**.

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