Clearing of OTC Interest Rate Derivative Transactions, OTC FX Transactions and OTC XCCY Transactions

As of 24.07.2020

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AMENDMENTS ARE MARKED AS FOLLOWS:

INSERTIONS ARE UNDERLINED,

DELETIONS ARE CROSSED OUT.

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[…]

Part 1   General Provisions

[…]

1.7   Certain Definitions

In this Chapter VIII:

[…]

(14) "**SOFR**" is the daily secured overnight financing rate provided by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the New York Fed's Website. The "New York Fed's Website" means, in this context, the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source (as defined in Section 7.2 (b) of the 2006 ISDA Definitions).

[…]

Part 2   Clearing of OTC Interest Rate Derivative Transactions

2.1   General Provisions

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2.1.5   Novation Criteria and Process Regarding OTC Interest Rate Derivative Transactions

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2.1.5.1   Transaction Type Specific Novation Criteria

The following Transaction Type specific novation criteria must be fulfilled for OTC Interest Rate Derivative Transactions (based on the Trade Record transmitted to Eurex Clearing AG via the ATS):

[…]

(4)   Maximum remaining term

The remaining term of the OTC Interest Rate Derivative Transaction from the date of novation to the termination date must be

(~~i~~a) in case of IRS, no more than 50 years and 10 Business Days for Original OTC Transactions in EUR, USD and GBP and no more than 30 years and 10 Business Days for Original OTC Transactions in CHF, DKK, SEK, NOK and JPY and no more than 10 years and 10 Business Days for Original OTC Transactions in PLN,

(~~ii~~b) in case of OIS, (i) no more than 30 years and 10 Business Days for Original OTC Transactions in EUR referencing EUR-EONIA-COMPOUND, ~~USD,~~ GBP, CHF and JPY, and (ii) no more than 50 years and 10 Business Days for Original OTC Transactions in EUR referencing EUR-EuroSTR-COMPOUND and USD,

(~~iii~~c) in case of FRA, no more than 36 months and 10 Business Days for Original OTC Transactions in EUR, USD, GBP, CHF, SEK and JPY and no more than 24 months and 10 Business Days for Original OTC Transactions in DKK, NOK and PLN, and

(~~iv~~d) in case of ZCIS, no more than 30 years and 10 Business Days for transactions in EUR (indexes HICPxT and FRCPI) and no more than 50 years and 10 Business Days for transactions in GBP (index UK-RPI).

[…]

(8)   Floating rate indices

The floating rate index (Floating Rate Option or base rate) must be one of the following:

(a)   EUR-EURIBOR-Reuters;

(b)   GBP-LIBOR-BBA;

(c)   USD-LIBOR-BBA;

(d)   CHF-LIBOR-BBA;

(e)   JPY-LIBOR- BBA;

(f)   USD-Federal Funds-H.15-OIS;

(g)   JPY-TONA-OIS-COMPOUND;

(h)   GBP-SONIA-COMPOUND;

(i)   EUR-EONIA-OIS-Compound;

(j)   NOK-6m NIBOR;

(k)   SEK-3m STIBOR;

(l)   DKK-6m CIBOR;

(m)   PLN-6m WIBOR;

(n)   CHF-SARON-OIS-COMPOUND;

(o)   EUR-EuroSTR-COMPOUND;

(p)   USD-SOFR-COMPOUND;

where:

[…]

for Paragraphs (f), and (g) and (p), payment is on the first or second Business Day following the period end date;

(qp)   Non revised Eurozone Harmonised Indices of Consumer Prices excluding Tobacco ("**HICPxT**") (ZCIS in trade currency EUR);

(rq)   Non revised French Inflation Consumer Price Index excluding Tobacco ("**FRCPIx**") (ZCIS in trade currency EUR);

(rs)   Non revised UK Retail Price Index ("**UK RPI**") (ZCIS in trade currency GBP).

[…]

[…]

2.1.6   Daily Evaluation Price and Discounting of Future Cashflows

(1)   Eurex Clearing AG determines the daily evaluation price on the basis of (i) the fixings published on the Reuters Screen page as defined for the relevant floating rate in Number 2.2.5 Paragraph (1) below and (ii) the raw market quotes underlying the discount and forecast curve provided by a recognised third party provider, in each case as of the day of the determination of the daily evaluation price (each such day a "Reset Date" for the purposes of Number 2.2.5 Paragraph (1)). Where no information on the relevant rates is available on the

relevant screen page, Eurex Clearing AG will determine the daily evaluation price in accordance with Number 1.8 and 2.2.5 Paragraph (5) . The relevant discount and forecast curves are laid out in the EurexOTC Clear Risk Methodology Description Interest Rate Swaps of Eurex Clearing AG.

(2)   If an IRS PAI Switch and/or an IRS PAA Switch occurs that necessitates a switch of the relevant discount curves used for the determination of the daily evaluation prices in accordance with Paragraph (1) (such switch an "**OTC IRD Discounting Switch**"), any change of the daily evaluation price induced by the OTC IRD Discounting Switch shall give rise to an offsetting cash compensation claim from Eurex Clearing against the respective Clearing Member or Basic Clearing Member (or vice versa, as applicable) that is equal but opposite to the Variation Margin requirement, Basic Clearing Member Variation Margin requirement or the IRS STM Amount requirement (as applicable) following from the change in the daily evaluation price induced by the OTC IRD Discounting Switch. Such offsetting cash compensation claim shall be due and payable upon determination thereof by Eurex Clearing AG, but no earlier than on the effective date of the OTC IRD Discounting Switch.

2.1.7   Margin Requirements

[…]

(4)   In addition to Variation Margin and Basic Clearing Member Variation Margin, as applicable, and as part of the primary payment obligations of CTM Interest Rate Derivative Transactions, interest (the so-called price alignment interest ("**PAI**")) shall be payable on the cumulative Variation Margin or Basic Clearing Member Variation Margin, respectively, at the applicable overnight interest rate.

(a)   PAI corresponds to the overnight interest paid or received on the cumulative Variation Margin or Basic Clearing Member Variation Margin over the lifetime of the respective IRS portfolio. The cumulative Variation Margin or Basic Clearing Member Variation Margin, respectively, of the previous Business Day corresponds to the value of the respective IRS portfolio on the previous Business Day.

[…]

For T+2 currencies (JPY, DKK, SEK, and NOK) VM is settled on T+2 (in contrast to EUR, USD, GBP, CHF and PLN where VM is settled on T+1). Thus, PAI for T+2 currencies is defined as:

$$PAI(T) = -MtM\_exCF(T-2) * ONR(T, T+1) * YF(T, T+1),$$

with

$$MtM\_exCF(T-2) = MtM(T-2) - DCF(T-2, T-1) - DCF(T-2, T).$$

(b)   The relevant indices to determine the PAI are:

(a̶i) In case the currency is EUR then EONIA (until and including 24.07.2020) or €STR (from 25.07.2020 onwards);

(ii̶b) In case the currency is USD then FED FUNDS;

(iii̶c) In case the currency is GBP then SONIA;

(iv̶d) In case the currency is CHF then SARON;

(v̶e) In case the currency is JPY then TONAR;

(vi̶f) In case the currency is DKK then T/N (published by Danish National Bank);

(vii̶g)   In case the currency is SEK then STIBOR T/N;

(viii̶h)   In case the currency is NOK then NOWA (Norwegian Overnight Weighted Average);

(ix̶i) In case the currency is PLN then POLONIA (Polish Overnight Index Average).

Eurex Clearing AG may switch the index to determine the IRS PAI by amending this Paragraph (4) (b) or, in case a Permanent Index Cessation Event occurs with respect to an index, by announcing a successor index in accordance with Chapter I Part 1 Number 16.1 (each an "**IRS PAI Switch**"). Eurex Clearing AG may postpone the effective date of an IRS PAI Switch by amending this Paragraph (4) (b) (bb) or, if a Termination Event with respect to a Clearing Member, a Termination Event (as defined in the FCM Regulations) with respect to an FCM Clearing Member, an Insolvency Termination Event with respect to a Clearing Member, an Insolvency Termination Event (as defined in the FCM Regulations) with respect to an FCM Clearing Member, a Basic Clearing Member Termination Event or a Basic Clearing Member Insolvency Termination Event occurs and Eurex Clearing deems that such event may have an adverse impact on the proper course of an IRS PAI Switch, by publishing an announcement in accordance with Chapter I Part 1 Number 16.1 of the Clearing Conditions.

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2.2 General product-related terms for OTC Interest Rate Derivative Transactions

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2.2.1 Payment Obligations

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(5) The following additional primary payment obligations apply under STM Interest Rate Derivative Transactions:

[...]

(b) A price alignment amount ("**IRS Price Alignment Amount**" or **"IRS PAA"**) shall be payable by the Clearing Member or Eurex Clearing AG, as the case may be, together with the IRS STM Amount.

(aa) The IRS PAA corresponds to the overnight interest paid or received on the cumulative IRS STM Amounts over the lifetime of the STM Interest Rate Derivative Transaction. The cumulative IRS STM Amounts of the previous Business Day correspond to the value of the STM Interest Rate Derivative Transaction on the previous Business Day.

[…]

For T+2 currencies (JPY, DKK, SEK, and NOK) the IRS STM Amount is settled on T+2 (in contrast to EUR, USD, GBP, CHF and PLN where the IRS STM Amount is settled on T+1). Thus, IRS PAA for T+2 currencies is defined as:

$$IRS\ PAA\ (T) = -\ MtM\_exCF(T\text{-}2)^* ONR(T,T\text{+}1) * YF(T,T\text{+}1),$$

with

$$MtM\_exCF(T\text{-}2) = MtM(T\text{-}2)\text{-} DCF(T\text{-}2,T\text{-}1)\text{-}DCF(T\text{-}2,T).$$

(bb) Number 2.1.7 (4) (b) shall apply *mutatis mutandis* to the identification of the relevant indices to determine the IRS PAA, provided that each reference in Number 2.1.7 (4) to an IRS PAI Switch shall be read as a reference to an IRS PAA Switch (such switch an "**IRS PAA Switch**").

The relevant indices are

(a) In case the currency is EUR, then EONIA;

(b) In case the currency is USD, then FED FUNDS;

(c) In case the currency is GBP, then SONIA;

(d) In case the currency is CHF, then SARON;

(e) In case the currency is JPY, then TONAR;

(f) In case the currency is DKK, then T/N (published by Danish National Bank);

(g) In case the currency is SEK, then STIBOR T/N;

(h) In case the currency is NOK, then NOWA (Norwegian Overnight Weighted Average);

(i) In case the currency is PLN, then POLONIA (Polish Overnight Index Average).

[…]

[…]

2.2.5 Rates for calculating the Floating Amount

(1) The applicable Relevant Rate (in case of ISDA Interest Rate Derivative Transactions) or Base Rate (in case of DRV Interest Rate Derivative Transactions) applied by Eurex Clearing AG in calculating Floating Amounts will be set out in the OTC Trade Novation Report on the basis of the floating rate index specified in the Trade Record transmitted to Eurex Clearing AG via the ATS whereby:

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(j) "**CHF-SARON-OIS-COMPOUND**", "**USD-Federal Funds-H.15-OIS-COMPOUND**", "**GBP-SONIA-COMPOUND**", "**EUR-EONIA-OIS-Compound**", **EUR-EuroSTR-COMPOUND**", "**JPY-TONA-OIS-COMPOUND**", "**USD-SOFR-COMPOUND**" will be calculated as set out in Number 2.2.7 below.

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2.2.7 OIS Rate Calculation

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"$FEDFUND_i$"; for any day "i" in the relevant Calculation Period, is a reference rate equal to the rate set forth in H.15(519) in respect of that day under the caption "$EFFECT$", as such rate is displayed on the Reuters Screen FEDFUNDS1 Page. If such rate does not appear on the Reuters Screen FEDFUNDS1 Page, in respect of any day "i", the rate for that day will be the rate displayed on the Reuters Screen FEDFUNDS1 Page in respect of the first preceding New York Banking Day;

"n_i" is the number of calendar days in the relevant Calculation Period on which the rate is FEDFUND$_i$; and

"d" is the number of calendar days in the relevant Calculation Period.

"**USD-SOFR-COMPOUND**" means that the rate for a Reset Date, calculated in accordance with the formula set forth below in this subparagraph, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is SOFR).

The USD-SOFR-COMPOUND will be calculated as follows, and the resulting percentage will be rounded, if necessary, in accordance with the method set forth in Section 8.1(a) of the 2006 ISDA Definitions:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SOFR_i\times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

where:

"d_0" for any Calculation Period, is the number of U.S. Government Securities Business Days (as defined in the 2006 ISDA Definitions) in the relevant Calculation Period;

"i" is a series of whole numbers from one to d_0, each representing the relevant U.S. Government Securities Business Days (as defined in the 2006 ISDA Definitions) in chronological order from, and including, the first U.S. Government Securities Business Day (as defined in the 2006 ISDA Definitions) in the relevant Calculation Period;

"$SOFR_i$"; for any day "i" in the relevant Calculation Period, is a reference rate equal to SOFR in respect of that day as published on or about 8:00 a.m., New York City time, on the U.S. Government Securities Business Day (as defined in the 2006 ISDA Definitions) immediately following that day "i". In deviation of Chapter VIII Part 1 Number 1.8.3 Clearing Conditions, if, by 5:00 p.m., New York City time, on the U.S. Government Securities Business Day (as defined in the 2006 ISDA Definitions) immediately following any day "i", SOFR in respect of such day "i" has not been published and a Permanent Index Cessation Event has not occurred, then $SOFR_i$ for that day "i" will be SOFR as published in respect of the first preceding U.S. Government Securities Business Day (as defined in the 2006 ISDA Definitions) for which SOFR was published on the New York Fed's Website;

"n_i" is the number of calendar days in the relevant Calculation Period on which the rate is $SOFR_i$; and

"d" is the number of calendar days in the relevant Calculation Period.

"*JPY-TONA-OIS-COMPOUND*" means that the rate for a Reset Date, calculated in accordance with the formula set forth below, will be the rate of return of a daily compound interest investment, (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day interbank JPY market in Tokyo).

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