



Dimitrij Senko, Chief Risk Officer and Member of the Executive Board
Eurex Clearing AG
Deutsche Börse Group
60485 Frankfurt
Germany

Subject: Amendments to the Clearing Conditions of Eurex Clearing - Consultation - Implementation of Article 9 (14) of Regulation (EU) 2021/23 (“Second Skin in the Game”)

Dear Mr Senko,

FIA and its members appreciate the opportunity to comment on the consultation regarding the implementation of the Second Skin in the Game (“SSITG”) as per the [Eurex Clearing Circular 088/22](#).

As you know FIA represents a wide array of market participants and clearing members, and we comment on this consultation on their behalf. Central Counterparties (“CCPs”) First Skin in The Game (“SITG”) remains a key loss absorption layer protecting surviving members’ default fund, and a core incentive to align interests between the CCP and its members. Whilst we welcome the introduction of a SSITG, we would like to express our disappointment regarding the implementation, specifically the reduction of the amount dedicated to the SITG. Indeed, a lower CCP SITG increases the likelihood of losses to non-defaulting clearing members.

FIA and its members have been advocating for a SSITG for many years with the intention of introducing additional resources from CCPs to the default waterfall to enhance the resilience in the event of a clearing member default. We consider the substantial reduction of the first tranche SITG (down 28%), even though meeting regulatory requirement, to be opposed to the spirit of the new recovery and resolutions regulations and what the industry has been pushing for the past few years. In particular, the proposed change has the potential to reduce the incentive for Eurex to maintain robust risk management practices as the level of SITG is materially reduced. Further the change negatively affect clearing members as their default fund is exposed to losses earlier in the waterfall, which in turn impact the c-factor and clearing members capital.

With this background, we would recommend that Eurex maintains the level of the SITG unchanged at 200m Euro, and the SSITG to be funded from other resources. Perhaps, if Eurex might not want to increase its capital at risk, it is preferable to consider using resources from the Further Dedicated Amount (“FDA”) to prefund the SSITG to the level required under Article 9 (14) of Regulation (EU) 2021/23.

FIA and its members are grateful to Eurex for taking the time to consider our recommendation regarding this consultation. If you would like to discuss this matter further, please contact Doanh Le Ngoc, Senior Director CCP Risk and Banking Capital, dlengoc@fia.org.

Yours sincerely,

Doanh Le Ngoc