clear to trade

e u r e x c l e a r i n g *circular 014/13*

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Recipients: All EurexOTC Clear Clearing Members and Registered Customers of Eurex Clearing AG and Vendors
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⚠ **High priority**

EurexOTC Clear for Interest Rate Swaps: Introduction of new facilities and extension of product scope

Related Eurex Clearing circulars: 041/12, 092/12, 011/13

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Content may be most important for:	**Attachment:**
Ü All departments	EurexOTC Clear IRS Release 2.0 Information Schedule

Summary:

With EurexOTC Clear Release 2.0, Eurex Clearing will extend its EurexOTC Clear service for Interest Rate Swaps, which was introduced in November 2012 by products and product characteristics and introduce additional services.

The details for the new release are as follows:

Release:	EurexOTC Clear Release 2.0
Start of simulation:	**5 March 2013**
Introduction date:	**8 April 2013**

Please note that the products and services introduced with the release will have impact on the various interfaces of Eurex Clearing, such as the Eurex Clearing FpML Interface, and on the reports. As far as these interfaces are used by the Members, Members have to make adjustments to their internal interfaces.

EurexOTC Clear for Interest Rate Swaps: Introduction of new facilities and extension of product scope

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Extension of EurexOTC Clear product scope

Since November 2012, EurexOTC Clear has been available for the following standardised interest rate derivatives in euro, U.S. dollar, British pound and Swiss franc:

- Interest Rate Swaps (“IRS”)
- Forward Rate Agreements (“FRA”)
- Overnight Index Swaps (“OIS”)
- Single currency basis swaps (“Tenor Swaps”)

Eurex Clearing is planning to extend the EurexOTC Clear service by the following products and product characteristics in the currencies mentioned above:

- Zero coupon swaps
- For IRS and basis swaps: Compounding – flat & straight
- Linear interpolation of stub periods
- For IRS and OIS: Front and back stubs
- Negative par-swap rates
- For IRS and basis swaps: Variable notional – Amortizing & roller coaster
- For IRS and basis swaps: Variable index spread on floating rates can differ period per period
- For IRS: Fixed coupon rates can differ from period to period
- IMM – International Monetary Markets – roll dates.

By means of these product extensions, Clearing Members and their customers will be able to clear a significant part of Interest Rate Swaps via Eurex Clearing.

Introduction of flexible account structure “Multi Account Client Model” for EurexOTC Clear

In April 2013, Eurex Clearing will extend the Individual Clearing Model for the EurexOTC Clear service by a flexible account structure in order to support flexible structures, e. g. for fund managers.

Individual Clearing Model

- It offers maximum protection for customers under a proven legal construct
- It alleviates the effects on customers in case of a Clearing Member default by segregation of customers’ collateral on clearinghouse level
- It enables continuous trading also in case of default of a Clearing Member by means of transferability of positions.

The new flexible account structure for EurexOTC Clear IRS

- enables Members to segregate positions on single fund/segment level
- prevents cross-subsidies between single funds.

Transactions concluded by the fund manager are booked in dedicated customer accounts (unlimited number on fund/segment level, e.g. F1, F99, F and ZZ), whereas Registered Customer (RC)-related transactions are stored in the same manner as before (accounts A1-A9, PP). Margin requirements resulting from these transactions are calculated separately for each position account, aggregated on fund manager level and connected to a dedicated collateral pool (on fund/segment level).

Collateral in the form of securities of the funds/segments are held in the margin sub-account for individual segregation at Clearstream Banking Frankfurt (CBF). They are, however, segregated at Eurex Clearing on fund/segment level. For individual segregation of collateral in the form of securities, Clearing Members must open a new dedicated collateral account with CBF.

The flag for collateral in the form of securities enables a scalable and efficient solution for the handling of collateral of segregated customers at the Central Securities Depository. Identification takes place through linking the CBF account to the various collateral pools (pool ID) by means of an additional reference, the so-called “Client Reference ID”. The Client Reference ID is initially determined by the customer and subsequently used for all further communication.

Cash collateral is booked from the account of the Clearing Member. In the report, a unique reference (Client Reference ID) is shown which identifies the respective customer.

The new flexible account structure can be tested in simulation as of 5 March 2013. For set-up in simulation, please use the form “Static Data Form for Registered Customer (Simulation)“, which will be available as of mid-February 2013. Further information will be published in the document “EurexOTC Clear IRS Procedures Manual”.

Technical changes and enhancements

In addition to the existing connection to the Eurex Clearing FpML Interface via AMQP, Eurex Clearing will offer connection to the Eurex Clearing FpML Interface via an MQ Server-to-Server connection. Further information about usage of this service was published in Eurex Clearing circular 011/13.

Post Trade Events via the Eurex Clearing FpML Interface

Eurex Clearing will extend the Eurex Clearing FpML Interface, enabling Members to enter and maintain Post Trade Events (PTE) via the interface.

Thus, Members without EurexOTC Clear GUIs can initiate transactions such as

- Trade Transfer
- Account Transfer
- Trade Amendment
- Termination
- De-Clear.

A higher degree of automation is attained by

- usage of the interface for initiation of PTEs by automated messages
- possible automated evaluation of and reactions to PTEs initiated by other parties (e.g. limit checks).

For more information, please refer to the FpML Interface Specification documents. PTE sample messages have already been published. They can be downloaded from the Member Section of the Eurex Clearing website under the following link:

https://member.eurexclearing.com > Clearing Resources > Releases > EurexOTC Clear > Interest Rate Swaps > IRS Release 2.0

EurexOTCClear Web GUI enhancements

Particularly for new products such as Variable Notional Swaps, Zero Coupon Swaps or Compounding Swaps, the product information via the EurexOTC Clear GUI will be extended.

Furthermore, rejection of a trade that has already been cleared in „wait_margin" status will be possible, whenever a Member does not have enough collateral.

For more information, please refer to the document "EurexOTC Clear IRS GUI User Guide" in the Member Section of the Eurex Clearing website under the following link:

https://member.eurexclearing.com > Clearing Resources > Releases > EurexOTC Clear > Interest Rate Swaps > IRS Release 2.0 > Technical Manuals

EurexOTC Clear Margin Calculator

Eurex Clearing is planning to introduce a browser-based margin calculator in order to enable Members to estimate margin requirements promptly.

In the first phase, the Web GUI will only be available for EurexOTC Clear participants (EurexOTC Clear Clearing Members and Registered Customers) via a new dedicated internet address. Authentication will be done by means of the certificate uploaded for the EurexOTC Clear GUI and the User IDs for which access to the EurexOTC Clear GUI was already applied. The GUI enables uploading of a portfolio in a defined format (csv format). The results are shown in the GUI.

For more information on the EurexOTC Clear Margin Calculator, please refer to the document "EurexOTC Clear Margin Calculator User Guide" which can be downloaded from the Member Section on the Eurex Clearing website under the following link:

https://member.eurexclearing.com > Clearing Resources > Releases > EurexOTC Clear > Interest Rate Swaps > IRS Release 2.0

Report changes and new EurexOTC Clear reports

In order to make sure that Registered Customers have knowledge of the positions of the individual funds, Eurex Clearing will make available the new "OTC Fund Manager Collateral and Margin Report" via the Common Report Engine.

In addition, Risk Factor Report CI202/CC202 will be extended by several fields and the number of digits of some fields will be increased.

As published in Eurex Clearing circular 092/12, transaction fees will be waived for Clearing Members until 31 March 2013. As of 1 April 2013, transaction fees will be charged according to the valid Price List for Eurex Clearing AG. Transaction fees will be shown in Eurex report CB182 "Monthly OTC CCP Fee Statement". The report will be available to Members in simulation and production as of February 2013. In simulation, the report contains fees for trades from January 2013. In production, fees are displayed with the value "0".

As of February 2013, this report and further sample reports will be available in the Member Section of the Eurex Clearing website in under the following link:

https://member.eurexclearing.com > Clearing Resources > Releases >
EurexOTC Clear > Interest Rate Swaps > IRS Release 2.0 > Sample Reports

OTC Margin Call extensions

In order to increase transparency, the OTC Margin Call procedure introduced by Eurex Clearing for OTC IRS products will be improved by the following extensions:

- Separate transaction types (277 – Intraday OTC Margin Call and 278 – EOD OTC Margin Call) for OTC Margin Calls for pending trades in the Daily Cash Account Report (CD010).
- In end-of-day processing, a separate transaction will be shown for pending IRS trades with transaction type “EOD OTC Margin Call” in the Daily Cash Account Report (CD010).
- The Margin Call for cleared Eurex transactions and OTC transactions will have a higher priority than the EOD OTC Margin Call for pending trades. Accordingly, the EOD OTC Margin Call will only be instructed after the Margin Call for Eurex and OTC.

Overview of published documents

An overview of documents which will be updated in connection with the introduction of EurexOTC Clear Release 2.0 can be found in the document “EurexOTC Clear IRS Release 2.0 Information Schedule“, which is attached to this circular. The document can also be downloaded from the Member Section of the Eurex Clearing website under the following link:

https://member.eurexclearing.com > Clearing Resources > Releases >
EurexOTC Clear > Interest Rate Swaps > IRS Release 2.0 > Functional Manuals

1 February 2013

EurexOTC Clear IRS Release 2.0 Information Schedule	Available at https://member.eurexclearing.com Clearing Resources > Releases > EurexOTC Clear > Interest Rate Swaps > IRS Release 2.0	Q I / 2013			Q II / 2013	
		01/2013	02/2013	03/2013	04/2013	05/2013
Release Announcement	--					
Information Schedule	Functional Manuals					
FpML Interface Specification – Volume 1: Overview - Updated Version	Interfaces					
FpML Interface Specification – Volume 2: Connectivity - Updated Verson	Interfaces					
FpML Interface Specification – Volume 2-A: WebsphereMQ Connectivity	Interfaces					
FpML Interface Specification – Volume 3: Trade Information & Trade Registration - Updated Version	Interfaces					
FpML Interface Specification – Volume 3-A: Post Trade Events	Interfaces					
Static Data Form for Registered Customer (Simulation) - Updated Version	--					
FpML API XSD and Samples (Current Version) for Simulation - Updated Version	Interfaces > FpML Interface XSD and Sample Messages					
EurexOTC Clear API Error code list - Updated Verson	Interfaces					
Report Manual Interest Rate Swaps (IRS) - Updated Versoin	Technical Manuals					
Simulation Guide - Updated Version	Functional Manuals					
Sample OTC IRS Reports - Updated and New Reports	Sample OTC IRS Reports					
EurexOTC Clear IRS GUI User Guide - Updated Version	Technical Manuals					
EurexOTC Clear IRS Margin Simulation Guide	Technical Manuals					
Simulation Period	--			Simulation	Permanent Simulation	
EurexOTC Clear IRS Procedures Manual - Updated Version	Functional Manuals					
Eurex Clearing Conditions OTC IRS - Updated Version	--					
Member Admission Forms - Updated Version	--					
Start of EurexOTC Clear IRS Release 2.0	--					