clear to trade

# eurex clearing *circular 133/14*

**Date:** 16 September 2014
**Recipients:** All Clearing Members, Non-Clearing Members and Registered Customers of Eurex Clearing AG and Vendors
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## Eurex Clearing Prisma: Configuration update of the new margin methodology

**Related Eurex Clearing circulars:** 062/14, 071/14, 101/14

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| **Content may be most important for:** | **Attachment:** |
|---|---|
| Ü Middle + Backoffice<br>Ü IT/System Administration<br>Ü Auditing/Security Coordination | (only on Eurex Clearing website)<br>Simulation calendar for Eurex derivatives trading & derivatives clearing |


**Summary:**

Eurex Clearing continuously shapes the standards in risk management by raising the benchmark for risk calculation, thereby improving the efficiency, safety and integrity of the global capital markets. The new margin methodology Eurex Clearing Prisma calculates combined risks across all markets for products that share similar risk characteristics according to liquidation groups resulting in more accurate risk calculations. This allows Eurex Clearing to provide higher capital efficiencies and a stronger risk management framework to Members.

Now that Eurex Clearing Prisma has been running for more than one year in production, Eurex Clearing will routinely update the configuration of individual margin components. This involves a new configuration of the Time-To-Expiry (TTE) splits and a re-configuration of the liquidity risk component. All Liquidation Groups which have already been introduced to Eurex Clearing Prisma will be affected by these changes.

The configuration update is designed to adapt to changes in the financial markets and smoothen margin spikes which were observed in the past for specific portfolios.

The updated configuration in production will be effective with the start-of-day processing of business day **13 October 2014.**



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# Eurex Clearing Prisma: Configuration update of the new margin methodology

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This configuration update is designed to adapt to changes in the financial markets and smoothen margin spikes which were observed in the past for specific portfolios. In particular, the TTE splits were originally introduced to account for “expiry risk”, i.e. when calendar spread risk offsets are broken close to expiry in the event of a Member default. The breaking of calendar spreads can lead to margin spikes for specific portfolios. Therefore, the market risk component will consider the portfolio as a whole in one Liquidation Group split, and the expiry risk will be handled instead via an additional short-expiry bucket in the liquidity risk component.

There will be no changes to the formats of reports and Transparency Enabler (TE) files available to the Members, which means there should be no changes required to processes and software on the Member side. The updated configuration in production will become effective with the start-of-day processing of business day **13 October 2014.**

The updated configuration will already be available in the Eurex Clearing Prisma simulation environment from 22 September 2014 onwards. Please note that Eurex Exchange’s T7 simulation will not be available from 19 September until 26 September 2014. Accordingly, positions need to be built up prior to 19 September 2014.

For detailed information regarding the system availability for simulation please refer to the simulation calendar for Eurex derivatives trading & derivatives clearing which is available for download on the Eurex Clearing website www.eurexclearing.com under the following path:

**Technology > Simulation calendar**

If you have any questions, please contact Risk Control on tel. +49-69-211-1 24 52, fax +49-69-211-1 84 40 or e-mail: risk@eurexclearing.com.

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