X-pand into the Future

e u r e x *rundschreiben 122/14*

Datum: 9. Juni 2014
Empfänger: Alle Handelsteilnehmer der Eurex Deutschland und Eurex Zürich
Autorisiert von: Mehtap Dinc

Euro-Swap-Futures: Bereitstellung des „Member Simulation Guide“ sowie Änderungen betreffend Eurex-Rundschreiben 107/14

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Zielgruppe:

Ü Alle Abteilungen

Anhänge:

1. nur in Englisch: „Member Simulation Guide“
2. Aktualisierte Abschnitte der Kontraktspezifikationen für Futures-Kontrakte und Optionskontrakte an der Eurex Deutschland und der Eurex Zürich

In Anhang 1 zu diesem Rundschreiben erhalten Sie den „Member Simulation Guide“ für die Euro-Swap-Futures, die mit Eurex-Rundschreiben 107/14 angekündigt wurden. Die Simulation beginnt am 12. Juni 2014. Um den Teilnehmern die Möglichkeit zu geben, mehr Verfälle und Lieferungen des zugrunde liegenden Swap zu simulieren, können in der Simulation monatliche Verfälle bis September 2014 getestet werden.

Des Weiteren möchten wir über eine redaktionelle Änderung zu Anhang 1 des Eurex-Rundschreibens 107/14 informieren. In dem Anhang wurde dem neuen Produkt „Euro-Swap-Futures“ die Ziffer „1.18“ in den Kontraktspezifikationen für Futures-Kontrakte und Optionskontrakte an der Eurex Deutschland und der Eurex Zürich zugewiesen. Stattdessen wird das neue Produkt „Euro-Swap-Futures“ als Ziffer „1.[19/20]“ eingefügt werden.

Außerdem möchten wir Sie über eine Änderung in Abschnitt 3. „Handelszeiten“ des Eurex-Rundschreibens 107/14 informieren. Das Ende der Post-Trading-Phase wurde dort mit 19:30 Uhr MEZ angegeben. Stattdessen endet das Post-Trading um 20:00 Uhr MEZ, wie in Anhang 2 des vorliegenden Rundschreibens dargestellt. An jedem letzten Handelstag beginnt das Post-Trading um 12:15 Uhr MEZ und endet um 20:00 Uhr MEZ.

Eurex Clearing

Member Simulation Guide

Eurex Swap Futures

Version	1.0
External Version	SIMULATION
Date	6 June 2014

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1. Introduction

The Eurex Clearing Member Simulation Guide provides Members and Independent Software Vendors with key information, planning considerations and guiding instructions for the forthcoming Eurex Swap Futures simulation.

To prepare for the production launch of Swap Futures, Eurex Clearing will offer access to a simulation environment prior to the production launch.

Two phases are planned for simulation and introduction of the new product group. The first simulation with member participation is scheduled between 12 June 2014 and 27 June 2014. The second simulation is scheduled between 4 August 2014 and 12 September 2014. Subsequently the Eurex Clearing simulation will continue as permanent simulation. The production launch of Eurex Swap Futures is on 1 September 2014.

Participants of the simulation are Clearing Members (CMs), Non-Clearing Members (NCMs), independent software vendors (ISVs), and service providers. The participants will be able to test their systems and processes with the new functionality provided by Eurex Swap Futures. The simulation will allow participants to become familiar with the new product group and to early identify issues to minimize the risk of the Eurex Swap Futures launch.

This document describes

- the main components of the Swap Futures simulation (chapter 2),
- the timeline for simulation (chapter 3),
- the necessary participant activities for simulation (chapter 4),
- focus days in simulation (chapter 5), and
- the list of documentation, where to find it and further support (chapter 7).

Eurex Clearing recommends that all Clearing Members and Non-Clearing Members active in clearing and/or trading of listed derivatives available at Eurex Exchange, being interested in Eurex Swap Futures, start the necessary preparations soon. They should contact their Independent Software Vendors and service providers to evaluate the impact if participation in the Eurex Swap Futures simulation is desired from the beginning.

In order to achieve a common understanding of the responsibilities and tasks, the distribution of this Simulation Guide to the appropriate project teams and line organizations of Members and ISVs is recommended as soon as possible. All parties involved, e.g. central coordinators, system administrators, traders and ISV representatives, should be aware of their tasks before the actual start of the simulation.

2. Main components of the Eurex Swap Futures simulation

This chapter provides a high level overview of the main components of the Eurex Swap Futures release.

2.1 Functionality

At production launch, futures in 4 maturities (2, 5, 10 and 30 years) for up to 3 consecutive quarterly expiries will be set up and maintained at any given time. The futures are tradable from 8:30 to 19:00 CET through the order book and will also be available for all relevant OTC Trade Entry Facilities (EFP, EFS and Block Trades). After front-month swap futures expiry, an open long position holder will enter into a Receiver Swap and a short position holder will enter into a Payer Swap against Eurex Clearing.

To provide participants of the simulation with the opportunity to train their internal processes, in simulation the product will be set up with a monthly expiry until production launch. Please note that in production, Eurex Swap Futures will be launched with a quarterly expiry. Consequently, after production launch, the products in simulation will be adjusted to offer quarterly expirations.

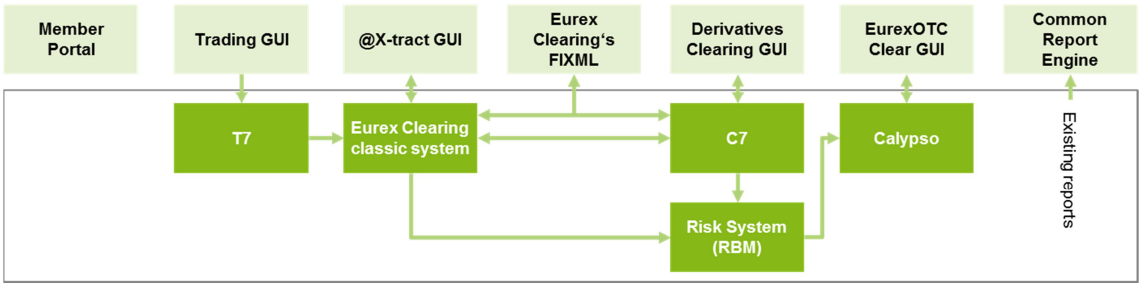
2.2 Delivery timeline

Eurex Swap Futures will begin trading on 1 September 2014 with active contract months December 2014 and March 2015. Consequently, the first expiry can be anticipated for 15 December 2014.

2.3 Simulation system environment

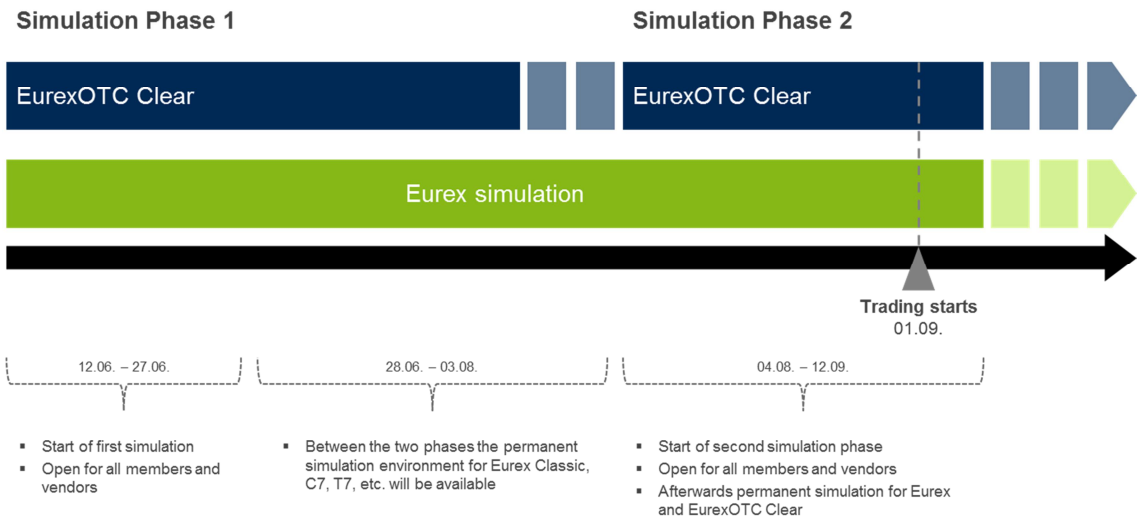
The simulation is set up and runs from both a functional and technical perspective as production-like as possible to help simulate business processes under realistic conditions. In order to provide a production-like system environment, the different Eurex components are set up as an integrated simulation environment. Nevertheless, system availability and technical performance is scaled to simulation requirements and may differ from production.

The following illustrative diagram provides an overview of the member interfaces and environment for the Eurex Swap Futures simulation:



3. Simulation schedule

As mentioned above there will be two simulation phases. The simulation environment will be available as of **12 June 2014** and access to the simulation will remain available beyond the production launch on **1 September 2014.**



The following guiding principles for the simulation calendar are used:

- On batch days, calendar days correspond to actual business days. The following days until the next batch day have the business date of this forthcoming batch day, i.e. calendar days between two batch days share the same business date.
- Weekends are generally open for simulation, but no technical and functional support will be available on weekends.
- Several expiration dates for Eurex Swap Futures are planned throughout the simulation. Details are listed in the Simulation Calendar.

The simulation calendar is available on the Eurex Clearing website www.eurexclearing.com under the following link:

http://www.eurexclearing.com > Technology > Simulation calendar

4. Participant activities in order to use Eurex Swap Futures

In order to ensure organizational and technical readiness for simulation, members/ ISVs should consider the following topics:

- Members who want to trade Eurex Swap Futures must have a Clearer which has both clearing licenses for listed and OTC business. The Clearing Member would be responsible to facilitate physical delivery.
- All eligible Clearing Members will be set up for trading the Swap Futures Product, by Member/Vendor Services and Admissions.
- ISVs should contact Member/Vendor Services and Admissions.
- NCMs should contact their GCM; the NCM should then in conjunction with the GCM contact Member/Vendor Service and Admissions in order to arrange set-up and testing cycles.
- Related in-house systems and/or ISV software/applications should be set up to simulate subsequent processing.
- Members planning to participate in the simulation should verify their individual setup/ clearing-relationship prior to the start of their simulation testing activity.
- For existing users of the Eurex infrastructure the technical connection to T7, FIXML, Eurex Webtrading, C7 and EurexOTC will not change.

5. Description of focus days

Eurex Clearing offers several dedicated focus days for the expiration of Swap Futures during the simulation in order to support participants with testing and verifying their applications and processes.

Prior to these expiration scenarios, participants are requested to generate positions to check the behavior and interaction with their systems and processes during the end of day processing and on the next business day.

The following focus days are planned for the first simulation phase:

- 16 June 2014: Last Trading Day
- 17 June 2014: Delivery Date
- 18 June 2014: Effective Date

The exact dates of additional focus days will be shown in the simulation calendar (see chapter 3) and will be announced via the implementation news. The following focus day scenarios will be offered:

5.1 Day 1: Futures Expiry Date (Last Trading Day)

12:15 CET:

The Final Settlement Price is determined by Eurex as the volume-weighted average price of the futures in certain time period.

Until 20:00 CET:

All standard clearing transactions are possible in Eurex Classic. Please note that in order to guarantee the flawless (riskless) delivery and Clearing of an EurexOTC Clear cleared Interest Rate Swap upon futures expiry, any Futures Clearer active in the Clearing of the Swap Futures would be required to be also a member of the EurexOTC Clear offering for EUR IRS.

20:00 CET:

No clearing transactions are possible anymore in Eurex Classic. Standard Post Restricted Phase will start at 20:00 CET for all other contract months.

5.2 Day 2: Delivery Date (Last Trading day + 1BD)

Around 05:00 CET:

Standard overnight Futures Reporting is sent from Eurex Clearing to Clearing Members including the final Swap Futures positions in the expiring front month contracts.

Starting at 6:00 CET:

All Swap Futures positions will be loaded into Calypso. In Calypso the futures position information is transferred automatically into swap positions and booked using the following algorithm to a Clearing Member's or his segregated client's account:

- Futures NCM positions will be matched to the Clearer's relevant Registered Clients if possible (i.e. if the same segregation model is used by the client for listed and OTC derivatives)
- Otherwise positions will be booked on a default segregated agent account. Insufficient margin could result into a manual Intraday Margin Call between 08:00– 13:00 CET. Failure to pay margin would start the standard Default Management Process.

Calypso also calculates an upfront payment for the swap which depends on the final settlement price of the future and which is payable at LTD+2 (=Effective Date).

5.3 Day 3: Effective Date OTC Swap (Last Trading Day + 2BDs = IMM Date)

08:00 CET:

Standard Variation Margin for new swaps is paid/received. Swap Futures Upfront Payment is received/paid.

6. Products in simulation

The Eurex Swap Futures simulation will offer a similar set of products from the production environment which differs in terms of expiration frequency. The following product will be available in simulation:

Product ID	Description	Expiration frequency
FSWL	10 year swap underlying	monthly

This product is used for focus day scenarios which are done in the Eurex Classic and Calypso systems (see chapter 5). The FSWL contract offers a monthly expiration to provide participants with various opportunities to test the expiration scenario.

The following products will be offered in production:

Product ID	Description
FSWS	2 year swap underlying (Mar, Jun, Sep, Dec/ 2014)
FSWM	5 year swap underlying (Mar, Jun, Sep, Dec/ 2014)
FSWL	10 year swap underlying (Mar, Jun, Sep, Dec/ 2014)
FSWX	30 year swap underlying (Mar, Jun, Sep, Dec/2014)

7. Support

7.1 List of documents

The following documents will be published before the start of the simulation. Please note that the documents might be updated during the simulation period, if necessary, which will be communicated via the implementation news.

Document	Publication	Link
Eurex Swap Futures Simulation Guide	June 2014	http://www.eurexchange.com > Technology > Eurex Exchange's T7 > System documentation > Release 2.1 > Simulation
Simulation calendar	Next update in July 2014	http://www.eurexclearing.com > Technology > Simulation calendar

7.2 Implementation News

Eurex Clearing is committed to provide CMs and NCMs with timely information updates in order to support adequate planning and ensure a successful simulation of Eurex Swap Futures. Besides the documents mentioned above, and the circulars a key source of information will be the Implementation News.

The Implementation News section on the Eurex Clearing website provides, at short notice, information related to the simulation and the production launch. This service is well known from the introduction of Eurex Exchange's T7 and has proven to be a useful source of information. It is located under the following path:

http://www.eurexclearing.com > Technology > Implementation News

7.3 Contacts

In case of questions or for further information, please contact the Member/Vendor Services & Admission Team on +49-69-211-13118 or +49-69-211-11700 or via e-mail to memberservices@eurexclearing.com.

8. Change Log

Date	Version	Change
6 June 2014	1.0	Initial version

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ÄNDERUNGEN SIND WIE FOLGT KENNTLICH GEMACHT:

ERGÄNZUNGEN SIND UNTERSTRICHEN

LÖSCHUNGEN SIND DURCHGESTRICHEN

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[…]

Annex C zu den Kontraktspezifikationen:

Handelszeiten Futures-Kontrakte

[…]

Zinsswap Futures-Kontrakte

Produkt	Produkt-ID	Pre-Trading-Periode	Fortlaufender Handel	Post-Trading Full-Periode	OTC Block Trading	Letzter Handelstag Handel bis
Zinsswap Futures-Kontrakte auf 2-, 5-, 10-, und 30jährige Zinsswaps	FSWS FSWM FSWL FSWX	07:59-08:30	08:30-19:00	19:00-20:00~~19:30~~*	08:30-19:00**~~***~~	12:15

* Am jeweils letzten Handelstag beginnt die Post-Trading-Full-Periode um 12:15 und endet um 20:00.

** Am jeweils letzten Handelstag endet die Eingabe von OTC Block Trades um 12:15.~~** Am jeweils letzten Handelstag endet die Eingabe von OTC Block Trades um 12:15.~~

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