clear to trade

eurex clearing *circular 043/09*

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Introduction of Eurex Credit Clear: Information for Production Start

Related Eurex Clearing Circulars: 022/09, 036/09, 040/09

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Content may be most important for:	**Attachments:**
➲ All departments	Available only on the Eurex Clearing website: 1. Contact Details for Trade Approval 2. Eurex Credit Clear – Quote Provision 3. Eurex Credit Clear – Quote Provision Formats 4. Markit-Eurex Credit Clear – Clearing Feed 5. Eurex Credit Clear – Markit XML Specification Package 6. Eurex Credit Clear – Holiday Calendar

Summary:

With circulars 022/09 and 040/09, Eurex Clearing announced that Eurex Credit Clear would be operational as of July 27 and start clearing on July 30, 2009. The initial product scope of Eurex Credit Clear will cover European CDS products on iTraxx® benchmark indexes and 17 iTraxx® benchmark index constituents from the utilities sector. In a further step, it is planned to offer clearing for all iTraxx® index constituents.

This circular provides important information for preparation of the production start:

Eurex Credit Clear – Technical and Procedural Adjustments

Eurex Credit Clear – First Clearing and Novation Cycle

Eurex Credit Clear – Quote Provision

Eurex Credit Clear – Holiday Calendar

Eurex Credit Clear – CDS Market Committees

Eurex Credit Clear – Helpdesks

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Aktiengesellschaft mit Sitz in Frankfurt/Main
HRB Nr. 44828
Amtsgericht Frankfurt/Main

Introduction of Eurex Credit Clear: Information for Production Start

With circulars 022/09 and 040/09, Eurex Clearing announced that Eurex Credit Clear would be operational as of July 27 and start clearing on July 30, 2009. Eurex Credit Clear supports the self-commitment by nine major market participants towards the European Commission to use an EU-based CCP for European Credit Default Swaps (CDS) by July 31, 2009.

The initial product scope of Eurex Credit Clear will cover European CDS products on iTraxx® benchmark indexes and 17 iTraxx® index constituents from the utilities sector. In a further step, it is planned to offer clearing for all iTraxx® benchmark index constituents.

For the start-up phase of the offering, the net nominal value transmitted for clearing per clearing participant must not exceed 20 billion euro. In addition, a limit of 100 million euro will apply per single name CDS. Eurex Clearing will inform via circular once these limits will be waived.

Eurex Clearing will not introduce any trade limit, but strongly recommends starting the clearing operations with reasonable trade volumes during the first weeks. A so-called “Mass Backloading” can be scheduled for as early as September 2009.

Information about which CDS products will be eligible for clearing via Eurex Clearing as of July 30, 2009 is contained in the documents “Eurex Credit Clear – Eligible Indexes” and “Eurex Credit Clear – Eligible Single Names”. The documents are available on the Eurex Clearing website under the path:

www.eurexclearing.com > Member Section > Releases > Eurex OTC Clear > Credit Clear

Eurex Credit Clear is interlinked with the Deriv/SERV Trade Information Warehouse of the North American Depository & Trust & Clearing Corporation (DTCC), thereby enabling efficient straight-through processing and seamless integration of Eurex Credit Clear in the existing OTC market infrastructure. For Eurex Credit Clear, Eurex Clearing has developed a CDS-specific, state-of-the-art risk management model. Implementation was supported by proven applications from Calypso Technology Inc., a leading provider of risk solutions for OTC markets.

This circular provides important information for preparation of the production start.

Eurex Credit Clear – Technical and Procedural Adjustments

Eurex Credit Clear does not require technical adjustments to the Eurex® and Eurex Clearing infrastructure. Also, no new front-end software is needed. Starting July 29, 2009, admitted Credit Clearing Members will automatically receive the new Eurex Credit Clear reports on the existing Eurex® infrastructure. Selecting the new Credit Clear reports in the Eurex GUI is not necessary.

Interfaces and processes on Member side will have to be prepared appropriately for operations starting on July 27. Please note that Eurex Clearing will enter into the trades as counterparty with DTCC Broker ID 0000D085.

Payments in connection with the trade (coupon and credit event payments) will be settled via DTCC in the CLS infrastructure, whereas all other payments will be settled via TARGET2 Cash or SNB.

Eurex Credit Clear – First Clearing and Novation Cycle

Friday, July 24, 2009 – Tuesday, July 28, 2009
Trades which shall be included in the first clearing on Thursday, July 30, 2009 with trade date latest Friday, July 24, 2009 have to be entered into the Deriv/SERV Trade Warehouse and confirmed at the latest by Tuesday, July 28, 2009.

Members can use the "Deriv/SERV Full Position Reconciliation Report" which will be distributed overnight by DTCC Deriv/SERV (at approximately 01:00 GMT) in order to reconcile their positions.

Wednesday, July 29, 2009
For the first time on Wednesday, July 29, 2009, Eurex Clearing will distribute the "Preliminary Clearing Forecast files" which list all trades eligible for clearing on Thursday, July 30, 2009. Members can use these reports together with the "Deriv/SERV Full Position Reconciliation Report" in order to reconcile their positions in their own systems.

Trades which are to be included in clearing by Eurex Clearing have to be marked accordingly in DTCC Deriv/SERV with Super ID / E-trading TRN=EUX by Wednesday, July 29, 2009, 23:00 GMT as well as the netting information which has to be entered at the same time. Netting parameters have to be defined and provided to Eurex Clearing latest on July 28, 2009.

Thursday, July 30, 2009
On Thursday, July 30, 2009, at 07:30 GMT, Eurex Clearing will provide the "Final Clearing Forecast files" so that Members can perform a final reconciliation of their systems. Single trades that are to be excluded have to be reported to Eurex Clearing via e-mail by 08:30 GMT at the latest. In this case, Eurex Clearing presumes that the bilateral counterparty was informed and approved the procedure. In case no single trades are excluded from clearing, Eurex Clearing will include all trades in the clearing cycle. After distribution of the "Forecast for Approval files" ("OTC Trade Daily Summary" and "Netting Forecast Report") at around 09:30 GMT, Members have to submit their approval for clearing by 10:45 GMT to the e-mail address eurexcreditclear@eurexclearing.com (only persons authorized by means of the form "Contact Details for Trade Approval"). Consequently, Eurex Clearing will perform clearing and netting of the trades in question, mark them with "Accepted for Clearing" and list them in the "OTC Trade Daily Summary Report" which will be distributed around 13:00 GMT. At the same time, Eurex Clearing will finish the original bilateral trades and enter two new trades in DTCC Deriv/SERV.

Based on the prices from Wednesday, July 29, 2009, an estimated margin value will be calculated and displayed in the reports MTM, Overall Margin and Credit Event Margin at around 15:00 GMT.

At approximately 22:00 GMT, Eurex Clearing will start the end-of-day processing. Among other information, the report "Daily Settlement Statement" will display the net margin deficit or surplus that will be booked to the TARGET2 or SNB account specified by the Member on Friday, July 31, 2009, 07:00 GMT.

Friday, July 31, 2009
Eurex Clearing will process the Additional Margin Call overnight. Clearing will finally take place once all Members have pledged sufficient collateral. Afterwards, the trades will be displayed in the "OTC Trade Event Report".

Should the valuation price change subsequently, additional margin calls might take place.

For further details please see the document "Functional Release Notes" published in the Member Section on www.eurexclearing.com

Eurex Credit Clear – Quote Provision

Members have to send on a mandatory basis quotes in which they hold open positions during time slot 17:30-17:35 CET via e-mail to Eurex Clearing (e-mail address: cds.prices@eurexchange.com).

Information about the initial quote provision process is contained in the document "Eurex Credit Clear – Quote Provision". In addition, Clearing Members have to use pre-defined ".csv" and ".xls" data files for quote provision for the continuing simulation as well as for production (Eurex Credit Clear – Quote Provision Formats).

In parallel to the initial quote provision process via e-mail, the testing process of an automated feed using Markit infrastructure will start. It is planned to offer the automated feed via Markit in production starting August 10, 2009. After August 10, both the automated feed via Markit and the quote provision via e-mail will be offered for Clearing Members to provide their quotes.

Information about the automated quote provision process is contained in the documents "Markit-Eurex Credit Clear – Clearing Feed" and "Eurex Credit Clear – Markit XML Specification Package". Both documents are available on the Eurex Clearing website under the path:

www.eurexclearing.com > Member Section > Releases > Eurex OTC Clear > Credit Clear

Eurex Credit Clear – Holiday Calendar

During the course of the year, some holidays will affect the Eurex Credit Clear novation cycle, thus the operational processes. This document provides an overview of the respective holidays and their impact on the novation cycle.

The Holiday Calendar is available for download from the Eurex Clearing website under the following path:

www.eurexclearing.com > Member Section > Releases > Eurex OTC Clear > Credit Clear

Eurex Credit Clear – CDS Market Committees

Eurex Clearing offers Credit Clearing Members to cooperate in various CDS Market Committees for "Risk", "Operations" and "Legal" in order to support and consult Eurex Clearing in improving and extending the current clearing infrastructure. Eurex Clearing will distribute further information about the respective Committees promptly.

Eurex Credit Clear – Helpdesks

The following helpdesks are available to Members during production:

General inquiries about Eurex Credit Clear regarding functionality	Market Supervision	Tel. +49-69-211-1 92 00, Fax +49-69-211-1 84 40 E-mail: eurexcreditclear@eurexclearing.com
Pledging and releasing of collateral	Market Supervision	Fax +49-69-211-1 43 34
General inquiries with technical background	Customer Technical Support	Tel.: +49-69-211-1 12 00 Fax: +49-69-211-1 12 01 E-mail: eurex-help@deutsche-boerse.com
General inquiries about Eurex Credit Clear including simulation	Eurex Credit Clear Simulation Hotline	Tel.: +49-69-211-1 22 33 Fax : +49-69-211-61 22 33 E-mail: eurexotcclear.simulation@eurexclearing.com

Aforementioned documents are available for download from the Eurex Clearing website under the following path:

www.eurexclearing.com > Member Section > Releases > Eurex OTC Clear > Credit Clear

Should you have any further questions or require additional information, please contact Eurex Credit Clear Simulation Hotline on tel. +49-69-211-1 22 33 or fax +49-69-211-61 22 33 or by e-mail to eurexotcclear.simulation@eurexclearing.com.

Frankfurt, July 24, 2009