clear to trade

eurex clearing *circular 066/13*

Date: 6 June 2013
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EurexOTC Clear for Interest Rate Swaps: Introduction of new functionality: EurexOTC Clear Release 2.1

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Content may be most important for:	**Attachment:**
➲ All departments	EurexOTC Clear IRS Release 2.1 Information Schedule

Summary:

With EurexOTC Clear Release 2.1, Eurex Clearing will extend its EurexOTC Clear service for Interest Rate Swaps (IRS) by additional functionality and services.

The details for the new release are as follows:

Release:	EurexOTC Clear Release 2.1
Start of simulation:	**16 July 2013**
Introduction date:	**12 August 2013**

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

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Functional changes and enhancements

1. Bulk-Backloading

With EurexOTC Release 2.1, Eurex Clearing will offer the possibility to load historic IRS deals using back-loading which considers portfolio effects when the incremental risk check is performed (Bulk-Backloading). Market participants (Executing Brokers and Clients) can select trades with a trade date in the past (currently older than ten business days) and need to process these trades in an Approved Trade Source system. As for other trades a clearing broker needs to be chosen per trade or allocation split and the trades need to be submitted to Eurex Clearing. After validation by Eurex Clearing, the trades have to be accepted, if necessary, by the responsible Clearing Member (take-up), and are then set to status “BS_Backloaded”.

Starting 17:00 CET, a bulk backloading incremental risk check will be performed for the uploaded (back-loaded) portfolio and the CI217 Preliminary Backloading Margin Report will be generated, which informs the Member about the forecasted margin requirement for the portfolio. Clearing Members and customers then have the possibility to post additional cash collateral, e.g. in USD or to post additional securities collateral until 18:00 CET (via Xemac® only until 17:45 CET), where this is required. At 21:00 CET, a second bulk back-loading incremental risk check will be performed for the portfolio and the Preliminary Backloading Margin Report will be sent again (as CC217). In case sufficient collateral is available the trades will be novated. In case the collateral is not sufficient trades that have been included in the second bulk backloading incremental risk check will be included in the Overnight Margin Call. Further information will be made available in the document “EurexOTC Clear Procedures Manual” from end of July 2013.

2. Near Time Clearing (novation after the risk check)

For its EurexOTC Clear Service, Eurex Clearing introduces novation immediately after a risk check (Near Time Clearing). The users of the EurexOTC Clear Service thereby obtain early legal certainty. Moreover, Near Time Clearing enables streamlined internal processes.

Therefore, with EurexOTC Clear Release 2.1, generation of the CI200 OTC Trade Novation Report will be changed from an hourly basis to event-triggered. Immediately after a trade passed the incremental risk check, a trade-specific OTC Trade Novation Report will be generated, serving as legal basis of the novation. The same applies for the post-trade events. Also the CI201 Trade Summary Report will be created event-triggered and will be available via the Common Report Engine. The report formats will remain unchanged. Further information is available in the functional and technical documents for EurexOTC Clear Release 2.1.

3. Adjustment of risk reports in connection with enhancement of the "Liquidity Adjustment"

In addition to the enhancement of the "Liquidity Adjustment", Eurex Clearing will adjust existing risk reports and provide new risk reports in order to improve transparency and to ensure a more comprehensible replication of margin figures by Vendors and Members. In particular, the reports will newly include interest rate structure curves and hedge portfolio data used for Liquidity Adjustment calculation on Member account level.

4. EurexOTC Clear Margin Calculator

The EurexOTC Clear Margin Calculator will be extended by a so called "what-if analysis" feature, which means that the users of the Margin Calculator can use their cleared positions in the existing accounts held at the clearinghouse as basis for the margin calculation.

With EurexOTC Clear Release 2.1 the users can then add further trades in the account and calculate the impact of these changes to the margin requirement. In addition to the total margin requirement, the Margin Calculator returns as well the margin requirement of the existing portfolio and the margin requirement of the simulated trades.

The results will encompass the margin calculated for the following categories:

- Margin for the existing portfolio
- Margin for simulated trades (standalone)
- Margin for a combined portfolio (existing + simulated)
- Impact of the simulated trades on the margin requirement

5. Enhancements on product level

To enhance the current product scope, Eurex Clearing introduces further calendar and more flexible "trade fees":

- Further holiday calendars, i.e. Frankfurt, Paris, Madrid, Brussels, Milan, Tokyo
- Trade fees
  - Up to six fee payments between swap start and trade maturity
  - Current restriction to one fee payment and fee settlement until 14 days after clearing will be removed

Technical changes and enhancements

1. Possibility for the connection of further trade flow providers

Currently trades can be submitted for clearing to Eurex Clearing only via the MarkitWire platform. With EurexOTC Clear Release 2.1, Eurex Clearing enhances its FpML Interface as standard connectivity interface for other trade flow providers.

For this purpose, the existing workflow will be used. The interface will be extended by data filters, actions and rules. For further details and for the adjustment of the FpML interface, please refer to the FpML interface description. Information regarding the connection to Eurex Clearing via a particular trade flow provider will be announced in a separate Eurex Clearing circular.

2. Technical enhancements and changes to the EurexOTC Clear interfaces

The technical interfaces, such as the Eurex Clearing FpML interface and the EurexOTC Clear GUI will be adjusted in EurexOTC Clear Release 2.1 to support the aforementioned enhancements. For more information, please refer to the relevant functional and technical documents for EurexOTC Release 2.1, which will be published on 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 2.1

Besides the mentioned new risk reports, the new Backloading-Report and the event-triggered trade reports, data of existing reports will be enhanced.

New and updated sample reports will be available from mid-July 2013 at the following link in the Member Section of the Eurex Clearing website:

https://member.eurexclearing.com > Clearing Resources > Releases > EurexOTC Clear > Interest Rate Swaps > IRS Release 2.1 > Sample Reports

Overview of published documents

An overview of documents which will be updated in connection with the introduction of EurexOTC Clear Release 2.1 can be found in the document “EurexOTC Clear IRS Release 2.1 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 2.1 > Functional Manuals

6 June 2013

EurexOTC Clear IRS Release 2.1 Information Schedule	**Documents available at https://member.eurexclearing.com** **Clearing Resources > Releases > EurexOTC Clear > Interest Rate Swaps > IRS Release 2.1**	**Q II/2013**			**Q III/2013**		
		04/2013	**05/2013**	**06/2013**	**07/2013**	**08/2013**	**09/2013**
Release Announcement	--						
Information Schedule	Functional Manuals						
FpML Interface Specification – Updated Programming Version	Interfaces						
EurexOTC Clear Risk Methodology Description Interest Rate Swaps (IRS) - Preliminary Version	Functional Manuals						
Static Data Form for Registered Customer (Simulation) - Updated Version	--						
Simulation Guide - Updated Version	Functional Manuals						
FpML API XSD and Samples (Current Version) for Simulation - Updated Version	Interfaces > FpML Interface XSD and Sample Messages						
Report Manual Interest Rate Swaps (IRS) - Updated Version	Technical Manuals						
EurexOTC Clear IRS GUI User Guide - Updated Version	Technical Manuals						
EurexOTC Clear Margin Calculator User Guide - Updated Version	Technical Manuals						
Eurex Clearing FpML Interface Volume 1: Overview	Technical Manuals						
Eurex Clearing FpML Interface Volume 3-A: Post Trade Events	Interfaces > Eurex Clearing FpML Interface						
Eurex Clearing FpML Interface Volume 3-B: Eurex FpML API for Trade Entry	Interfaces > Eurex Clearing FpML Interface						
Sample OTC IRS Reports - Updated and New Reports	Sample OTC IRS Reports						
Simulation Period	--				Simulation	Permanent Simulation	
FpML Interface Specification - Final Version	Interfaces						
EurexOTC Clear IRS Procedures Manual - Updated Version	Functional Manuals						
EurexOTC Clear Risk Methodology Description Interest Rate Swaps (IRS) - Final Version	Functional Manuals						
Eurex Clearing Conditions OTC IRS - Updated Version	--						
Member Admission Forms - Updated Version	--						
Start of EurexOTC Clear IRS Release 2.1	--						

- Timeline is subject to change -