



eurex clearing *circular 111/13*

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Recipients: All Clearing Members of Eurex Clearing AG and Vendors
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Eurex Clearing Prisma Risk Evaluation Prototype (PREP)

Related Eurex Clearing circular: 098/13

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Attachment:

Eurex Clearing Prisma – Risk Evaluation Prototype
 Guideline (on Eurex Clearing website only)

Summary:

Eurex Clearing recently announced the introduction of Eurex Clearing Prisma Release 2.0 in May 2014. Amongst others, Release 2.0 will offer cross margining of Interest Rate Swaps and listed Fixed Income derivatives. This ensures that the reduced risk profile of hedged interest rate portfolios is adequately reflected by lower initial margin requirements.

In order to help Clearing Members and interested clients to analyse cross margining benefits already today, Eurex Clearing is offering for potential cross margining users to run individual calculations based on the Prisma Risk Evaluation Prototype (PREP). For the PREP service, Members may send a mixed portfolio of listed and OTC products to Eurex Clearing via e-mail, with immediate effect. This circular provides further details on the scope and process of the PREP service.

Eurex Clearing Prisma Risk Evaluation Prototype (PREP)

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1. Scope of the PREP service

The Prisma Risk Evaluation Prototype is able to calculate initial margin figures for interest rate portfolios consisting of interest rate futures, options and interest rate swaps, as well as portfolios consisting of equity derivatives and equity index derivatives (futures and options). The interest rate products and the equity and equity index derivatives will be assigned to separate liquidation groups, therefore margin offsets between these product classes will not be granted.

In case that an interest rate portfolio with listed derivatives and IRS products is provided, the margin is calculated twice. The first calculation aggregates the margin figures calculated for the listed derivatives and IRS products separately, while the second calculation takes into account the cross margin effects between the IRS products and listed products, considering the results of the Margin Optimizer. The Margin Optimizer continuously determines the best possible hedge ratio between listed fixed income derivatives and IRS products.

The margin components consider the liquidation horizons of the liquidation groups, as defined by the Default Management Process. The margins will be computed for a fixed valuation date between 2 July 2012 and 1 July 2013. If no date is specified by the client, 1 July 2013 will be assumed as the standard valuation date.

Further information on the scope and supported products can be found in the "Eurex Clearing Prisma Risk Evaluation Prototype Guideline", which can be found in the Member Section on the Eurex Clearing website www.eurexclearing.com using the following path:

Member Section > Clearing Resources > Eurex Clearing Prisma > PREP Service

2. Processing a PREP request

The PREP service follows a weekly cycle from Thursday, 17:00 CET to Thursday, 17:00 CET of the following week. Participants need to provide a portfolio to Eurex Clearing in .xls format as input for the margin computation. Eurex Clearing provides a template of the file to be submitted. Portfolio details sent by a participant via e-mail to the dedicated e-mail address RiskSampleCalculations@eurexclearing.com by Thursday, 17:00 CET in the correct format will be processed and the calculated results will be returned by e-mail until Thursday of the following week at the latest. Contributions after Thursday, 17:00 CET will enter the calculation cycle in the following week.

Further details and explanations on the input files can also be found in the "Eurex Clearing Prisma Risk Evaluation Prototype Guideline". The input file template itself can be downloaded from the Eurex Clearing Member Section under the path mentioned under 1. The results of the calculation for the portfolios consist of the value of the portfolio and of the different components of the initial margin, where the sum of the components constitute the complete initial margin charged.

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For interest rate portfolios with listed derivatives and IRS products the allocation results from the Eurex Clearing Prisma Margin Optimizer will be returned to the participant via e-mail in an .xls-file along with the margin results.

If you have any questions, please contact Alexander Rose, Clearing Business Development, tel. +44-207-862-72 46 or e-mail: alexander.rose@eurexclearing.com or RiskSampleCalculations@eurexclearing.com,

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