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e u r e x c l e a r i n g *circular 024/13*

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Recipients: All Clearing Members of Eurex Clearing AG and Vendors
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Introduction of Eurex Clearing Prisma release 1 - the new portfolio based risk management method

Related Eurex Clearing circulars: 060/11, 074/11, 090/11, 013/12, 068/12, 092/12, 002/13

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Content may be most important for:

Ü Middle + Backoffice
Ü IT/System Administration
Ü Auditing/Security Coordination

Attachment:

Available in the Member Section on the Eurex Clearing website: Eurex Clearing Prisma – Migration Form

Summary:

Eurex Clearing Prisma (Prisma) offers with the new portfolio based risk management method an innovative way to provide considerable capital efficiencies to members. In order to facilitate the transition from the currently used Risk-Based Margining (RBM) method to Eurex Clearing Prisma, Eurex Clearing is introducing the new margin method in multiple releases. With every Prisma release, Eurex Clearing will move dedicated asset classes to the new calculation method. The product set that will be migrated to Prisma with release 1 will be Listed Equity Derivatives and Listed Equity Index Derivatives traded at Eurex. However, there will be full parallel support of both methodologies until all members have migrated to Prisma and RBM gets decommissioned.

With this circular, Eurex Clearing announces the start of the member on-boarding phase for Eurex Clearing Prisma release 1 in production for Monday, **27 May 2013**. From this day onwards, Clearing Members are able to migrate their portfolio on a Liquidation Group and position account basis and benefit from the efficiencies achieved within Prisma.

In addition, this circular provides members with further information regarding the new Eurex Clearing Prisma reports, the Transparency Enabler Files and how members can benefit from the efficiencies provided with Eurex Clearing Prisma.

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Aktiengesellschaft mit Sitz in Frankfurt/Main
HRB Nr. 44828
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Introduction of Eurex Clearing Prisma release 1 - the new portfolio based risk management method

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Eurex Clearing Prisma – Reports

Eurex Clearing Prisma (Prisma) creates a new set of reports which can be used to drill down the margin requirement calculated in Prisma. Since only one margin call is issued towards the Clearing Members, the margin figures calculated in Prisma are integrated in the Daily Margin Report CC050. This ensures consolidation of the margin call and the use of one collateral pool to cover the margin call.

All Prisma reports are available on the Common Report Engine (CRE). Further details on the structure and content of the reports can be found in the Eurex Clearing Prisma - Report Reference Manual available in the Member Section on the Eurex Clearing website www.eurexclearing.com.

Eurex Clearing Prisma – Transparency Enabler Files

In addition to the reports, Eurex Clearing provides Transparency Enabler Files to all members who want to reconcile or replicate the margin requirements calculated under the Eurex Clearing Prisma methodology. The Transparency Enabler Files are provided in the public section on the Common Report Engine (CRE) and as well on the Eurex Clearing website following the link:

Risk management > Risk parameters > File services

Further details on the structure and content of the Transparency Enabler Files can be found in the Eurex Clearing Prisma User Guide – Methodology Description, chapter 5. The document is available for download in the Member Section on the Eurex Clearing website.

Eurex Clearing Prisma – Hypothetical Margin Reports

To assist members in their decision-making process, Eurex Clearing provides, besides the standard margin reports, an additional set of margin reports. These reports are produced under the assumption that a Clearing Member migrates all positions and Liquidation Groups which are already available under the new margin methodology to Eurex Clearing Prisma. The reports produced are marked separately, i.e. report numbers contained in the report names start with the figure 9.

Therefore reports for RBM components are called CC910, CC920, CC940 and CC945. Reports for Eurex Clearing Prisma components are called CP905, CP910, CP937, CP938, CP939, CP940, CP944 and CP946. The aggregation reports are consequently called CC950, CC951, CC955, CC960 and CD942.

Please note that these reports should be used for information purposes only. All margin calls are based on the standard reports.

The hypothetical margin reports are also provided on the Common Report Engine (CRE). But in contrast to the standard margin reports, the hypothetical margin reports are only available as a text report and not in XML format.

If you have any questions regarding the hypothetical reports, please contact Clearing & Risk Operations at tel. +49-69-211-1 24 52 or e-mail risk@eurexclearing.com.

Migration to Eurex Clearing Prisma (simulation and production)

To migrate to Eurex Clearing Prisma, each Clearing Member has to complete the Eurex Clearing Prisma – Migration Form and select each Liquidation Group and account for which Eurex Clearing Prisma should be used. Please send your completed migration form to Member Services & Admission at fax: +49-69-211-1 17 01 or e-mail memberservices@eurexclearing.com.

After the migration to Eurex Clearing Prisma the new margin calculation method becomes effective and the regular Prisma reports will become available.

If vendor software/applications or/and in-house systems are used to replicate margin calculations, the respective vendors should be contacted and instructed immediately to plan and carry out the changes within the introduction of the new margin methodology. Related in-house systems should be adapted accordingly.

It is strongly recommended to participate in the Eurex Clearing Prisma simulation, which is already available since August 2012.

Members should analyse the impact of Eurex Clearing Prisma and get in contact with their clients to inform them about potential changes resulting from the new margin methodology. For this purpose the Eurex Clearing Prisma brochure ideally serves as an underlying information source on Prisma. The Eurex Clearing Prisma brochure was published in November 2012 and is available for download on the Eurex Clearing website under the link:

Resources > Publications

Default Management Process (DMP)

The Default Management Process is the basis of the new portfolio-based margining method. As such, both the new margining method Eurex Clearing Prisma and the revised Default Management Process will be implemented along a newly introduced Liquidation Group set-up.

Additionally, obligations for the Clearing Members are applied only when new Liquidation Groups are established and products are assigned to those Liquidation Groups. As a general rule, Liquidation Groups are announced by Eurex Clearing circulars and published on the Eurex Clearing website. The foundation of the Liquidation Group “Listed Equity & Listed Equity Index Derivatives Products” will be announced with a separate Eurex Clearing circular.

For further details, please refer to the Eurex Clearing circular 092/12.

Documentation

All Eurex Clearing Prisma related documents are available for download in the Member Section on the Eurex Clearing website eurexclearing.com under the following link:

Clearing Resources > Documentation > Eurex Clearing Prisma > Documents & Circulars

If you have any general questions, please contact Stefan Krause, Vendor Relations & Markets Readiness, tel. +49-69-211-1 96 10, e-mail: stefan.krause@eurexchange.com, or Alexander Rose, Clearing Business Relations, tel. +44-207-862-72 46, e-mail: alexander.rose@eurexclearing.com,

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