EurexOTC Clear

Member Guide
Approved Trade Source:

Bloomberg

February 2016

eurex clearing

Agenda

- Overview
- OTC Client Clearing Workflow
- Supported Functionality/Flow
- Product Scope
- Trade Flow
- Novation Flow
- Interface for Trade Entry
  - Voice Trading (SWXT)
  - Electronic Trading (BBTI/ALLQ)
- Onboarding
  - Onboarding Steps
  - Used Cases
  - Simulation Guide

Overview - Approved Trade Source (ATS)

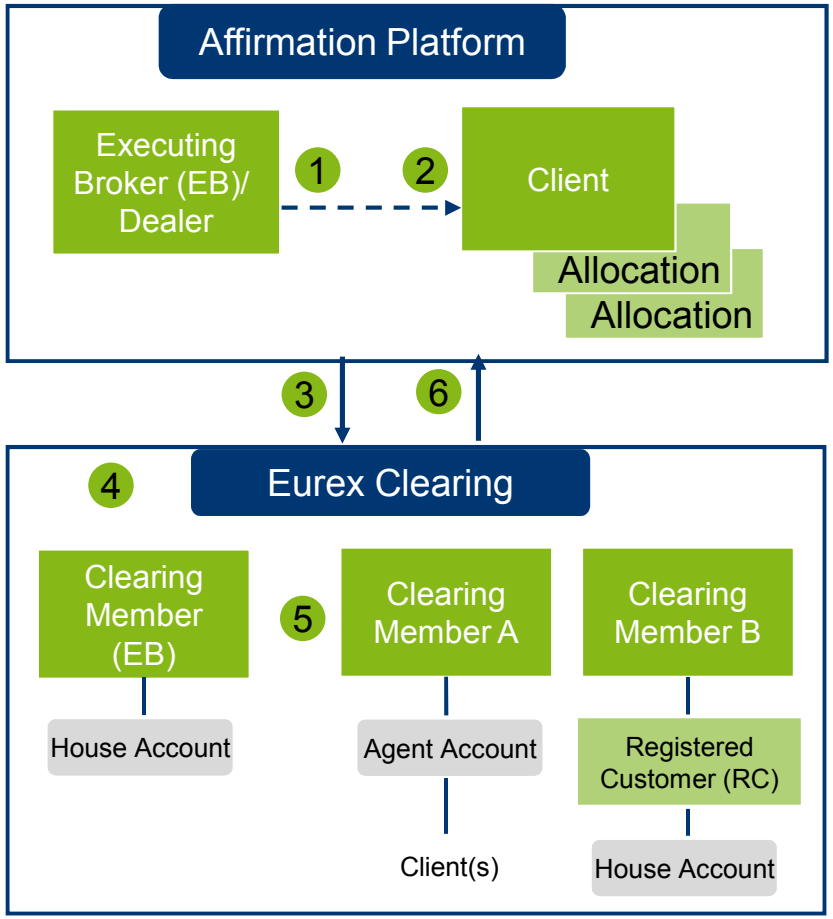
Trade Entry to EurexOTC Clear

- All trade entry to EurexOTC Clear has to be done via an ATS
- EurexOTC uses an open API to connect ATS for the clearing of OTC IRS
- Eurex Clearing is agnostic to ATS
- Novation process is identical for all ATS
- Once the trade is submitted for clearing and Eurex Clearing is the CCP, Eurex Clearing is the golden source of the trade; i.e. currently only ‘Trade Entry’ functionality is supported via Bloomberg. Take-up and Post Cleared Functionality etc. need to be entered through the EurexOTC Clear GUI or the Eurex Clearing FpML Interface. An automated notification to and alignment with Bloomberg does not take place
- Trades from different ATS can be accumulated/netted

Agenda

- Overview
- OTC Client Clearing workflow
- Supported Functionality/Flow
- Product Scope
- Trade Flow
- Novation Flow
- Interface for Trade Entry
  - Voice Trading (SWXT)
  - Electronic Trading (BBTI/ALLQ)
- Onboarding
  - Onboarding steps
  - Used cases
  - Simulation guide

OTC Client Clearing Workflow



High-level process flow

1. Bilateral OTC trade executed
2. Client affirms/allocates & identifies Clearing Member
3. Matched trade(s) submitted for clearing
4. Eurex Clearing validates trade
5. Trade validation and novation
   - Clearing Member(s) take-up
   - Eurex Clearing performs pre-novation incremental risk check
   - Eurex Clearing accepts or rejects trades
   - Trades booked with Eurex Clearing in respective accounts
     - EB-Trade into CM's P-Account
     - Client Trade into CM´s A-Account and/or in an RC-Account
6. Trade status sent to affirmation platform. Eurex Clearing
   - calculates initial and variation margin
   - notifies Clearing Member of trades, positions, margin and collateral requirements
   - maintains trades and respective lifecycle events

Agenda

- Overview
- OTC Client Clearing workflow
- Supported Functionality/Flow
- Product Scope
- Trade Flow
- Novation Flow
- Interface for Trade Entry
  - Voice Trading (SWXT)
  - Electronic Trading (BBTI/ALLQ)
- Onboarding
  - Onboarding steps
  - Used cases
  - Simulation guide

Supported Functionality/Flow (1/2)

Bloomberg (BGL) ATS

- Bloomberg offers two trade capture methods: Voice Trading (SWXT) and Electronic Trading (BBTI/ALLQ)
- SEF* flow and CFTC reporting for non-U.S. persons is not currently supported
- Currently only ‘Trade Entry’ is supported. ‘Take-up’ and Post Cleared Functionality etc. is not available
- Once trade has cleared it is visible on Bloomberg’s blotter functionality (BLOT <GO>) as ‘Cleared’
- No lifecycle events such as netting/ accumulation etc. will be reflected in Bloomberg
- In order to use Bloomberg for trade entry to EurexOTC Clear, users must be set up as Clearing Member or Registered Customer at Eurex Clearing
- Bloomberg supports interdealer trades (trades between two Clearing Members’ proprietary accounts) and client trades (trades between a Registered Customer and a Clearing Member, Clearing Member must be the dealer on Bloomberg)
- The target account must always be specified (for trades between Registered Customer and Clearing Member and for trades between Clearing Member and Clearing Member). This is done either by definition of a default account (BBTI, Dealer account) or selection from a drop down list of available accounts (BBTI, Client account; SWXT, Dealer account and Client account)
- Trades between two Registered Customers are currently not supported

* Swap Execution Facility regulated by the Securities and Exchange Commission and Commodity Futures Trading Commission

Supported Functionality/Flow (2/2)

Bloomberg ATS

- **Supported Eurex role combinations for Bloomberg trades**

	Bloomberg Dealer*		Bloomberg Client*	
	Eurex Role	A/C	Eurex Role	A/C
CM v CM	CM	P	CM	P
CM v RC	CM	P	RC	P
	CM	P	RC	A
	CM	A	RC	P
	CM	A	RC	A
	CM	P	RC – Fund Manager	Fund
	CM	A	RC – Fund Manager	Fund

CM = Clearing Member
RC = Registered Customer

P = Principal Account
A = Agent Account

* Dealer/Client: Dealer responds to Client's quote requests for electronic trading (BBTI) or enters trades in the role of Execution Dealer with Clients for Voice Trading (SWXT)

Agenda

- Overview
- OTC Client Clearing workflow
- Supported Functionality/Flow
- Product Scope
- Trade Flow
- Novation Flow
- Interface for Trade Entry
  - Voice Trading (SWXT)
  - Electronic Trading (BBTI/ALLQ)
- Onboarding
  - Onboarding steps
  - Used cases
  - Simulation guide

Product Scope (1/2)

Supported Products and Currencies

Voice Trading (SWXT)

- Interest Rate Swaps, Basis Swaps
- Supported currencies: EUR, GBP, USD, CHF, JPY
- Overnight Index Swaps
  - Supported currencies: EUR, GBP, USD, CHF

Electronic Trading (BBTI/ALLQ)

- Interest Rate Swaps
  - Supported currencies: EUR, GBP, USD, CHF, JPY
- Basis Swaps
  - Supported currency: USD

Product Scope (2/2)

Supported Products and Currencies

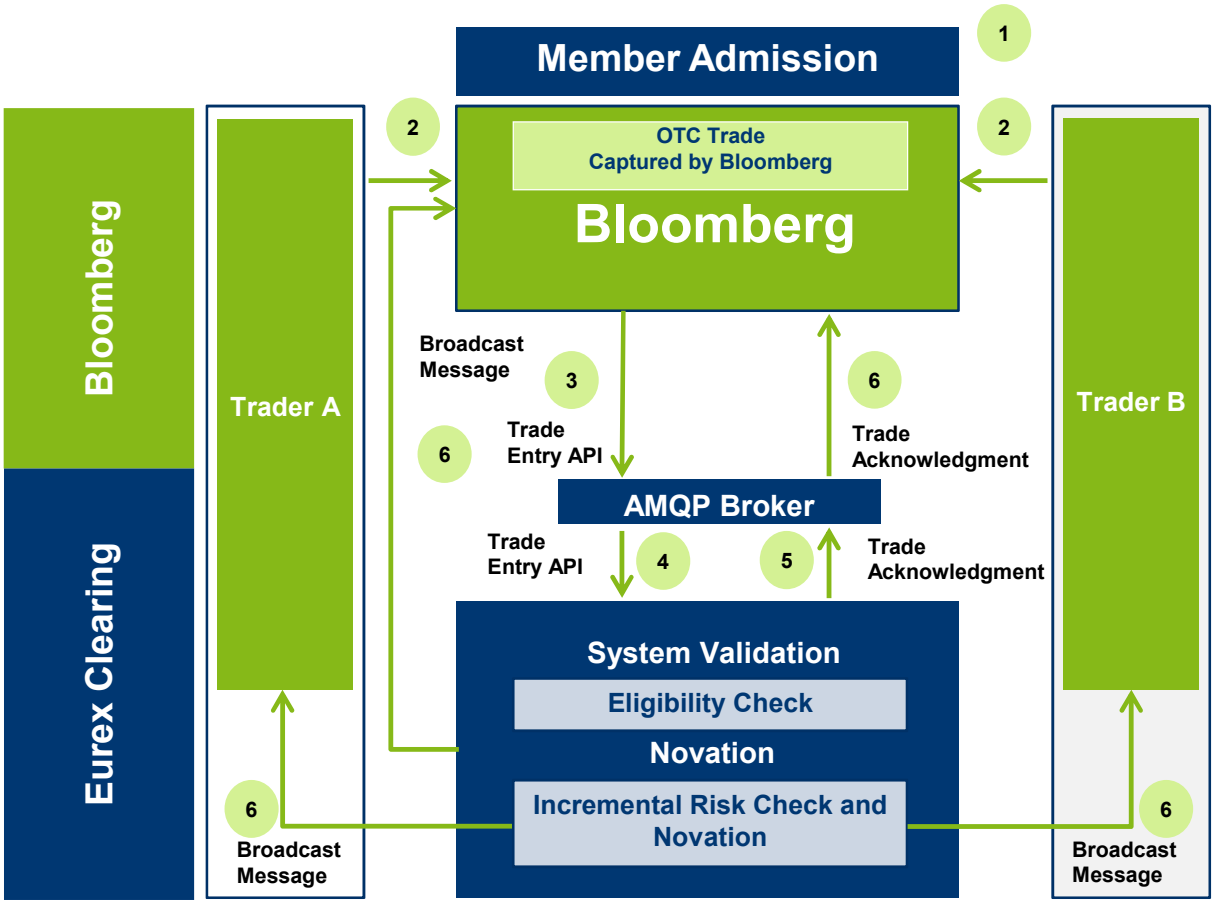
- Supported input parameters for EurexOTC Clear products are provided in the 'EurexOTC Clear Product List' available in the Member Section:
  - Eurex Clearing Member Section --> Technology --> EurexOTC Clear --> Interest Rate Swaps --> choose respective Release --> Overview and Functionality--> EurexOTC Clear Product List
- Eurex Clearing supports clearing of Bloomberg traded OTC IRS Swaps in EUR, CHF, USD, JPY, GBP except:
  - Forward rate agreements
  - Market agreed coupon swaps
- The following limitations on Bloomberg apply*:
  - Supported day count conventions: 30/360, 30E/360, ACT/360, ACT/365 and ACT/ACT
  - Interest Rate Swaps and Basis Swaps initial rates (definition of the first floating period) and variable structures (e.g. variable notional, variable swap schedule rates, variable fixed rate or variable index spread) are not supported
  - Electronic Trading (BBTI/ALLQ), only Basis Swaps that are denominated in USD are supported
  - Trades with historical trade date are not supported
  - Inflation Swaps are currently not supported

* for any questions regarding Bloomberg eligible products please contact the Bloomberg FIT production support team at Fitsupport@bloomberg.net

Agenda

- Overview
- OTC Client Clearing workflow
- Supported Functionality/Flow
- Product Scope
- Trade Flow
- Novation Flow
- Interface for Trade Entry
  - Voice Trading (SWXT)
  - Electronic Trading (BBTI/ALLQ)
- Onboarding
  - Onboarding steps
  - Used cases
  - Simulation guide

Trade Flow



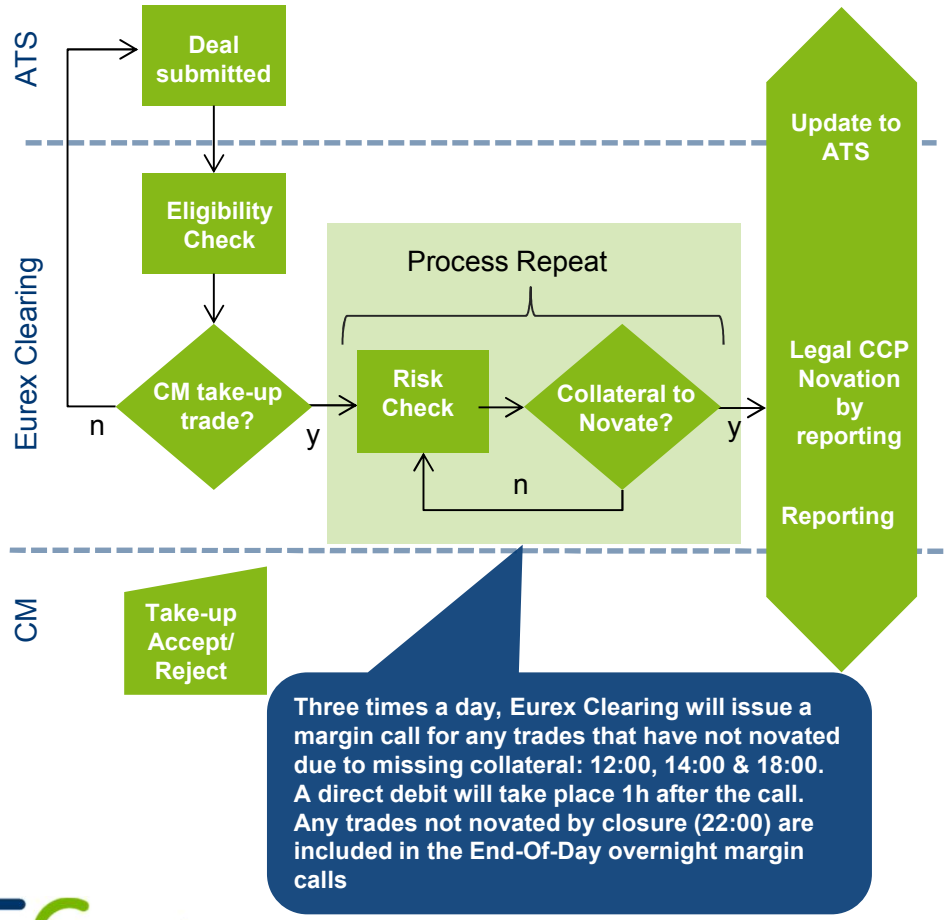
1. Select Bloomberg as ATS in Admission Forms
2. OTC IRS trade is executed and captured by Bloomberg
3. Bloomberg submits trade via Trade Entry API
4. Trade is forwarded from AMQP Broker to Eurex Clearing's back-end system Calypso
5. Trade Acknowledgment message is sent to Bloomberg by AMQP Broker
6. Successful eligibility- and incremental risk checks: trade is novated, broadcast message is sent to Trader A, Trader B, CM (if Trader not CM) and Bloomberg to confirm the trade (including all trade details, e.g. trade ID, trade status, etc.)
   Bloomberg validity checks not successful: error message is displayed in the Bloomberg GUI, trade is not sent for Clearing.
   Eurex Clearing eligibility check not successful: rejection message is sent to Bloomberg with error code, trade flagged in the Bloomberg GUI with Clearing Status Error.
   Eurex Clearing incremental risk check not successful: the trade remains in Pending until sufficient collateral is posted

Agenda

- Overview
- OTC Client Clearing workflow
- Supported Functionality/Flow
- Product Scope
- Trade Flow
- Novation Flow
- Interface for Trade Entry
  - Voice Trading (SWXT)
  - Electronic Trading (BBTI/ALLQ)
- Onboarding
  - Onboarding steps
  - Used cases
  - Simulation guide

Novation Flow

Eurex Clearing will continuously novate trades during opening hours: 08:00-22:00 CET.



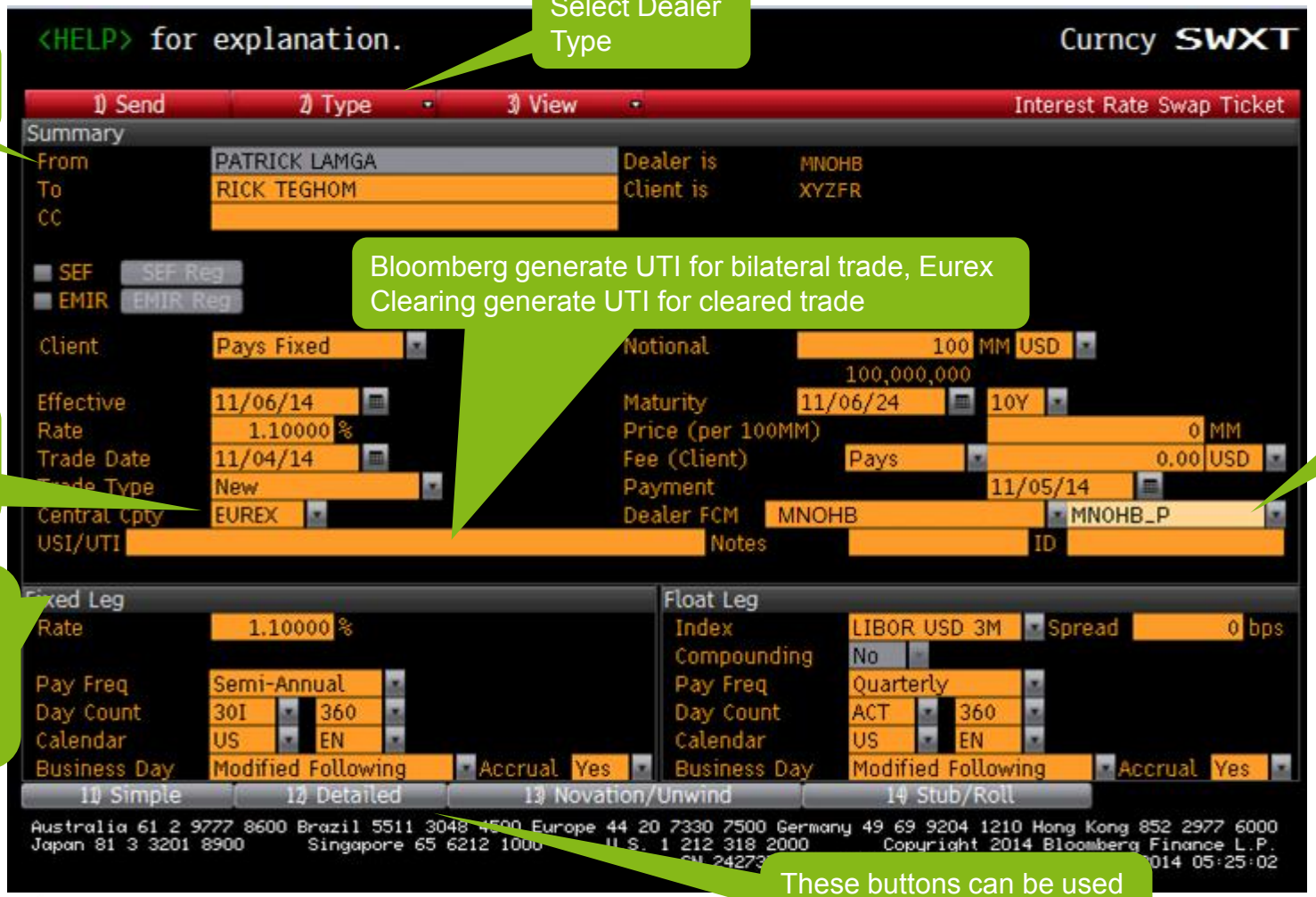
- ATS submits allocated, affirmed and released eligible deals for clearing
- Eurex Clearing checks if the trade is eligible
- Clearing Member takes-up the trade for clearing
- Eurex Clearing performs an incremental risk check i.e. calculates margin requirements and incremental portfolio increase
- Eurex Clearing verifies if pending deals can be covered by available collateral
- If sufficient collateral is available Eurex Clearing will novate the trade:
  - Trade status updated in ATS
  - Trade novated upon 'OTC Trade Novation' report distributed (event driven)
- If sufficient collateral is not available, the trade returns to incremental 'risk check'
- After the clearing cut-off, remaining pending as well as new deals submitted during closure from ATS are queued for processing next day
- Eurex Clearing issues daily overnight margin call covering the entire portfolio risk, including pending trades

Agenda

- Overview
- OTC Client Clearing workflow
- Supported Functionality/Flow
- Product Scope
- Trade Flow
- Novation Flow
- Interface for Trade Entry
  - Voice Trading (SWXT)
  - Electronic Trading (BBTI/ALLQ)
- Onboarding
  - Onboarding steps
  - Used cases
  - Simulation guide

Trade Entry- Voice Trading (SWXT) (1/6)

Input of Trade from SWXT command



Select From/ To

Select Dealer Type

Bloomberg generate UTI for bilateral trade, Eurex Clearing generate UTI for cleared trade

Select EUREX as CCP

Select account

Standard Swap details as default, can be modified

Hit Send

These buttons can be used for displaying additional data

Trade Entry- Voice Trading (SWXT) (2/6)

Affirmation pops up for payer XYZFR



Trade Entry- Voice Trading (SWXT) (3/6)

XYZFR allocates the trades

2) Hit Send

1) Select Account



Trade Entry- Voice Trading (SWXT) (4/6)

Deal is now in status ‘Accepted’ and sent to Eurex Clearing



Screen can be reached by entering BLOT to display all deals and then double clicking on any individual deal to see the details.

Trade Entry- Voice Trading (SWXT) (5/6)

Clearing status is set to ‘Pending’ in Blotter



Status changes to ‘Cleared’ once novated at Eurex Clearing or to “Rejected” if eligibility checks fail

Trade Entry- Voice Trading (SWXT) (6/6)

Clearing status is set to ‘Pending’ in Blotter



Status changes automatically to ‘Cleared’ once novated at Eurex Clearing

This screen is reached by entering BLOT

Trade Entry- Electronic Trading (BBTI/ALLQ) (1/4)

Obtaining quote (price taker): Market Overview (available through BBTI screen)



Trade Entry- Electronic Trading (BBTI/ALLQ) (2/4)

Dealer responds to quote



Trade Entry- Electronic Trading (BBTI/ALLQ) (3/4)

Trade accepted



Trade Entry- Electronic Trading (BBTI/ALLQ) (4/4)

Allocation



Hit Send

Agenda

- Overview
- OTC Client Clearing workflow
- Supported Functionality/Flow
- Product Scope
- Trade Flow
- Novation Flow
- Interface for Trade Entry
  - Voice Trading (SWXT)
  - Electronic Trading (BBTI/ALLQ)
- Onboarding
  - Onboarding steps
  - Used cases
  - Simulation guide

Bloomberg as Approved Trade Source – Onboarding steps

- For the trade execution all counterparties (e.g. in case of an RC the related Clearing Member) need to be setup at the same Approved Trade Source

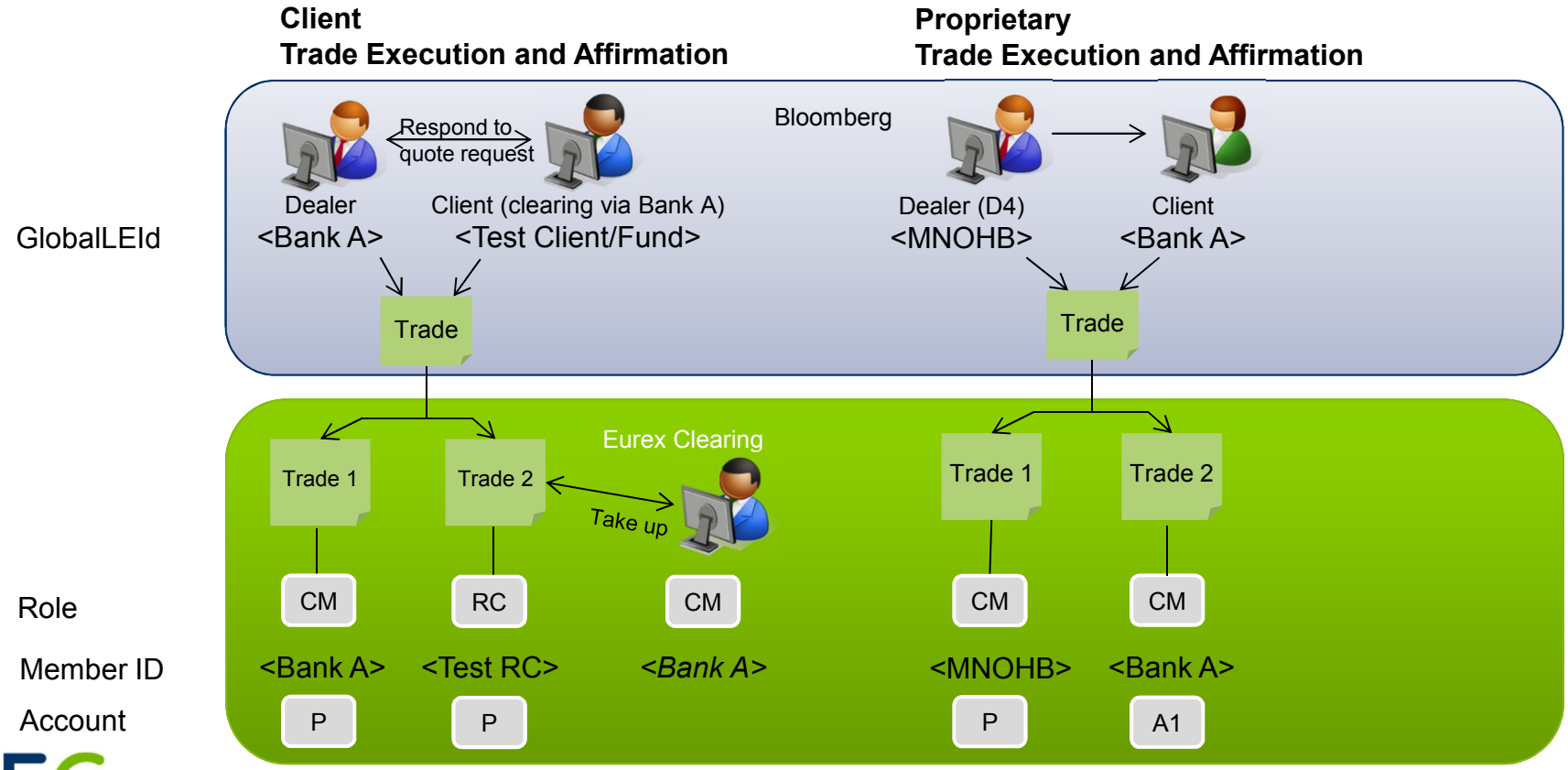
		Forms
Registered Customer / Fund Manager	Client Setup • specifies the approved trade source, GlobalLEId of the client/fund, required target accounts (A1, P / position account of the fund), GlobalLEId of the CM via the Static Data form • sends all forms to the Clearing Member for completion and for signing	**For Eurex Clearing:** "EurexOTC Clear Interest Rate Derivative Static Data … for Registered Customer (Simulation)"[1] … for Registered Customer (Production)"[1] + In case of funds, "Upload Sheet Flex Accounts" (xls-sheet)[2] **For Bloomberg:** "BLOOMBERG CLEARING CHANNEL ONBOARDING FORM" (xls-sheet)
Clearing Member	Dealer Setup • specifies their approved trade source, GlobalLEId, preferred source system (if they are using more than one source system) and required target account (A, P) via the Static Data form Client Setup • Completes and signs above client forms	**For Eurex Clearing:** "EurexOTC Clear Interest Rate Derivative Static Data … for Clearing Members (Simulation)"[1] … for Clearing Members (Production)"[1] **For Bloomberg:** complete "BLOOMBERG CLEARING CHANNEL ONBOARDING FORM" (xls-sheet) resp.

- Please send Eurex Clearing forms to your personal Key Account Manager or to otcirs.onboarding@eurexclearing.com (the BGL xls-sheet can also be used to provide details)
- Eurex Clearing will assign RC Member ID where necessary and informs CM and RC
- In case of a dealer setup, dealer needs to contact their FIT Sales Rep or their Integration Rep at Bloomberg and provide Bloomberg the info (so no form is needed)
- In case of a client setup, dealer informs BGL via email to ccponboard@bloomberg.net (incl. the BGL xls-sheet) to update the mapping on Bloomberg clearing database. Please put otcirs.onboaring@eurexclearing.com in cc
- Once the mapping is in place BGL will reply to all confirming the setup

[1] Forms are available on www.eurexclearing.com > Clearing Resources > Forms > EurexOTC Clear
[2] Upload sheet is available on www.eurexclearing.com Risk management > Client Asset Protection > Documentation

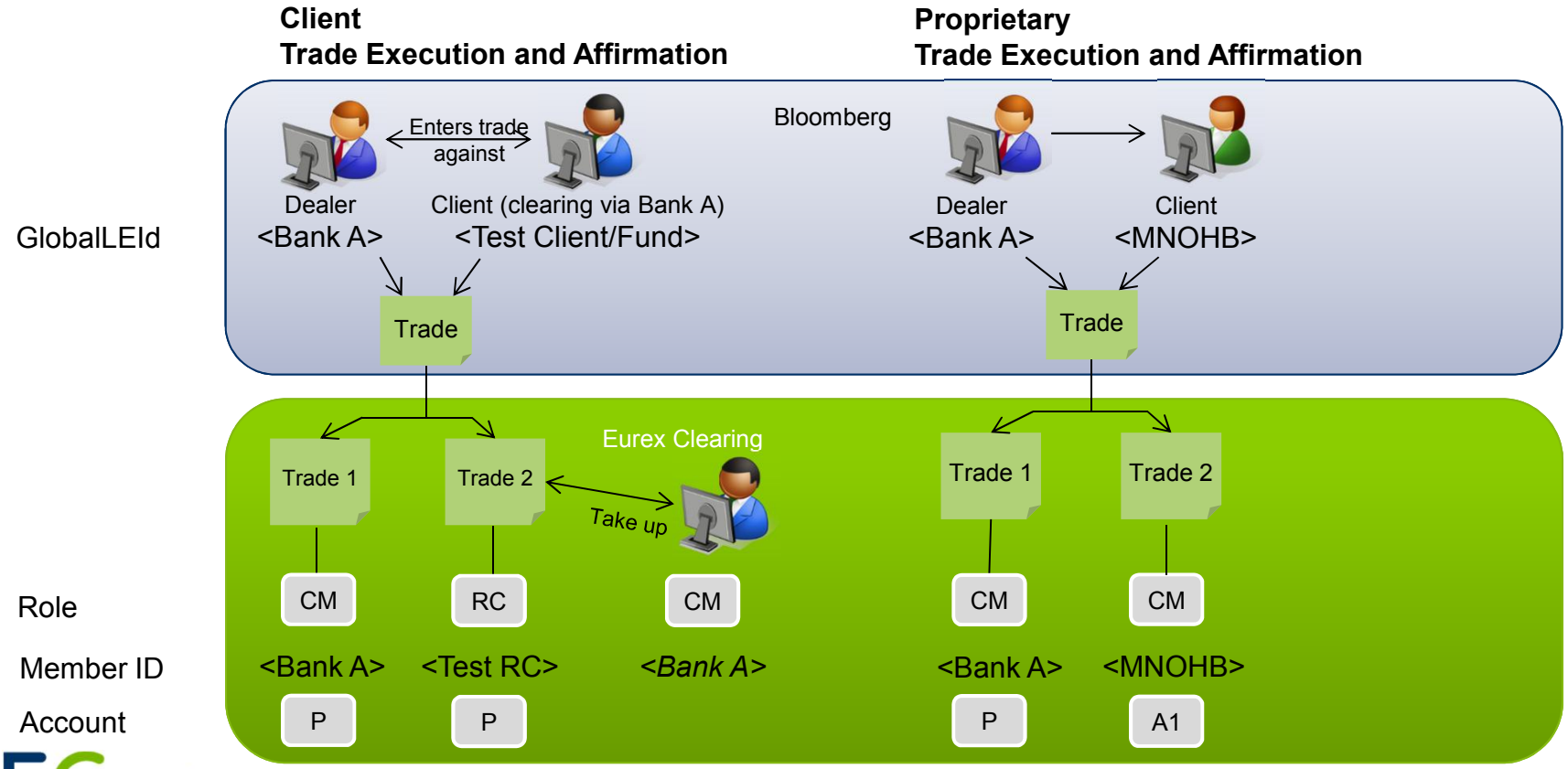
Bloomberg Electronic Trading – Possible Scenarios

- Bank A is set up in the role of dealer on Bloomberg and responding to quote requests of a client; client is setup as RC at Eurex Clearing with Bank A as CM
- MNOHB is setup in the role of dealer on Bloomberg and responding to quote requests of Bank A as client; Bank A is setup as CM at Eurex Clearing



Bloomberg Voice Trading – Possible Scenarios

- Bank A enter trades in the role of execution dealer and trades with clients; Client is setup as RC at Eurex Clearing with Bank A as CM
- Bank A enter trades in the role of execution dealer and trades with MNOHB; MNOHB is setup as CM at Eurex Clearing
- It is also possible to use further test clients with setup as RC at Eurex Clearing with MNOHB as CM



Bloomberg as Approved Trade Source – Simulation Guide

- Preparatory Tests
  - Check connectivity to Bloomberg and check setup (e.g. mapping of accounts, ability to select Eurex Clearing as Clearing House)
  - Check connectivity to EurexOTC Clear GUI or FpML Interface and Common Report Engine and check setup
  - As "Price maker" ensure that posting market quotes in Bloomberg's Beta environment is possible
  - Ensure that setup in the non-Demo [Beta] mode is done on Bloomberg's side otherwise trade details/messages are not sent to Eurex Clearing

- Test phase 1: Electronic Trading
  - "Member" is set up in the role of dealer on Bloomberg and responding to quote requests of a client; client is setup as RC at Eurex Clearing with the "Member" as CM
  - MNOHB is setup in the role of dealer on Bloomberg and responding to quote requests of the "Members" as client; "Member" is setup as CM at Eurex Clearing
  - Take up client trades
  - Observe trade status in Bloomberg (pending and cleared status)
  - Check that the trades are booked & novated in the expected accounts of the member in the Eurex Clearing System

- Test phase 2: Voice Trading
  - "Member" enter trades in the role of execution dealer and trades with clients; Client is setup as RC at Eurex Clearing with the "Member" as CM
  - "Member" enter trades in the role of execution dealer and trades with MNOHB; MNOHB is setup as CM at Eurex Clearing
  - It is also possible to use further test clients with setup as RC at Eurex Clearing with MNOHB as CM
  - Take up client trades
  - Observe trade status in Bloomberg (pending and cleared status)
  - Check that the trades are booked & novated in the expected accounts of the member in the Eurex Clearing System

- Test phase 3
  - Repeat test phase 1 and 2 with different roles (use different roles, e.g. trade with one counterparty and clear with another counterparty)

Appendix

Support Hotlines

EurexOTC Clear Contacts

Functional Support

EurexOTC Clear Hotline (Simulation)
Service Times: 10:00-18:00 CET (Monday – Friday)

Telephone: +49-69-211 – 1 25 25
Fax: +49-69-211 – 61 25 25
E-Mail: OTCClear.simulation@eurexclearing.com

EurexOTC Clear Hotline (Production)
Service Times: 08:00-22:00 CET (Monday – Friday)

Telephone: +49-69-211 – 1 28 28
Fax: +49-69-211 – 61 28 28
E-Mail: OTCClear@eurexclearing.com

Technical Support (Production & Simulation)

Customer Technical Support
Service Times: 06:00-24:00 CET (Monday – Friday)

Telephone: +49-69-211 – 1 08 61
E-Mail: cts@deutsche-boerse.com

Bloomberg Contacts

Production Support Desk (functional and technical)

Critical Issues Hotline: +44 20 3525 8550
High-Priority (but not Critical) Issues: fitsupport@bloomberg.net

--alternatively--
Jim Wakeham – Trade Support Manager EMEA (European hours)
Telephone: +44 20 7392 0531
E-Mail: jwakeham@bloomberg.net

Nadeem Khaliq – Technical Support Manager
Telephone: +44 20 7073 3355
E-Mail: nkhaliq@bloomberg.net

Angela Pang / Yasuhirto Nakata (APAC hours)
Telephone: +852 2977 6513

Connectivity Issues

Telephone: +44 20 7073 3330

--alternatively--
Andrew Au-Yong – Manager
Telephone: +44 20 7330 7245

© Eurex 2016
Deutsche Börse AG (DBAG), Clearstream Banking AG (Clearstream), Eurex Frankfurt AG, Eurex Clearing AG (Eurex Clearing) as well as Eurex Bonds GmbH (Eurex Bonds) and Eurex Repo GmbH (Eurex Repo) are corporate entities and are registered under German law. Eurex Zürich AG is a corporate entity and is registered under Swiss law. Clearstream Banking S.A. is a corporate entity and is registered under Luxembourg law. U.S. Exchange Holdings, Inc. and International Securities Exchange Holdings, Inc. (ISE) are corporate entities and are registered under U.S. American law. Deutsche Boerse Asia Holding pte. Ltd. and Eurex Clearing Asia pte. Ltd. are corporate entities and are registered under Singapore law. Eurex Frankfurt AG (Eurex) is the administrating and operating institution of Eurex Deutschland. Eurex Deutschland and Eurex Zürich AG are in the following referred to as the "Eurex Exchanges".
All intellectual property, proprietary and other rights and interests in this publication and the subject matter hereof (other than certain trademarks and service marks listed below) are owned by DBAG and its affiliates and subsidiaries including, without limitation, all patent, registered design, copyright, trademark and service mark rights. While reasonable care has been taken in the preparation of this publication to provide details that are accurate and not misleading at the time of publication DBAG, Clearstream, Eurex, Eurex Clearing, Eurex Bonds, Eurex Repo, Deutsche Boerse Asia, Eurex Clearing Asia as well as the Eurex Exchanges and their respective servants and agents (a) do not make any representations or warranties regarding the information contained herein, whether express or implied, including without limitation any implied warranty of merchantability or fitness for a particular purpose or any warranty with respect to the accuracy, correctness, quality, completeness or timeliness of such information, and (b) shall not be responsible or liable for any third party's use of any information contained herein under any circumstances, including, without limitation, in connection with actual trading or otherwise or for any errors or omissions contained in this publication.
This publication is published for information purposes only and shall not constitute investment advice respectively does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any other transaction. This publication is not intended for solicitation purposes but only for use as general information. All descriptions, examples and calculations contained in this publication are for illustrative purposes only.
Eurex and Eurex Clearing offer services directly to members of the Eurex exchanges respectively to clearing members of Eurex Clearing. Those who desire to trade any products available on the Eurex market or who desire to offer and sell any such products to others or who desire to possess a clearing license of Eurex Clearing in order to participate in the clearing process provided by Eurex Clearing, should consider legal and regulatory requirements of those jurisdictions relevant to them, as well as the risks associated with such products, before doing so.
Eurex derivatives are currently not available for offer, sale or trading in the United States or by United States persons (other than EURO STOXX 50® Index Futures, EURO STOXX 50® ex Financials Index Futures, EURO STOXX® Select Dividend 30 Index Futures, EURO STOXX® Index Futures, EURO STOXX® Large/Mid/Small Index Futures, STOXX® Europe 50 Index Futures, STOXX® Europe 600 Index Futures, STOXX® Europe 600 Banks/Industrial Goods & Services/Insurance/Media/Travel & Leisure/Utilities Futures, STOXX® Europe Large/Mid/Small 200 Index Futures, Dow Jones Global Titans 50 Index℠ Futures (EUR & USD), DAX®/MDAX®/TecDAX® Futures, SMIM® Futures, SLI Swiss Leader Index® Futures, MSCI World/Europe/Japan/AC Asia Pacific ex Japan Index Futures and VSTOXX® Futures as well as Eurex inflation/commodity/weather/property and interest rate derivatives).

Trademarks and Service Marks
Buxl®, DAX®, DivDAX®, eb.rexx®, Eurex®, Eurex Bonds®, Eurex Repo®, Eurex Strategy Wizard℠, Euro GC Pooling®, FDAX®, FWB®, GC Pooling®, GCPI®, MDAX®, ODAX®, SDAX®, TecDAX®, USD GC Pooling®, VDAX®, VDAX-NEW® and Xetra® are registered trademarks of DBAG. Phelix Base® and Phelix Peak® are registered trademarks of European Energy Exchange AG (EEX). All MSCI indexes are service marks and the exclusive property of MSCI Barra. RDX® is a registered trademark of Vienna Stock Exchange AG.
IPD® UK Annual All Property Index is a registered trademark of Investment Property Databank Ltd. IPD and has been licensed for the use by Eurex for derivatives. SLI®, SMI® and SMIM® are registered trademarks of SIX Swiss Exchange AG.
The STOXX® indexes, the data included therein and the trademarks used in the index names are the intellectual property of STOXX Limited and/or its licensors Eurex derivatives based on the STOXX® indexes are in no way sponsored, endorsed, sold or promoted by STOXX and its licensors and neither STOXX nor its licensors shall have any liability with respect thereto.
Dow Jones, Dow Jones Global Titans 50 Index℠ and Dow Jones Sector Titans Indexes℠ are service marks of Dow Jones & Company, Inc. Dow Jones-UBS Commodity Index℠ and any related sub-indexes are service marks of Dow Jones & Company, Inc. and UBS AG. All derivatives based on these indexes are not sponsored, endorsed, sold or promoted by Dow Jones & Company, Inc. or UBS AG, and neither party makes any representation regarding the advisability of trading or of investing in such products.
All references to London Gold and Silver Fixing prices are used with the permission of The London Gold Market Fixing Limited as well as The London Silver Market Fixing Limited, which for the avoidance of doubt has no involvement with and accepts no responsibility whatsoever for the underlying product to which the Fixing prices may be referenced.
PCS® and Property Claim Services® are registered trademarks of ISO Services, Inc.
Korea Exchange, KRX, KOSPI and KOSPI 200 are registered trademarks of Korea Exchange Inc.
BSE and SENSEX are trademarks/service marks of Bombay Stock Exchange (BSE) and all rights accruing from the same, statutory or otherwise, wholly vest with BSE. Any violation of the above would constitute an offence under the laws of India and international treaties governing the same.
The names of other companies and third party products may be trademarks or service marks of their respective owners.