clear to trade

eurex clearing *circular 102/17*

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Recipients: All Eurex Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Heike Eckert

EurexOTC Clear Release 8.0: Scope enhancement

Contact: otcrelease@eurexclearing.com

Content may be most important for:	**Attachment:**
➲ All departments	none

Summary:

With EurexOTC Clear Release 8.0, Eurex Clearing AG (Eurex Clearing) will achieve technical readiness to offer Clearing Members an alternative treatment of their Variation Margin (VM) payments with respect to their proprietary OTC IRS transactions as settlement rather than collateral.

Eurex Clearing will introduce a new contract model for OTC IRS transactions, called “settled-to-market” (STM), where VM payments are legally treated as settlement.

STM contracts will be structured as follows:

i. All of the outstanding transaction exposure arising from such contracts will be fully and finally settled on a daily basis.

ii. The terms will be reset daily so that the market value of such contracts will be zero. The economics of the transaction will not be affected by the switch to STM.

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This enhancement will comprise changes to the Clearing Conditions as well as changes to Member Reports. Furthermore, Eurex Clearing will endeavor to obtain an external legal memorandum to confirm that the STM model fulfils the regulatory requirements to treat VM payments as settlement. The changes to the Clearing Conditions and the introduction of the new STM model will be announced in a separate circular.

The switch to the STM model will be optional for all OTC IRS Clearing Members. Please note that the STM model will not be offered for OTC FX or OTC Cross Currency swap products.

With EurexOTC Clear Release 8.0, technical readiness to support the STM model will be achieved. As part of the technical implementation changes, the Variation Margin Report CC203/CC222 will be amended. New fields will be visible for all OTC IRS transactions that are booked in the P-account of a Clearing Member (new xsd's are being prepared).

The required technical changes for offering the STM model will be available in simulation on **15 November 2017** and in production as of **4 December 2017**. To reflect this service enhancement, the following documentation will be updated on **13 October 2017**:

- EurexOTC Clear Report Manual – Version 8.0.1
- EurexOTC Clear Report XSDs and sample reports – Version 8.0.1
- EurexOTC Clear Functional Release Notes – Version 8.0.1

For any questions you may have, please send an e-mail to otcrelease@eurexclearing.com

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