EurexOTC Clear

Functional Release Notes

This document version is valid in

Simulation from: 13-10-2021

Production from: 22-11-2021

Release: 12.0

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List of Abbreviations

CM	Clearing Member
DC	Disclosed Direct Client
EDP	Electronic Data Processing
FpML	Financial products Markup Language
FRA	Forward Rate Agreement
FX	Foreign Currency Exchange
IRS	Interest Rate Swap
LSOC	Legally Segregated Operationally Comingled
NDF	Non-Deliverable Forward
OIS	Overnight Index Swap
PTE	Post Trade Event
VNS	Variable Notional Swap
XCCY Swap	Cross Currency Swap
ZC	Zero Coupon
ZCFA	Zero Coupon Fixed Amount
ZCIS	Zero Coupon Inflation Swap

Eurex Clearing AG

EurexOTC Clear

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1 Introduction

This document is intended to give a high-level overview on the EurexOTC Clear enhancements / changes planned for production go-live on 22-11-2021 (Release 12.0).

If not stated otherwise all changes described in the following chapters are available in Simulation environment from 13-10-2021 and in Production environment from 22-11-2021 onwards.

The details on the below described changes are provided in the next months via updates of the according system documentation. It's available in the Member Section of the website "https://membersection.deutsche-boerse.com/" under the following path:

Resources > Eurex Clearing > Documentation & Files > EurexOTC Clear > System Documentation

Only use the description found in the system documentation for the update of your inhouse systems as additional changes not mentioned here might be introduced.

Publication dates for document updates are communicated in the "EurexOTC Clear Communication Calendar" which can be found here:

Resources > Eurex Clearing > Documentation & Files > EurexOTC Clear > System Documentation > Overview

Please check the communication calendar and system documentation regularly for updates to ensure that no information is missed. Additionally check the known limitation list for items that are fixed with this release as well. It can be found here:

Resources > Eurex Clearing > Documentation & Files > EurexOTC Clear > General question log & Known limitations

1.1 Readiness Statement

According to §10 (3) (ii) of the General Terms and Conditions to the Agreement on Technical Connection to the Clearing Electronic Data Processing (EDP) of Eurex Clearing AG, Clearing Members are obliged to provide Eurex Clearing prior to the first use of the updated service of EurexOTC Clear with a written statement confirming that (a) the updated service of EurexOTC Clear successfully passed internal test procedures, and (b) the participant system and the participant software interact with the updated service of EurexOTC Clear without any errors or interruptions (Readiness Statement).

The Readiness Statement will be provided at a later stage to the customers.

Participation in the EurexOTC Clear Release simulation and testing phase is optional, but highly recommended especially for report and interface changes.

2 Changes relevant for all OTC Participants

2.1 Functional changes

Rate Blending Enhancement (Netting Level 3)

Current Scenario: For trades having the same netting attributes which are eligible for netting at Netting Level 3:

Trades are sorted by trade id and then pairwise netting is performed at Netting Level 3 resulting in one netted trade or 2 netted trades (using the exception handling algorithms). The netted trade(s), created at Netting Level 3 are then considered for netting with other trades having same netting attributes on the next day. Hence, multiple trade pairs can be blended on a particular day, but, not more than two for individual rate blending. This needs to be enhanced to allow netting of more than 2 trades at Level 3.

New Enhancement: For trades having the same netting attributes which are eligible for netting at Netting Level 3:

Trades are sorted by trade id and then pairwise netting is performed at Netting Level 3 and in case the outcome is a single netted trade, it is then used to net with other trades with same netting attributes. In case, the outcome is 2 netted trades (using the exception handling algorithms), these trades are not used for further netting on a particular day. The reuse of the single netted trade to net with other trades having the same netting attributes now allows for netting an unlimited number of trades at Level 3. Members can therefore net down their entire portfolio at a much faster rate.

Netting Notification message change:

Below changes will be done in the Netting Notification message which is sent out after the netting process finished at end of day:

XML Fields (level3TradePair, trade1, trade2) added to represent which pair of trades are netted together as per the new enhancement for Rate Blending at Netting Level 3, similar to the change introduced in the XML based netting reports (CI242, CI243, CC244).

2.2 Report enhancements

<u>Netting Report Enhancements</u>

<u>Current Scenario</u>:

#	Report Code, Report Name, (XML/CSV)	Generation Timings
1.	CD202, Netting Forecast Report, XML	21:00
2.	CD203, Netting Portfolio Forecast Report, XML	21:00
3.	CD204, Netting Report, XML	EOD

<u>New Enhancements</u>:

#	Report Code, Report Name, (XML/CSV)	Generation Timings	Changes
1.	CI242, Netting Forecast Report, XML	10:00; 14:00; 18:00; 21:00.	• Existing Report Code Change from CD202 to CI242 • Report File Name Change to include timestamp • Example File Name: 84RPTCI242MNOHB20210510100101.XML • XML Field: nettingId renamed to preNettingId to distinguish between the netting id generated during netting forecast and actual netting • XML Fields (level3TradePair, trade1, trade2) added to represent which pair of trades are netted together as per the new enhancement for Rate Blending at Netting Level 3

#	Report Code, Report Name, (XML/CSV)	Generation Timings	Changes
2.	CI243, Netting Portfolio Forecast Report, XML	10:00; 14:00; 18:00; 21:00.	• Existing Report Code Change from CD203 to CI243 • Report File Name Change to include timestamp • Example File Name: 84RPTCI243MNOHB20210510100111.XML • XML Field: nettingId renamed to preNettingId to distinguish between the netting id generated during netting forecast and actual netting • XML Fields (level3TradePair, trade1, trade2) added to represent which pair of trades are netted together as per the new enhancement for Rate Blending at Netting Level 3
3.	CC244, Netting Report, XML	EOD	• Existing Report Code Change from CD204 to CC244 • Example File Name: 84RPTCC244MNOHB20210510.XML • XML Fields (level3TradePair, trade1, trade2) added to represent which pair of trades are netted together as per the new enhancement for Rate Blending at Netting Level 3

#	Report Code, Report Name, (XML/CSV)	Generation Timings	Changes
4.	CI253, Netting Portfolio Forecast Report, CSV	10:00; 14:00; 18:00; 21:00.	• New CSV netting report, CI253, is a simplified version of CI243 includes only netting relevant trade details e.g. notional, fixed rates or amounts, currency and fixed leg direction etc. • This report displays all the original and remnant trades post netting. For reconciliation purposes, the intermediate trades used during the netting run over the different netting levels are provided in the report. • Example File Name: 84RPTCI253MNOHB20210510100121.CSV • CI253 will be generated for both CMs and DCs as is done for CI243.

XML NameSpace change in XML Reports and Notification Messages:

- Existing namespace **"http://www.eurexchange.com/...."** will be corrected to **"https://www.eurex.com/ec-en/...."** in all the XML reports and in all the notification messages.
- All the XSDs for member reports will be changed with the correct name space.

Variation Margin Classification in Variation Margin Reports (CI203/CC203/CC222)

Default values of Variation Margin Classification (for IRS, FX-XCCY Swap, NDF) will be configured for all the books as mentioned below where it is not already configured:

- STM for all Active accounts of LSOC members
- CTM for all Active accounts of non-LSOC members

Due to this setup, existing XML fields <VMgnClassification> and <NPV> will be displayed in the Variation Margin Reports (CI203/CC203/CC222) for all the trades as per the existing description mentioned in the Report Manual:

Required Information	Description	XML Field	Comments/ Possible values	Format
Variation Margin Classification	VM payment classification as "collateralized-to-market" (CTM) or "settled-to-market" (STM)	VMgnClassification	e.g. STM, CTM	String
NPV	Net present value of a trade For a CTM trade, the field will show the value of the existing field "MtM0" For a STM trade, the field will show the value of 0	NPV	e.g. 100000000.00	String (256)

2.3 Interface changes

ARNU name field update

While setting up for Advanced Risk Netting Units (ARNUs), maximum allowed characters for a name will be changed from 32 characters to 20 (including the first 4 characters specified as 'ARNU'). The name may only consist of alphanumeric uppercase characters; special characters are not allowed.

The usage of ARNU is optional, and Clearing Members can request the ARNU setup for their clients by contacting the responsible Key Account Manager.

2.4   GUI changes

2.4.1   OTC GUI

Download Buttons are replaced by a Download Window

In the Cleared and Bilateral Trades windows the existing download buttons will be replaced by a single download button which gives access to the new *Download* window. The existing download functions are displayed in a list from which the user may select an option for download. Further a new option to download FpML information in CSV format will be introduced.

Enhancement of the PTE Authorization Process

The PTE authorization process on the Cleared Trades window will be enhanced. Up to 100 trades can be selected and displayed in the corresponding PTE authorization window. The selected trades can be authorized in one go.

Enhancement of the Netting Parameters Window

A few usability changes will be implemented in the Netting Parameters window:

> ➢ a header line is added to the netting parameters results table
> ➢ the results table can be scrolled separately
> ➢ the upper part of the window will always be visible, when the table is scrolled
> ➢ the description section will be collapsible

Netting Forecast Functionality

A new Netting Forecast functionality is implemented. It will provide the possibility to initiate intraday netting forecast runs from the new *Netting Forecast* window in the OTC-GUI.
The results of the netting forecast run will be displayed in the *Netting Forecast* window (e.g. nettable / non nettable trades, ...) and can be filtered by CCP Trade ID, Book, Netting Product Type, etc... .
Download possibilities are provided, and the user can download full details of the Netting Forecast with content similar to CI253.
The functionality allows also to compare any set of trades and the reason why some of the trades are not nettable will be provided upfront.
Finally, netting string assignment for the nettable trades can directly be initiated, where the new Netting String is already prefilled with the Forecast Netting ID from the selected trades.

Netting String Assignment Window

A new *Netting String Assignment* window will be implemented in the *Cleared Trades* window as well as in the *Netting Forecast* window. In the *Cleared Trades* window it will replace the existing *Netting / Accumulation* PTE window, and up to 100 trades can be updated with netting strings which will be prefilled with the Pre-Netting ID from the selected trades.

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Pre-Netting ID

A new column "Pre-Netting ID" will be added to the Trade Search Results and the Modify table. This column will be populated for the VERIFIED trades with the most recent value of the Pre-Netting ID generated during the execution of the intraday netting forecast runs scheduled at 10:00 CET, 14:00 CET, 18:00CET, 21:00 CET. In the Advanced Search on the Cleared Trades window the search criterion "Pre-Netting ID" is added to the "Trade ID" search drop-down list.

This ID provides the information on which trades can be netted together based on the CI253 report.

2.4.2 MC GUI

No changes for this release.

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3   Changes relevant for OTC IRS participants only

3.1   Functional changes

Application of the ISDA fallback methodology for pricing OTC Cleared trades referencing LIBOR

With Release 12.0 Eurex Clearing will implement the fallback pricing of Libor-referencing trades based on ISDA fallback methodology and using the fallback spread calculated and fixed by Bloomberg. This might have an impact on the NPVs of the affected trades (all OTCClear trade referencing USD,CHF,GBP and JPY Libor) on the first day after the Release.

Conversion of LIBOR-based interest rate swap (including forward rate agreements) and basis swap trades to standard and liquid RfR OIS trades

Shortly after Go-Live of Release 12.0 (22nd Nov. 2021), Eurex Clearing plans to execute the conversion of EurexOTC Clear trades referencing

- CHF and JPY LIBOR starting on 3 December 2021 and executed over that weekend and
- GBP LIBOR starting on 17 December 2021 and executed over that weekend.

The conversion will operationally be executed as a termination of each original (LIBOR-based) trade and a novation of one or more replacement trades for each original (LIBOR-based) trade. Any NPV offset between the original Libor trade and the replacement trades, will be considered by a compensation fee which will be attached to one of the replacement trades.

For details on the conversion from operational and methodological view, please refer to the document "Eurex Clearing - Libor Trade Conversion Booklet.docx" which is available in the Member Section (https://membersection.deutsche-boerse.com/) under the following path: Resources/Eurex Clearing/Documentation & Files/Benchmark Transition Information/LIBOR Trade conversions.

Maximum Netting Level for Zero Coupon Fixed Amount (ZCFA) Swaps

With the proposed enhancements to netting level 3 , ZCFA swaps will now only be eligible for netting at level 1 and level 2 and no longer at level 3.

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Changes in Product scope

- Currently Eurex Clearing supports OIS with 2 stub periods, whereby both stub periods must be either front stub periods or back stub periods. Starting with Release 12.0, clearing of OIS with 4 stub periods (front and back stub period on each leg) will be supported.
- Starting from Monday 6 December 2021 resp. Monday 20 December 2021 OTCClear trades referencing Floating Rate Options as mentioned in the table below, will no longer be eligible for clearing.

Floating Rate Options	No longer clearing eligible starting from
CHF-LIBOR-BBA	6 December 2021
JPY-LIBOR-BBA	6 December 2021
GBP-LIBOR-BBA	20 December 2021

Introduction of new element Bunched Order Identifier as link between bunched order and corresponding allocations

Bunched order transaction and corresponding allocations entered via the Trade Entry API interface will be link with a new trade attribute called "bunched order Id". The element will be added after novation of trades. The bunched order Id will be visible in the XML tag "bunchedOrderId" of the trade notification messages sent to members.

TriOptima - Client Compression

Multilateral Risk-constrained Client Compression including of end clients into existing compression cycles for EurexOTC Clear Members will be introduced. This enhancement will allow Clearing Member to include client accounts alongside with house accounts. With OTC Release 12.0, technical readiness of TriOptima client compression will be achieved. Service go-live of the functionality will be announced before the relevant TriOptima compression cycle.

Additional CI201 report for portfolio transfer trades

This additional intraday report will be generated after every successful transfer of trades using Portfolio Transfer functionality via Eurex OTCClear GUI. The report will include all the trade events of the trades participated in portfolio transfer.

3.2 Report enhancements

TriOptima – Client Compression

- Changes in the CB204 Compression Fee Breakdown Report:
    - Existing column LEGAL_ENTITY_ID will be renamed to CLEARING_MEMBER_LEGAL_ENTITY_ID
    - Existing column SHORT_NAME will be renamed to CLEARING_MEMBER_SHORT_NAME
    - CLIENT_LEGAL_ENTITY_ID, CLIENT_SHORT_NAME, ACCOUNT_ID will be newly added columns
- "eventProcessingID" field will start visible in below reports and in trade notification messages to the client members for client trades participated in compression.
- "PTE" field will have new value "Compression" in below reports and in trade notification messages to the client members for client trades participated in compression.

Report Name	Report Code
Trade Novation Report	CB200
Trade Daily Summary Report	CI201, CB201
Full Inventory Report	CB202
Intraday Settlement Report	CI280
OTC Incremental Risk Report	CI205, CC205
Preliminary OTC Margin Call Report	CI206
OTC Margin Call Report	CI207, CC207
Variation Margin Report	CI203, CC203
Cash Forecast Report	CD200

The Bunched Order Identifier will be visible in Member reports

The new element bunched order identifier will be visible in the following member reports: Trade Novation Reports (CI200/CB200), Trade Daily Summary Reports CI201/CB201 and Full Inventory reports CB202/CB207. The element will be displayed with the xml tag "bunchedOrderId".

Additional CI201 report for portfolio transfer trades

New tag "PortfolioId" is visible in the CI201 Intraday Trade Daily Summary Report which is generated after a successful portfolio transfer.

3.3 Interface changes

No changes for this release.

3.4 GUI changes

3.4.1 OTC GUI

Cancellation Process for Portfolio Transfer Requests

The existing Portfolio Transfer functionality is enhanced with a possibility to cancel a specific portfolio transfer after the portfolio transfer is confirmed by all parties involved. The cancelation can be initiated anytime via Eurex OTCClear GUI before the transfer is successfully completed.

3.4.2 MC GUI

Clearing Eligibility Checker

On the MC GUI a new functionality is implemented which verifies the clearing eligibility criteria of trade loading according to the eligibility criteria specified in the EurexOTC Clear product list.
In the new Clearing Eligibility Checker window a user can enter all variables of a trade and receives immediate response, if the trade would be accepted in the OTC Clearing system.
Initially this new service is available for Interest Rate Swap (IRS), Basis Swap, Overnight Index Swap (OIS), Zero-Coupon Inflation Swap (ZCIS) and Forward Rate Agreement (FRA) trades in the following currencies: EUR, USD, GBP, JPY, CHF, DKK, SEK, NOK and PLN. XCCY Swap, FXNDF and FX products are currently not supported.

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4 Changes relevant for OTC FX / XCCY Swaps/ NDF participants only

4.1 Functional Changes

Changes in Product Scope

With OTC Release 12.0, Eurex Clearing will introduce GBP/USD RFR XCCY swaps, i.e. GBP/USD XCCY swaps referencing the following Risk Free Rates (RFRs): SONIA for GBP leg and SOFR for USD leg.

Please note: EUR/USD XCCY swaps will stay with indices EURIBOR 3M /USD LIBOR 3M with OTC Release 12.0.

Netting will be suspended for XCCY Swap Trades with OTC Release 12.0. Netting will be enabled for XCCY Swap Trades with later release.

MC API will be used to simulate margin calculation for GBP/USD RFR XCCY Swap Trades. MC GUI will support GBP/USD RFR XCCY Swap Trades with later release.

4.2 Report enhancements

XML NameSpace change in XML Reports CI054, CE054, CI056, CE056, CE058

- Existing namespace "http://www.eurexchange.com/technology" will be corrected to "http://www.eurex.com/ec-en/technology/c7/system-documentation-c7" in XML Reports CI054, CE054, CI056, CE056, CE058
- C7 will provide the Eurex Clearing XML Reports Reference Manual, Modification Notes and XSDs for C7 Release 8.0 on 28.06.2021.
- The name space change on C7 side will come into effect for simulation start of C7 Rel. 8.0 on 20.09.2021 and for C7 Rel. 8.0 production start on 22.11.2021.

4.3 Interface changes

No changes for this release.

4.4 GUI changes

4.4.1 OTC GUI

No changes for this release.

4.4.2 MC GUI

No changes for this release.