

EurexOTC Clear IRS USD LIBOR Conversion & Release 15.0

Release focus call

19 April 2023

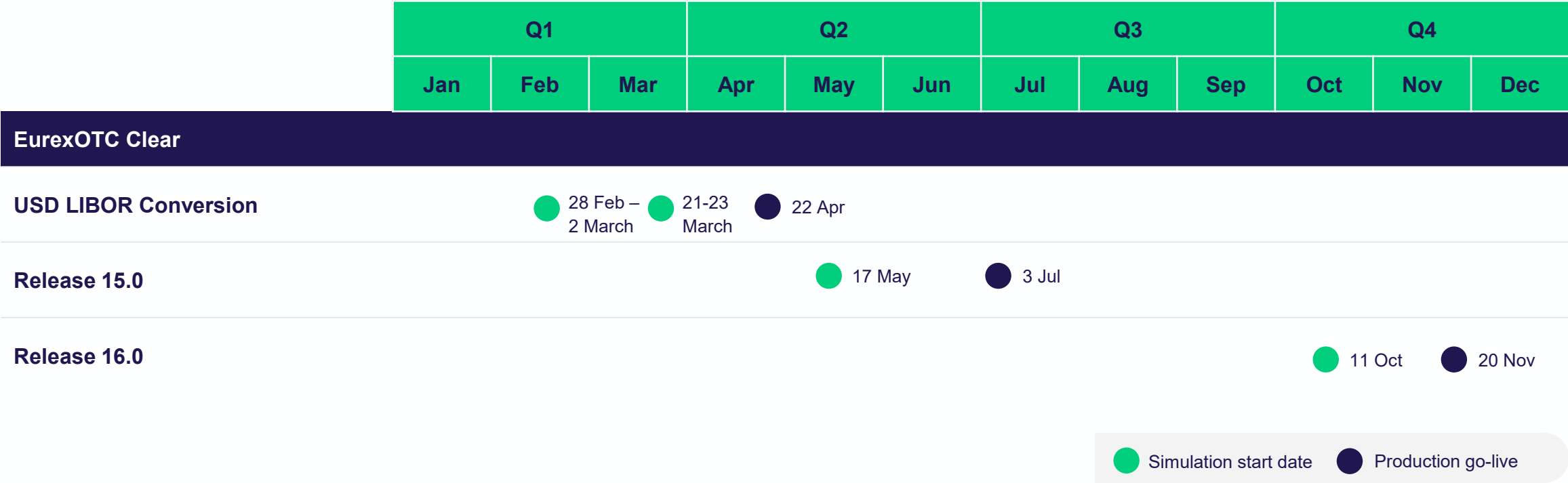
Agenda

- 1 Release Rollout Approach for 2023
- 2 USD LIBOR Conversion Key Information
- 3 Release 15.0 IRS Scope Items
- 4 Questions & Answers

1 Release Rollout Approach for 2023

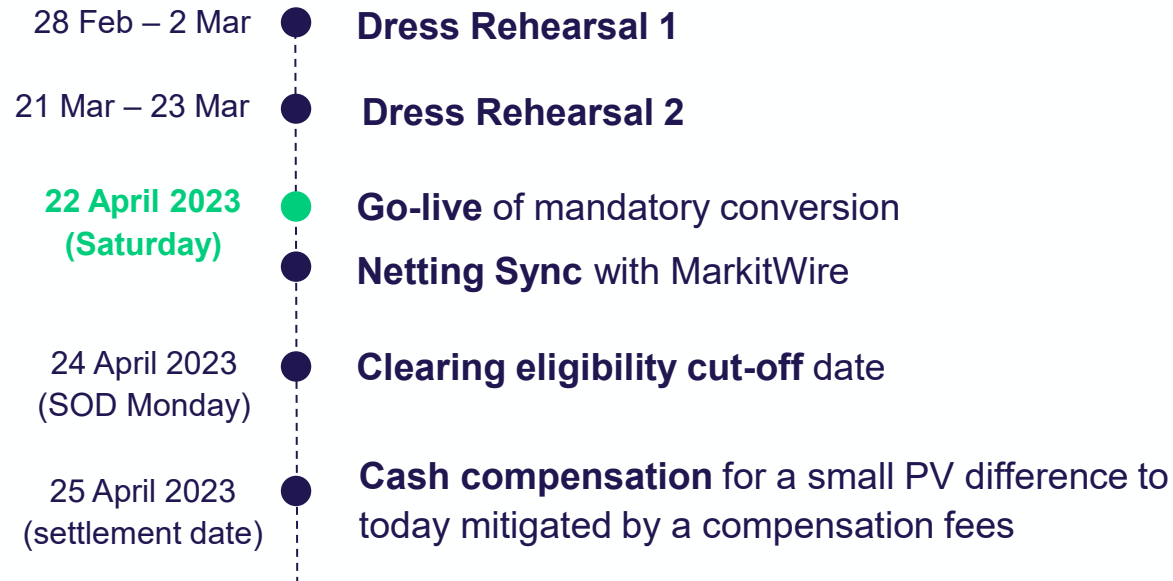
OTC Release Rollout Approach for 2023

USD LIBOR Conversion and 2 Releases in 2023



2 USD LIBOR Conversion Key Information

USD Libor Trade Conversion



- Dedicated **conversion reports** available in Common Report Engine
- **Operational booklet available** in Member Section under: *Resources > Eurex Clearing > Documentation and Files > Benchmark Transition Information > LIBOR Trade conversions*

FAQ and contacts on Common Report Engine (CRE):

For queries about report availability, access or report paths, members should contact

*P: Please contact via your personal VIP number or at **+ 49 (0)69 211 10888***

E: cts@deutsche-boerse.com

- *Special service time on Saturday 22 April from 13:00 CET until 17:00 CET*
 - [CRE info on Eurex Clearing website](#)
 - [CRE User Guide](#)

Helpdesk Production:

EurexOTC Clear Service

*P: **+ 49-69-211-1 28 28***

E: OTCClear@eurex.com

- *Special service time on Saturday 22 April from 09.30 CET until 17:00 CET*
- *Completion of each conversion step will be announced via [Newsboard Message](#)*

3 Release 15.0 Scope Items

Subsampling Removal

Overview

Productive go-live

- **Subsampling removal**
Initial Margin model change for both ETD & OTC (all Liquidation Groups)
- **Regulatory approval**
German regulator BaFin recently approved the model change
- **Productive go-live: 3 July 2023**
Prisma Release 12.1 for ETD
OTCClear Release 15.0 for OTC

Support of preparation on member side

- **Testing in SIMU (UAT) environment**
Subsampling removal can be tested by members from 17 May 2023 onwards
- **Testing in CPME**
CPME instance (cut-off date 21 Apr 23) expected to be ready end of April
- **Member readiness**
Focus topic within the usual release information are available (e. g. functional release notes, methodology descriptions, etc.)

Subsampling Removal

Features

- **What is subsampling?**

Splitting each 5-day risk-factor return time series into 5 disjoint subsets of non-overlapping 5-day risk-factor returns and performing VaR calculations etc. on these subsets

- **Why was it introduced?**

Subsampling removes artificial autocorrelation that results from using daily (overlapping) 5-day risk-factor returns

- **Where does it appear?**

Value-at-Risk calculation for Filtered Historical Simulation and Stress Periods; Value-at-Risk calculation within stress periods (e. g. Correlation Break Add-On)

- **Why do we now remove it?**

- Larger amount of data (e. g. 750 instead of $750/5 = 150$ for FHS) allows to turn off Robust VaR Scaling
- Back-testing and Monte Carlo simulations indicate better model performance and lower procyclicality
- Overall complexity of the Initial Margin methodology gets reduced

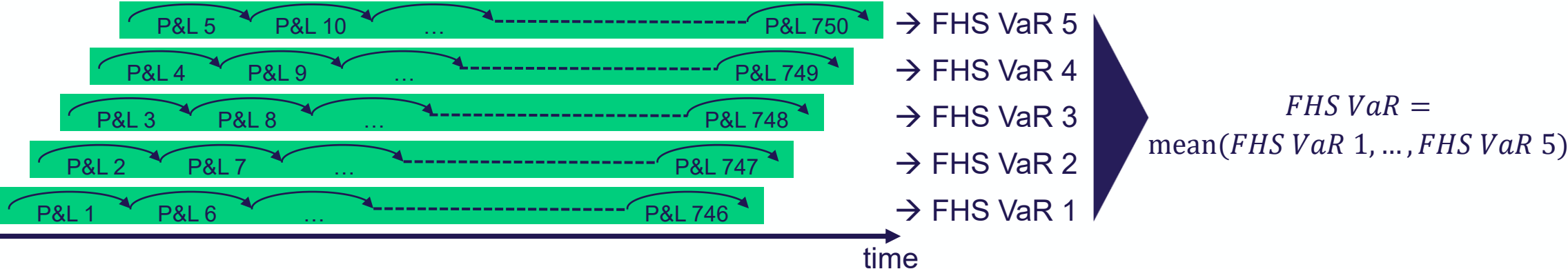
- **What do members need to prepare from a technical point of view?**

Only very minor changes (e. g. reports CC204 and CC208) need to be actively reflected. This is described in detail in the Release documentation. The new Initial Margin figures will become effective automatically on **03 July 2023 SOD**.

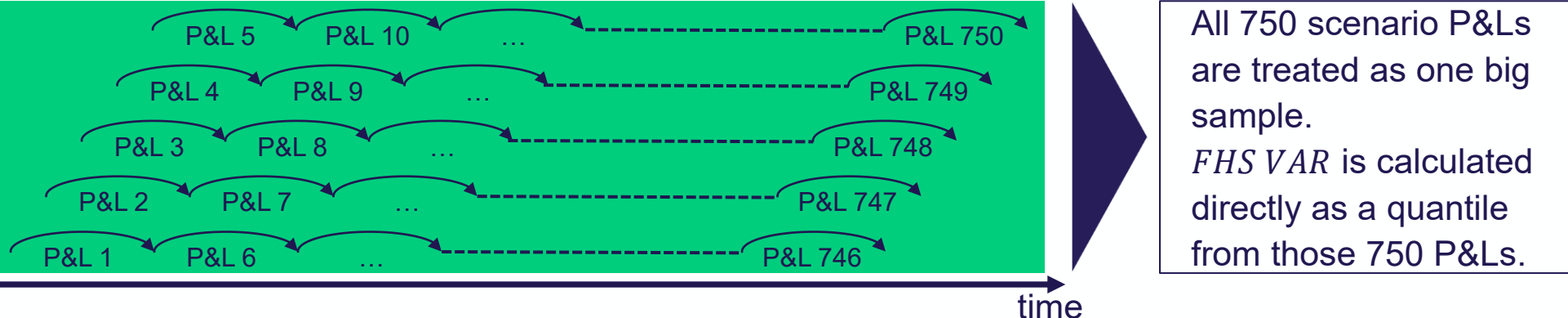
Illustration: FHS VaR Calculation with/without Subsamples

Methodology Comparison

Current: Filtered Historical Simulation Value-at-Risk (FHS VaR) with 5 non-overlapping subsamples



03 July 2023 onwards: Filtered Historical Simulation Value-at-Risk (FHS VaR) without subsamples



Offsetting IR Risk from IRS and Inflation Swaps in LA Calculation

- **Current logic for Liquidity Add-On calculation in the OTC IRS Liquidation Group**
Interest Rate Risk of IRS trades and of Inflation swap trades is treated from a gross perspective (basic idea: independent auctioning of both portfolios)
- **New logic for Liquidity Add-On calculation in the OTC IRS Liquidation Group (R15.0 onwards)**
Interest Rate Risk of IRS trades and of Inflation swap trades is treated from a net perspective
→ Transition from a product type-based approach to a more accurate risk type-based approach (inflation risk of inflation swaps will still be treated separately, of course)
- **Technical impact with R15.0:** Removal of the “ZCISIR” component from several reports
→ Full details are provided in the Release documentation

Illustration of the current logic

DV01 aggregation based on gross values
(regardless of the actual direction of the exposure)

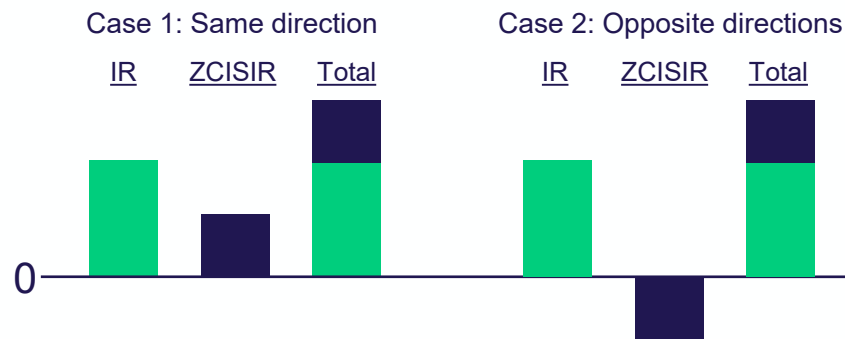
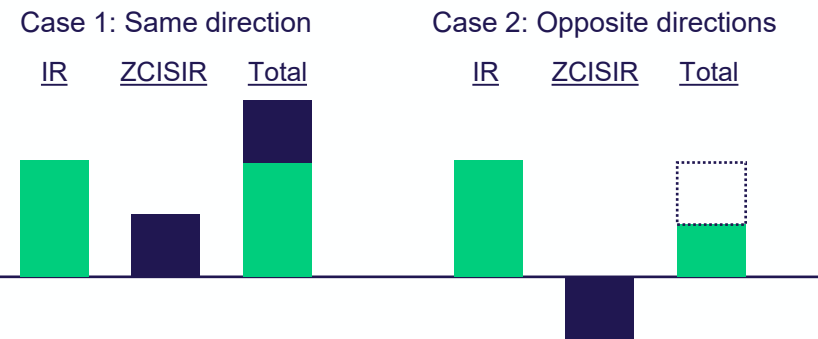


Illustration of the new logic

DV01 aggregation based on actual values
(depending on the actual direction of the exposure)



OTC Clear Service - Package Trade Clearing

Features

Description

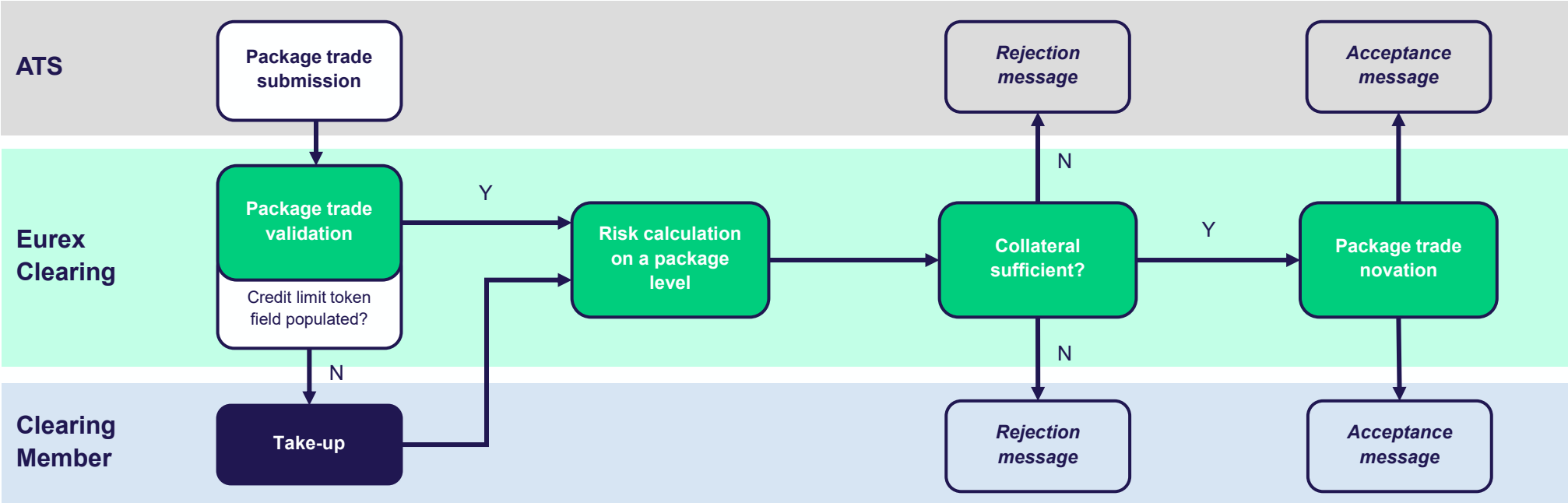
- Loading and clearing of grouped trades that belong to the same liquidation group
- One package trade can contain up to 200 bilateral trades sent as a single package trade submission request
- The **margin requirement is calculated for the entire package**
- All trades are **novated** within 10 seconds on **all-or-nothing** basis
- Client and member trades within the same package possible
- Trades are grouped by unique package ID
- Out of scope: historical trades, bunched order service

Benefits

- Package clearing allows for offsetting of trades with different risk profiles
- Avoidance of intraday margin spikes
- No need for over-collateralization
- No need to facilitate systematic trade ordering

OTC Clear Service - Package Trade Clearing

Workflow



Initially offered for
ATS connecting
via TEAPI

Booking of novated
package trades is
on an individual
trade level

Credit limit token
is assigned on
a trade level

Take-up on a package
level (client trades) via
FpML or OTC Clear GUI

OTC Clear Service - Package Trade Clearing

Implementation

- Existing clearing infrastructure will be used
 - Initially offered for the **in-house trade loading interface** (Trade Entry API)
 - Loading of packages via Markitwire interface to be considered in the future
- **Key enhancements:**
 - Structural changes to messages to include package fields
 - **FpML upgrade** from 5.6 to **5.7** (TE API, MC API, FpML API); backward compatibility
 - New validations and rejection reasons
 - Take-up window enhancement on the OTC Clear GUI
 - Package ID to be displayed in the member reports: Trade Novation report (CI200/CB200), Trade Daily Summary report (CI201/CB201), Full Inventory report (CB202/CB207)

HICP Extension from 30 year to 50 year

The maturity of **Euro HICPxt** (Non-revised Eurozone Harmonized Index of Consumer Prices excluding Tobacco or relevant Successor Index) is being extended from a current eligibility of 30 years + 10 days to **50 years + 10 days**

Product Specification	
Product Type:	Zero Coupon Inflation Swap
Underlying instruments:	HICPxt (Euro Zone) FrCPIxt (France) UK RPI (UK)
Trade Currency:	EUR (HICPxt, FrCPIxt), GBP (UK-RPI)
Start Dates:	Spot Starting (HICPxt / FRCPIxt: T+2d; UK RPIL T+0d) Past Starting (novation)
Max Maturities:	UK RPI: 50 years, HICPxt / FRCPIxt: 30 years

Technical Changes

FpML upgrade from version 5.6 to version 5.7



- Eurex will upgrade the FpML version from 5.6 to 5.7.
- This upgrade of FpML will not affect the process of loading a single swap IRS or NDF transaction via existing interfaces such as via Trade Entry API, TraderServ or MarkitWire.
- However, it will affect the generation of new trade notification messages and member reports as well as the simulation of the margin for a given portfolio via the MC-API interface.
- From EurexOTC Clear Release 15.0 onwards, all EurexOTC Clear xsd schema will be in FpML 5.7 standard.

Further API Changes



- Introduction of Package Trade Clearing
- FpML upgrade from version 5.6 to version 5.7
- Format change of field “Event Processing Id” used in TriOptima Compression Runs
- Removal of sub-sampling from initial margin calculation – Impact on MC API

Report Changes* (1/3)



Decommissioning of Variation Margin Report (CI203)

- The intraday Variation Margin Report (CI203) was designed to show GBP FRA products which are not offered anymore. Therefore, the report CI203 will be decommissioned
- Moreover, the XSD, which is currently used for CC203/CI203/CC222, has a change as the following line will be deleted:
 - `<xs:enumeration value="CI203 Variation Margin Report" />`



Introduction of Package Trade Clearing

- A new field “packageld” will be introduced in the following reports:

Report Name	Code
Trade Novation Report	CI200, CB200
Trade Daily Summary Report	CI201, CB201
Full Inventory Report	CB202, CB207



Maximum Maturity Extension from 30 to 50 years for EUR-HICPxT

- There are no structural changes
- However, the EUR-HICPxT Trades with extended maturities will be included in existing reports
- In addition, in the Interest Rates Curve report (CI210/CC210), the EUR-HICPxT curve points will now be visible up to 50 years

*For further details please refer to the [EurexOTC Report Manual for OTC Release 15.0](#) which will be published in due time.

Report Changes* (2/3)



Format change of field “Event Processing Id” used in TriOptima Compression Runs

- The length of field Event Processing Id, which is used in TriOptima Compression Runs, will be extended to 64 characters. The format will be String (64). This relates to the xml tag “EventProcessingID” in the following xml reports:

Report Name	Code
Trade Daily Summary Report	CI201, CB201
Full Inventory Report	CB202, CB207
Cash Forecast Report for OTC IRS	CD200, CD210
Settlement Adjustment Report	CD211
Intraday Settlement Report	CI280
OTC Incremental Risk Report	CI205, CC205
Variation Margin Report	CC203, CC222
Preliminary OTC Margin Call Report	CI206
OTC Margin Call Report	CI207, CC207



FpML upgrade from version 5.6 to version 5.7

- This change affects reports using FpML trade details. These are the following reports:

Report Name	Code
Trade Novation Report	CI200, CB200
Trade Daily Summary Report	CI201, CB201
Full Inventory Report	CB202, CB207
Netting Forecast Report	CI242, CI262
Netting Portfolio Forecast Report	CI243, CI263
Netting Report	CC244, CC264
OTC Incremental Risk Report	CI205, CC205
Preliminary OTC Margin Call Report	CI206
OTC Margin Call Report	CI207, CC207



New labelling for settlement amounts in Intraday Settlement Report (CI280)

- The settlement amounts in Intraday Settlement Report (CI280) are displayed without sign.
- In future, settlement amounts in this report will be shown in the same way as is already the case for the Cash Forecast Report (CD200), i.e.,
 - a cash flow to be paid from member perspective is always displayed with a negative sign
 - a cash flow to be received from member perspective is always displayed with a positive sign

*For further details please refer to the [EurexOTC Report Manual for OTC Release 15.0](#) which will be published in due time.

Report Changes* (3/3)



Removal of sub-sampling from initial margin

- Changes to the following reports are necessary:
 - Changes to Overall Margin Report (CC204) and Client Margin Report (CC208)
- For both the CC204 report and the CC208 report, all fields that currently refer to results for specific sub-samples will be merged into one single field (reflecting a single remaining scenario set).

*For further details please refer to the [EurexOTC Report Manual for OTC Release 15.0](#) which will be published in due time.

GUI Changes

OTC & MC GUI Changes



- USD LIBOR index selections removed in the MC GUI
- Changes to the Detailed Result csv-file in the MC GUI
- Maximum Maturity Extension from 30 to 50 years for EUR-HICPxT in the MC GUI
- Removal of sub-sampling calculation results in the MC GUI
- New button “Tutorials” in the MC GUI



- Take-Up of package client trades in the OTC GUI
- New “Member ID” search field in the OTC GUI
- Changes to Account Transfer and Trade Transfer Take-Up Windows in the OTC GUI
- Displaying the Source System CM ID field in the OTC GUI for trades with EB WFRole

4 Questions?

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