

EurexOTC Clear: Supported Life-cycle Events

29 November 2022



ECAG OTC IRD Clearing: Supported Life-Cycle Events

- **Account Transfer / Reallocations**
- **Trade Transfer**
- **Portfolio Transfer**
- **Clearer Change**
- **Trade Amendment**
- **Termination**
- **Netting**
- **Compression**

Functionalities to Transfer Transactions or Member IDs

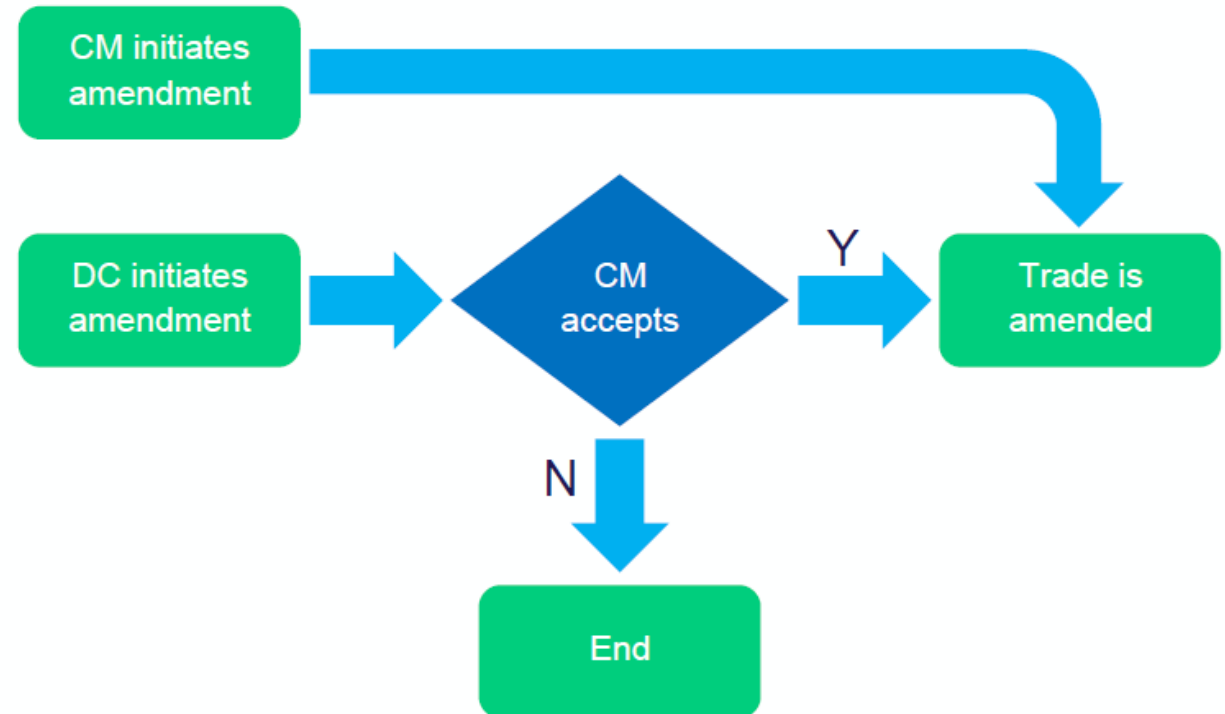
Post Trade Event	Timing / Messages	Position Transfer	Risk Check	Transactions	Margin Handling *	Fees
Account Transfer / Reallocations	<ul style="list-style-type: none"> Intraday 	<ul style="list-style-type: none"> Trades within the same CM 	<ul style="list-style-type: none"> On trade level 	<ul style="list-style-type: none"> Existing trades are terminated New Unique Trade IDs and CCP Trade IDs 	<ul style="list-style-type: none"> NPV of the terminated trades are settled on T+1 for source account NPV of newly created trades are settled under target account on T+1 	<ul style="list-style-type: none"> Flexibility to enter fee (e.g., equal to NPV) which offsets the intraday Margin effect caused by position transfer
Trade Transfer	<ul style="list-style-type: none"> Intraday 	<ul style="list-style-type: none"> Trades amongst different CMs 				
Portfolio Transfer	<ul style="list-style-type: none"> Intraday batch 	<ul style="list-style-type: none"> Portfolio within the same CM or amongst CMs 	<ul style="list-style-type: none"> On portfolio level 	<ul style="list-style-type: none"> Existing trades are terminated New Unique Trade IDs and CCP Trade IDs 	<ul style="list-style-type: none"> NPV of the terminated trades are settled on T+1 for source account NPV of newly created trades are settled under target account on T+1 	<ul style="list-style-type: none"> Flexibility to enter fee (e.g., equal to NPV) which offsets the intraday Margin effect caused by position transfer
Clearer Change – DC with Member ID changes CM	<ul style="list-style-type: none"> EOD batch Messages during EOB batch 	<ul style="list-style-type: none"> Triggered by ECAG DC with Member ID to the new CM 	<ul style="list-style-type: none"> No check Under – collateralization in standard Over-Night-Process 	<ul style="list-style-type: none"> Existing trades are terminated New Unique Trade IDs and CCP Trade IDs 	<ul style="list-style-type: none"> NPV of the terminated trades are settled on T+1 for source account NPV of newly created trades are settled under target account on T+1 	<ul style="list-style-type: none"> Termination fee added to terminated trades and an upfront fee to newly created trades The fee instruction replaces the MtMO_exCF (discounted) and offsets the NPV instruction leading only to overall settlement amount of Variation Margin (and not the complete NPV)

* or T+2 depending on currency

Trade Amendments

Features

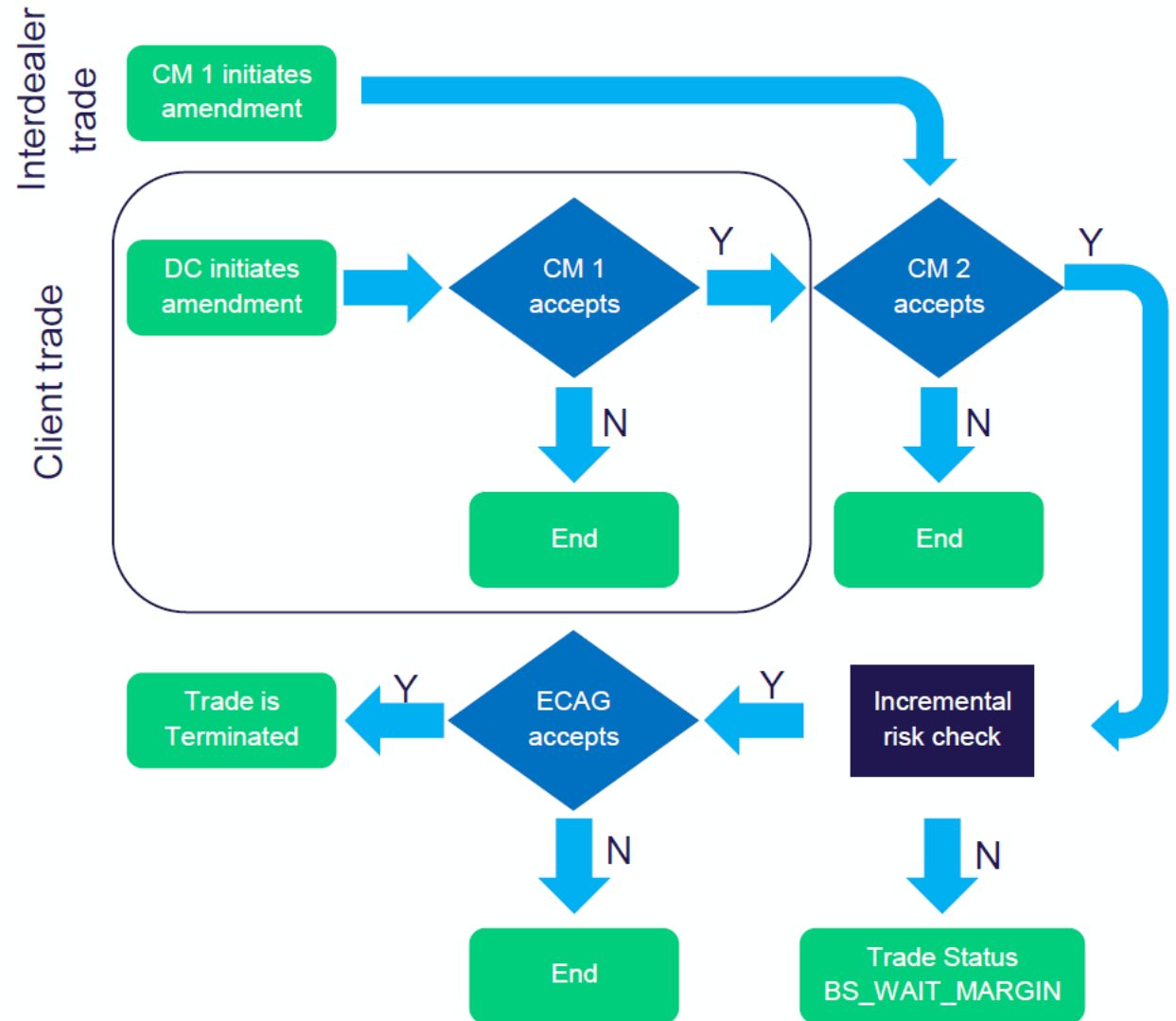
- Amendment or change of internal references
- Split trades into smaller notional without account change (notional of resulting trades must be equal to original trade)
- Change of **Free text fields** (e.g. Internal trade ID, Internal Reference Number or MarkitWire BIC)
 - Trade ID remains the same
- **No** risk check



Termination

Features

- Trades can be fully or partially terminated
- 'Termination' request is sent to the original counterparty
- Incremental risk check will be performed
- Partially terminated trades will be replaced by a trade equating to the remaining, non-terminated part of the trade
- Fully terminated trades will have the status 'TERMINATED'
- Auto-rejection setup for the executing broker is available



Netting: Overview

Features

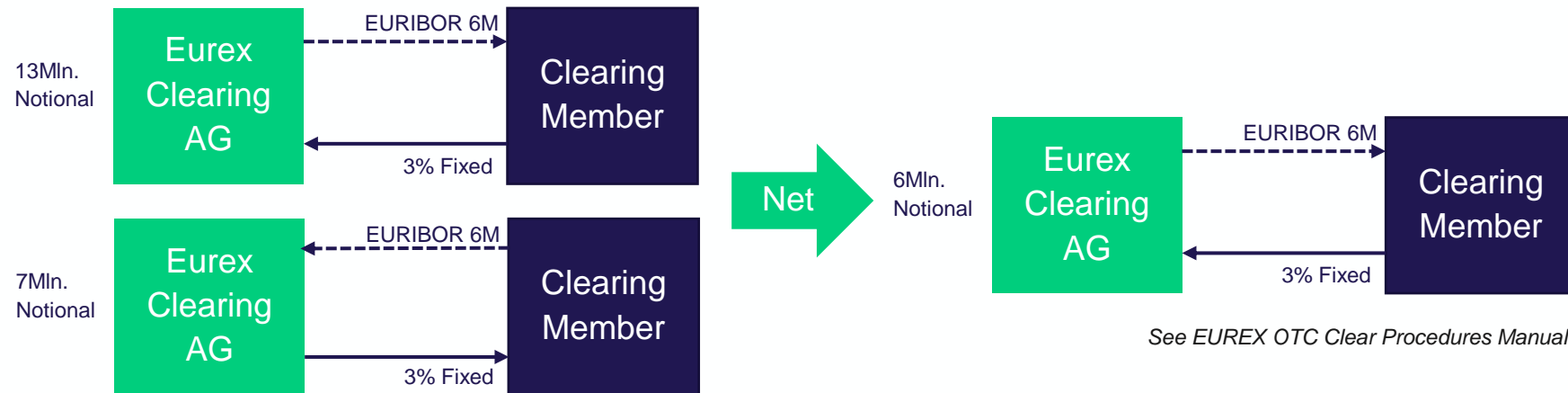
- Risk-free netting
- Reduction with respect to the number of trades and notional
- Included in daily EOD process
- Forecast and result reports available
- Netting level and potential trades are configurable

Netting Level	1 (Basic)	2 (Fee)	3 (Rate Blending)
Product Scope	Plain Vanilla IRS, Tenor Swaps, Variable Swaps, Compounding Swaps, Zero Coupon IRS, ZCIS, OIS, FRA & NDF*		Plain Vanilla IRS, Zero Coupon IRS, ZCIS, OIS, FRA
Fee	<i>No future fees allowed</i>	<i>Allowed to differ</i>	<i>Allowed to differ</i>
Notional	<i>Allowed to differ</i>	<i>Allowed to differ</i>	<i>Allowed to differ</i>
Maturity	<i>Identical</i>	<i>Identical</i>	<i>Identical</i>
Fixed Leg	<i>Identical</i>	<i>Identical</i>	<i>Required to differ</i>
Floating Leg	<i>Identical</i>	<i>Identical</i>	<i>Identical</i>

* only netting level 1 (Basic) is supported for NDF

Netting: Level 1 – Basic Netting*

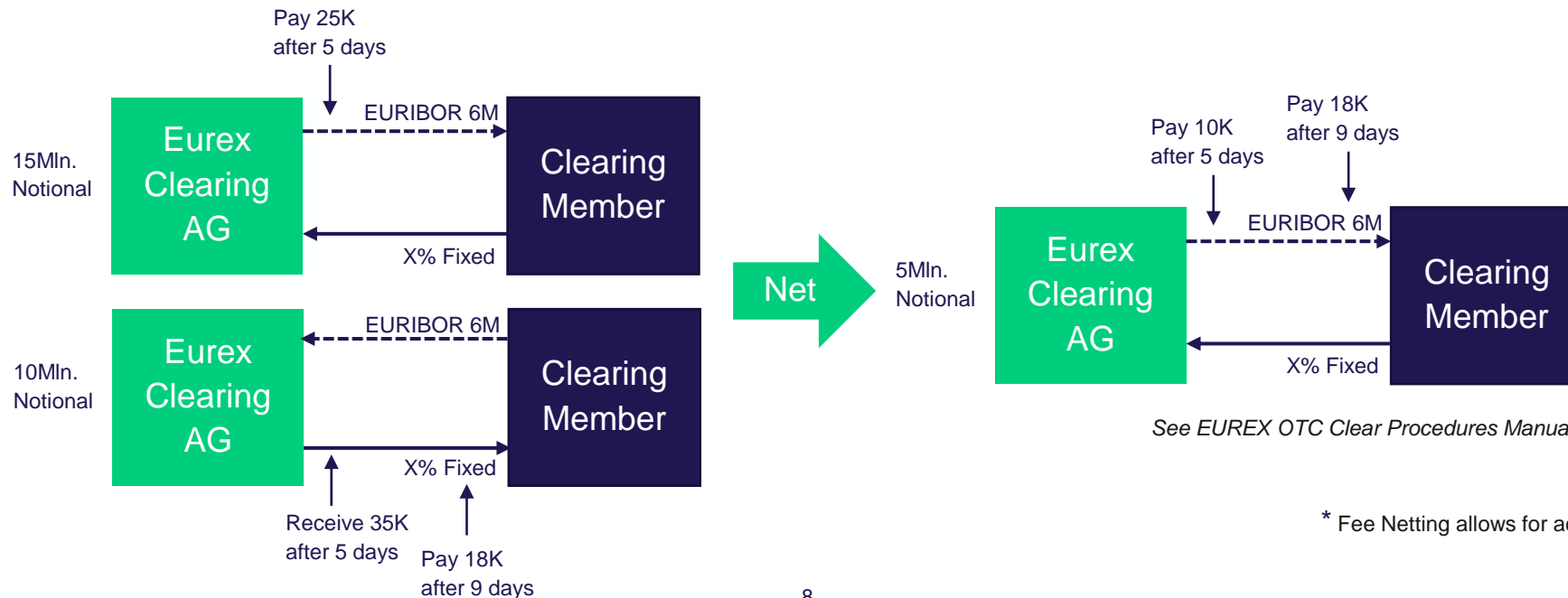
- Swaps with future matching terms are eligible for netting
- **Level 1 – Basic Netting** is applicable for swaps whose both legs have an appropriate equivalent to net with
- The following characteristics are allowed to differ:
 - Directions of respective legs
 - Notional of both trades



* Basic Netting allows for accumulation of notionals

Netting: Level 2 – Fee Netting*

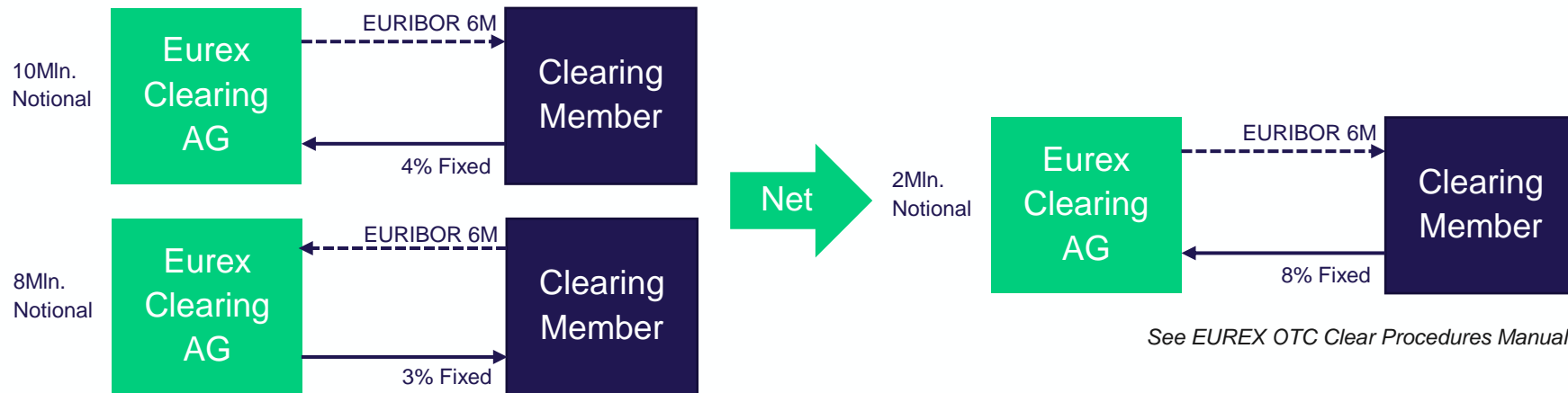
- Swaps with future matching terms are eligible for netting and may have fees attached to them
- In MarkitWire members can enter an upfront fee for offsetting trades or fixed payments over the lifetime of a swap which has been agreed between the counterparties
- **Level 2 – Fee Netting** takes fixed payments into account which may be paid or received on several future points in time:
 - Only the characteristics of the swap legs and maturities have to be identical (as in **Level 1**)



* Fee Netting allows for accumulation of notionals

Netting: Level 3 – Rate Blending*

- Swaps with future matching terms are eligible for netting and may have fees attached to them
- In MarkitWire members can enter an upfront fee for offsetting trades or fixed payments over the lifetime of a swap which has been agreed between the counterparties
- **Level 2 – Fee Netting** takes fixed payments into account which may be paid or received on several future points in time:
 - Only the characteristics of the swap legs and maturities have to be identical (as in **Level 1**)



* Rate Blending does not allow for accumulation of notionals, per default (only allowed for specific accounts, please contact respective Key Account Manager)

Netting: Level 3 – Rate Blending

Constraints

- Below are the limitations applied during the blending of trades:

CONSTRAINT	VALUE
Min. Notional for EUR, USD, GBP, CHF	100
Min. Notional for JPY, HUF	10,000
Min. Notional for CZK, DKK, NOK, SEK, PLN	1,000
Fixed Rate Cap	20%
Fixed Rate Floor	-20%

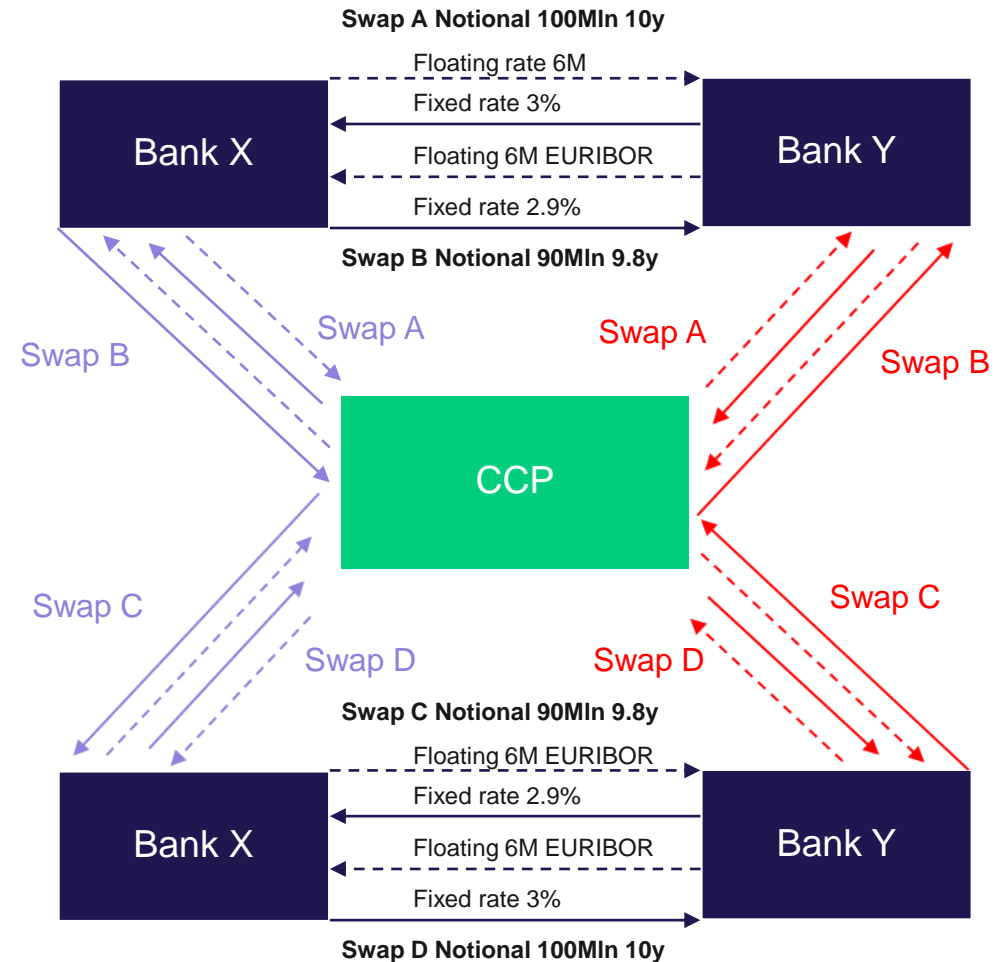
- **Note:**

- It is possible to blend multiple trades at once, as long as there are only two unique fixed rates of all the trades to be blended
- When blending fixed rates, the resulting rate can in rare cases be very high or negative. To avoid the creation of extreme rates, a cap of 20% and a floor of -20% are set
- To avoid creation of trades with very small notional, a minimum notional value is applied.

OTC Portfolio Compression

Features

- Risk-constrained multilateral unlinked netting (portfolio compression) via OSTTRA's TriOptima®
- Reduction with respect to the number of trades and notional
- Risk tolerances control changes on net cash flows or the net risk profile → Incremental risk check included
- “Cycle” processing, hence no automatic EOD process
- Currently **only** P-accounts eligible



OTC Portfolio Compression

Supported Functionalities

FUNCTIONALITY	DESCRIPTION
Downscaling	The basic form of compression where the notional of the trade after compression is smaller than the original notional through full or partial termination
Upscaling	Allows for more flexibility compared to downscaling where the resulting trade after compression can have a larger notional
Trade Revision	Allows for not only changing the notional but can also be used to change the coupon, spread or the direction of the trade. Possible to create more than one residual trade based on one original trade
Trade Refactoring	Allows for residual trades (also called “remnant trades”) with not only the changes in trade revision (notional, coupon, spread, direction), but also changes in the start and the end date of the trade
Zero Coupon Swaps Compression	Extension of product scope to include zero coupon swaps with known amount for the compression process
Inflation Swaps Compression	Extension of product scope to allow inflation swaps for the compression services

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