Currency products

Integrated trading and clearing
Executive summary

Our offer
Complementing its existing products and services, Deutsche Börse will launch a range of currency trading and clearing services to cover exchange-traded (ETD) and over-the-counter (OTC) instruments as well as clearing services for cross-currency swaps (XCCY swaps) entered via the MarkitWire platform – creating the world’s most comprehensive, integrated FX hub.

Deutsche Börse’s unique coverage will enable participants to execute transactions closely aligned with their underlying strategies, due to the integrated trading solutions which allow for the highest level of FX portfolio optimisation.

The breadth of the trading and clearing options will provide a credible alternative to existing markets where access, cost or credit constraints fundamentally limit activity and give rise to significant operational efforts.

Client benefit
Deutsche Boerse Group offers unparalleled cost and operational efficiencies within and across the future cleared FX product suite:

- World-class platforms enable straight-through processing (STP) trading of ETD or OTC transactions.
- Central counterparty (CCP) clearing reduces bilateral relationship maintenance and improves operational efficiency, in addition to vastly improving balance sheet positions and minimising other regulatory capital charges: portfolio optimisation and clearing of a balanced portfolio can reduce margin by 98 per cent freeing up bank credit. The unique CCP continuous linked settlement (CLS) cycle provides settlement certainty and efficiency.
Deutsche Börse Group’s cleared FX value chain

Deutsche Börse Group is uniquely positioned to deliver a hybrid OTC and exchange based FX market proposition.
Deutsche Börse Group’s overall Cleared FX value proposition

**Challenge/client need**
Clients wish to effectively manage their FX exposures, but the cost of doing so has risen dramatically because of regulatory requirements relating to uncleared variation margin and regulatory capital costs such as risk-weighted assets (RWA) and leverage ratio (LR).

- In 2014, Deloitte estimated that the cost of OTC trading would amount to an additional 170.5 € per million compared to an additional 13.6 € per million for centrally cleared derivatives.
- Greenwich Associates (December 2017) has published a qualitative analysis suggesting that FX will be subject to futurisation.
- Eurex Clearing has also commissioned a quantitative analysis in conjunction with Oliver Wyman showing that significant savings can be realised through clearing.

Accordingly, there has been a commensurate reduction in the accessibility of liquidity and credit in the OTC market leading to the requirement for additional trading and clearing options.

**Our solution**
- Our offer will include a range of complementary currency trading and clearing services to cover ETD, OTC trading, OTC clearing including XCCY swaps – a unique breadth and depth of FX products on integrated platforms with unparalleled distribution capabilities.
- Clients profit of additional and alternative routes to trading and benefit from optional central clearing.
- Both the cleared and uncleared FX-market allow the client to chose the best tool for their requirements.
- Rolling Spot Future (RSF) and CLS CCP settlement offer innovative solutions developed in conjunction with our partners.

**Client benefits**
- Cost and operational efficiencies within and across the cleared FX product suite.
- Integrated trading solutions which allow the highest level of FX portfolio optimisation aligned to clients’ underlying strategies whether driven by regulatory compliance or just seeking optimal FX portfolio performance, to exploit the joint capabilities of Eurex, Eurex Clearing and 360T to choose the right FX liquidity, execution and clearing for each trade.
- CCP clearing reduces bilateral relationship maintenance and improves operational efficiency, in addition to vastly improving balance sheet positions and minimising other regulatory capital charges.
- The unique CCP CLS cycle provides settlement certainty and netting benefits for OTC FX and XCCY swaps members.
### Listed FX products

**FX futures**
- All contract sizes 100,000 of base currency
- Trading and clearing from Sunday, 23:55 to Friday, 23:00 CET
- Full decimal tick value of tenths for calendar spreads and outrights (0.00001)
- Expiries: next three calendar months, then three quarters, then four semiannual contracts out to 36 months
- Physical delivery of both currency legs via CLS to minimise settlement risk
- Implied functionality enabling deeper outright liquidity for longer-dated months
- Liquidity at fixed points along forward curve
- All products are designed in-line with OTC market conventions

**Rolling spot futures**
- All contract sizes 100,000 of base currency
- Trading and clearing from Sunday, 23:55 to Friday, 23:00 CET
- Minimum tick value is OTC spot equivalent; tenths of a pip (0.00001)
- Rsf are perpetual contracts with no physical delivery of the currency legs
- Contracts marked daily at current spot rate (16:00, London)
- All positions rolled to next trading day via mid t/n swap; effecting an interest-rate differential pass through at mid between payer/receiver
- Rsf are cash-settled and have a daily settlement price; hence, they are comparable to benchmark index futures, e.g. DAX® futures. However, the underlying is not an index but an FX exchange rate.

### Execution

**Central limit order book**
- Benefit from transparent, anonymous and regulated exchange trading venue with equal access for customers
- Gain certainty of execution with competitive fees fully disclosed before entering trade
- Face liquidity from a wide and diverse range of market participants

**Exchange-for-Physical (EFP)**
- Trade a position in underlying physical instrument for a corresponding futures position (e.g. FX Spot for Futures)
- Minimum trade size 1 contract (futures side)
- Reduce or eliminate basis exposure
- Free up credit lines with PB or bilateral relationships without closing market position

**Block transaction**
- Trade to Buy/Sell Futures, negotiating bilaterally off-exchange with a selected eligible counterparty, with trade then entered directly into clearing
- Minimum trade size 1 contract
- Face a panel of disclosed LPs, just like in OTC FX
- Block FX Futures transactions are also available through 360T
Product specifications of clearable XCCY swaps and OTC FX products

Interdealer/member only, Basis MtM, EUR/USD and GBP/USD

<table>
<thead>
<tr>
<th>Cross-currency swaps&lt;sup&gt;1)&lt;/sup&gt;</th>
<th>EUR/USD</th>
<th>GBP/USD</th>
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<td>Underlying indexes</td>
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<td>Past starting (backloading)</td>
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<tr>
<td>Stub periods</td>
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<td>Variation margin currency</td>
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1) OTC FX and XCCY swaps clearing to be launched.
2) Current restriction by MarkitWire
Combining trading and clearing services

The breadth of the trading and clearing services across multiple asset classes offers participants most favourable conditions for portfolio optimisation while increasing operational and capital efficiencies.

Central counterparty efficiencies and asset classes

Product coverage: OTC and listed derivatives

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