eurex clearing *circular 118/17*

clear to trade

Date:	17 November 2017
Recipients:	All EurexOTC Clear Clearing Members and Registered Customers of Eurex Clearing AG and Vendors
Authorized by:	Thomas Laux

EurexOTC Clear IRS Release 8.0: Production launch announcement

Related Eurex Clearing circulars: 059/17, 102/17, 114/17

Contact: Your Clearing Key Account Manager, clearing.services-admission@eurexclearing.com or otcrelease@eurexclearing.com

Content may be most important for:	**Attachment:**
➲ All departments	Readiness Statement for EurexOTC Clear Release 8.0

Summary:

Eurex Clearing hereby announces the production launch of EurexOTC Clear Release 8.0 on **4 December 2017**. For a description of the changes that will be introduced with EurexOTC Clear IRS Release 8.0, please refer to Eurex Clearing circulars 059/17, 102/17 and to the "EurexOTC Clear Functional Release Notes".

Please note that the functions and services introduced with this release will have an impact on interfaces and reports of Eurex Clearing.

With reference to the General Terms and Conditions to the Agreement on Technical Connection to the Clearing EDP of Eurex Clearing AG (Eurex Clearing) (Connection Agreement), we kindly request Eurex Clearing Members to complete and return the Readiness Statement at the latest by **Friday, 1 December 2017**.

EurexOTC Clear IRS Release 8.0: Production launch announcement

Eurex Clearing hereby announces the production launch of EurexOTC Clear Release 8.0 on
4 December 2017. For a description of the changes that will be introduced with EurexOTC Clear IRS Release
8.0, please refer to Eurex Clearing circulars 059/17, 102/17 and to the "EurexOTC Clear Functional Release
Notes".

Please note that the functions and services introduced with this release will have an impact on interfaces and
reports of Eurex Clearing.

The following remaining documents contain essential information und updates regarding OTC Release 8.0.
They are available for download in the Member Section of the Eurex Clearing website
www.eurexclearing.com:

Published documents	
Action	**Name of document/path**
Release Update	- EurexOTC Clear Procedure Manual - IRS / FX / CCS (publication date end of November 2017) - EurexOTC Clear Product List - IRS / FX / CCS - EurexOTC Clear Risk Methodology Description (IRS) – final version - EurexOTC Clear Risk Methodology Description (FX/CCS) – final version **Technology > EurexOTC Clear > OTC Release 8.0 > Overview and Functionality**
Release Update	EurexOTC Clear Reports - Samples & XSDs **Technology > EurexOTC Clear > OTC Release 8.0 > EurexOTC Clear Reports**

1.   Functional and technical changes for EurexOTC IRS

Eurex Clearing is extending its EurexOTC Clear Service for IRS by introducing functional and system changes
with EurexOTC Clear Release 8.0.

    I.   Functional changes, available as of 4 December 2017:

- Changes to the EurexOTC Clear service driven by MiFID II/MiFIR:
    - EurexOTC Clear will be able to use credit tokens that are generated on a trading venue.
      Trades that were subject to a pre-trade limit check as indicated by the presence of a credit
      token ID will not be sent to the Clearing Member any longer for take-up but rather
      immediately proceed to the incremental risk check.
    - Trades that fail the incremental risk check due to insufficient collateral will be rejected
      (exception: backloaded trades and post trade events).
- Treatment of master agreements & contractual definition on novated transactions
- Netting & accumulation of transactions with different contractual definition
- Enhancement of the netting key comparison logic

    II.   Functional changes, technically introduced:

- With EurexOTC Clear Release 8.0, 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 ("settled-to-market" (STM)), rather than collateral
  ("collateralized-to-market" (CTM)). The technical implementation comprises two new fields at trade
  level in the Variation Margin Report CC203/CI203/CC222.

The changes to the Clearing Conditions and the introduction of the new STM model will be announced in a separate circular.

Please note: Other than previously announced, Eurex Clearing will not relax the trade entry validation to enable in-house trading. Until further notice, it is not allowed to clear a trade with the same proprietary account on both sides of the trade.

III. Product changes

- Eurex Clearing will only support payment legs between one and two business days for Japanese Yen Overnight Index Swaps (JPY OIS)
- As already announced with Eurex Clearing circular 068/17,
    - the clearing service for TOIS transactions will be discontinued on 4 December 2017. Starting from this date, Eurex Clearing will not accept TOIS swap trades any longer.
    - Members are advised to terminate any remaining transactions, which reference TOIS before 11 December 2017. Any remaining transaction on that date will be cash-settled directly on 11 December 2017 against the last available daily evaluation price (end of day) on that day as an emergency resolution in accordance with Chapter VIII Part 1 Number 1.5. in response to Extraordinary Market Conditions, pursuant to Chapter I Part 1 Number 17.3.1 of the Clearing Conditions of Eurex Clearing AG.

2. Support of Cross Currency Swaps (CCS resp. XCCY Swap)

With EurexOTC Clear Release 8.0, Eurex Clearing will achieve the technical readiness to support OTC Cross Currency Swaps (OTC XCCY Swaps), entered via MarkitSERV as Approved Trade Source. The introduction of OTC XCCY Swap products (in currency pairs EUR/USD and GBP/USD) in production is subject to and will follow regulatory approval and will be announced via separate Eurex Clearing circular.

Nevertheless, with the technical activation on 4 December 2017, the following reports will contain OTC XCCY Swap data in already existing fields:

RPT Code	Report	Format	File name	Remarks
CC210	Interest Rate Curves Report	csv	Curve ID	For FX and CCS: Curves: <CurveCurrency>.<BasisDiscountCurveCurrency>_COLL.1D Spot rates: FX.<CurveCurrency>.<BasisDiscountCurveCurrency>
CC220	Liquidity Table	csv	Product Type	For CCS: SwapCrossCurrency
			Currency	For FX and CCS: Hedge swap currency pair, possible values: EUR_USD, GBP_USD
			Maturity	For IRS und CCS: Hedge swap maturity
			Liquidity Set ID	For FX und CCS: 5
CC221	Parameter File	csv	Liquidation Group String	For FX und CCS: Always filled with PFX01

New CLS Settlement Report for OTC FX and OTC XCCY Swap

To show all CLS transaction (OTC FX/OTC XCCY Swap) which are due for settlement at T+1, Eurex Clearing has developed the new report CE056 (End of Day CLS Settlement Report). This report is created end-of-day on each business day and will be available for all OTC Currency Product Clearing Members. It reports all transactions due for settlement at T+1 and their related instructions. CE056 will show all transactions per CM/ Currency/Instruction ID on single basis as well as the instruction amount. The intraday version of the report (CI056 Intraday CLS Settlement Report) displays transactions that are due to settle over CLS on T+1 as well as aggregated amounts per currency per Member and currency. These transactions have the settlement date T+1 and have been processed in the Preliminary FX run (netting run is filled with the code PREFX).

A detailed description of the new CLS Settlement Report is available on the Eurex Clearing website under the following link:

> **Technology > Eurex Clearing's C7 > System documentation > Release 4.0 > Eurex Reports**

FpML Margin Calculator enhancement

Following the enhancement of the EurexOTC Clear Service with OTC XCCY Swap products, Eurex Clearing will enhance the FpML Margin Calculator Interface product scope with OTC FX Spot & FX Forward, OTC FX Swaps and OTC XCCY Swaps.

The timeline for the FpML Margin Calculator enhancement is as follows:

> **Start of simulation: 15 January 2018**
>
> **Introduction date: 5 February 2018**

3. Further Report, Messaging and GUI changes/enhancements

- New rejection reason and rejection code for the rejection message
- For trades executed on a trading venue, the trading venue's Legal Entity Identifier is added to the FpML messages and EurexOTC Clear GUI
- The trade execution time and received-for-clearing time is added to the FpML messages and to the EurexOTC Clear GUI
- New values for fields "Master Agreement" And "Contractual Definition" are introduced for the messages
- A new functionality for upload of netting strings for verified trades is introduced for the EurexOTC Clear GUI. This functionality allows Members to define the trades that should be netted together.
- The list of sub-products in the EurexOTC Clear GUI is enhanced with the new value "BasisSwapCrossCurreny".

EurexOTC Clear reports will be enhanced to support the above new functionalities and products. For a detailed overview, please refer to the EurexOTC Clear Report Manual. All updated report xsds are available in the Member Section of the Eurex Clearing website under the following path:

> **Technology > EurexOTC Clear > OTC Release 8.0 > EurexOTC Clear Reports > EurexOTC Clear Sample Reports & XSDs**

4. Production preparation tasks

Please note that the functions and services introduced with this release (such as reports and FpML messages) will have an impact on the interfaces of Eurex Clearing. In order to prepare for the start of production, please update your systems (e.g. for report processing) with the newly created schemas (e.g. report XSDs), valid for the EurexOTC Clear Release 8.0 as of 4 December 2017 (start of business).

Please note: After batch processing on Friday, 1 December 2017, reports are created based on EurexOTC Clear Release 7.1 formats. Intraday and End of Day reports that are created on Monday, 4 December 2017, start of business, will be created based on EurexOTC Clear Release 8.0 formats.

Please note, no trade notification messages will be sent on the conversion weekend (2 December 2017) for the amended trades due to the planned changes of the Master Agreement & Contractual Definitions. The updated information will be available in the respective reports CB202 and CB207 (OTC Full Inventory).

Reminder: Discontinuation of support for AMQP 0-10

As announced with Eurex Clearing circular 045/17 Eurex Clearing will discontinue the support for FpML, TradeEntry API and Margin Calculator Interfaces AMQP versions 0-10 on 4 December 2017. Going forward, the only supported protocol will be AMQP 1.0.

In the simulation environment, support for AMQP 0-10 has already been discontinued on 16 October 2017. Clearing Members and ISVs using the interface should test their applications during the simulation period and consider upgrading the AMQP libraries used in their software to the latest available versions.

5. Readiness Statement

With reference to the General Terms and Conditions to the Agreement on Technical Connection to the Clearing EDP of Eurex Clearing AG (Eurex Clearing) (Connection Agreement), we kindly request Eurex Clearing Members to complete and return the Readiness Statement at the latest by **Friday, 1 December 2017**.

The Readiness Statement is available for download in the Member Section of Eurex Clearing website under the following path:

Technology > EurexOTC Clear > OTC Release 8.0 > Overview & Functionality

Please do not hesitate to contact your Clearing Key Account Manager if you have any general questions or need additional information related to the above.

17 November 2017