05 May 2020

Eurex Clearing Readiness Newsflash | EurexOTC Clear service: A. Updated information for simulation preparation and test of switch from EONIA to €STR B. Changes to level 3 netting (Rate Blending)

Dear Eurex Clearing participant,

A. Updated information for simulation preparation and test of switch from EONIA to €STR

***** Please note that the information given in the present Newsflash, item A., supersedes Eurex Clearing Readiness Newsflash from 30 March 2020 and is relevant for the planned introduction of EurexOTC Clear Release 10.1 on 27 July 2020. *****

Following the postponement of the introduction of EurexOTC Clear Release 10.1 announced with Eurex Clearing Circular 032/20, the information for simulation preparation and testing the switch from EONIA to €STR has been updated.

The simulation environment will be opened for customers on **28 May 2020**. As usual, please make sure that your systems are prepared for the updated XSDs, for reports and FpML messages before the simulation starts. Starting from 28 May 2020, functionalities and changes will be available for testing.

Eurex Clearing will switch from EONIA to €STR (without a spread) as the basis of PAI/PAA and discounting for all EurexOTC Clear euro-denominated derivatives with OTC Release 10.1 on 27 July 2020. An important milestone for testing is performing the switch in the simulation environment.

Please find the necessary information for simulation described below:

1. Test portfolios should be cleared in Simulation latest on 19 May 2020, 18:00 CET. Simulation will be closed from Wednesday, 20 May 2020 until Wednesday, 27 May 2020. In particular, the OTC GUI/MC GUI will not be available, MC API and FpML-API requests will not be processed, and no new trades can be submitted to the OTC Clearing system.

2. 26 May 2020 (batch day) will be the last day with EONIA discounting.

3. The OTC Clearing system will switch to €STR discounting intraday on 27 May 2020 (batch day). Especially the EOD reports on 27 May 2020 will be generated the first time under €STR discounting.

4. On 27 May 2020 (batch day), customers will receive intraday the one-off Cash Forecast Report CD200 with the timestamp of Saturday, 23 May 2020 (85RPTCD200**MEMBERID**20200523.XML.ZIP) containing only the cash compensation fees at trade level as part of the switch process to €STR.

Please note, the cash compensation fees will be calculated as:

$$FEE = MtMexCF^{EONIA}(T-1) - MtMexCF^{€STR+}(T-1)$$

The time $T-1$ refers to values as of EOD 26 May 2020 and the superscripts refer to discounting under EONIA and €STR.

The fee may be reconstructed at trade level from EOD 26 May reports by, for a given trade:

- Identifying $MtMexCF^{EONIA}(T-1)$ with the value of the field MtM0_exCF in the CC203 report
- Identifying $MtMexCF^{€STR+}(T-1)$ with the value of the field MtM0_exCF in the CC303 report

5. Starting from 28 May 2020 (batch day), the simulation environment will be "open" for the customers, i.e. new trades can be submitted via the ATS. Please note, from this time on the shadow reports CC303 and CC333 will be based on SOFR discounting.

On 27 May 2020, for Clearing Members, the one-off report CD200 with timestamp 23 May 2020 will contain only the compensation fees of house trades as well as those of their client trades. For Registered Customers, the one-off report CD200 with timestamp 23 May 2020 will contain the compensation fees of own trades only.

The table below contains an example of the fields in the one-off report CD200 with timestamp 23 May 2020 that are relevant for reconciliation:

cashFlowDate	CCPTrade	currTypCod	trnTyp	setlAmnt	Settlement
28/05/2020	123456	EUR	OTC FEE PAYMENT PAID	-1789.44	NotSettled
28/05/2020	123457	EUR	OTC FEE PAYMENT PAID	-252.78	NotSettled
28/05/2020	123458	EUR	OTC FEE PAYMENT RECEIVED	3331.36	NotSettled
28/05/2020	123460	EUR	OTC FEE PAYMENT RECEIVED	263.32	NotSettled

- Mandatory cash settlements will appear with transaction types (trnTyp) "OTC FEE PAYMENT PAID" or "OTC FEE PAYMENT RECEIVED"
- The settlement will be of type "NotSettled"
- The compensation fee amount is found in the field setlAmnt (plus for fee received, minus for fee paid)

Additionally, for Clearing Members, the aggregated compensation fees will appear in the Daily Cash Account report CD710 as generated Wednesday EOD, 27 May 2020. Fees will be aggregated for each EUR cash account and Pool ID of the Member and any EUR clearing clients.

Fully segregated Direct Clients with Member ID do not receive the CD710 report. Instead, these clients will find their aggregated compensation fees in the report CD712.

A detailed explanation of the €STR discounting switch including a description of the aforementioned reports and reconciliation thereof can be found in "EurexOTC Clear – process and methodology of the EONIA to €STR discounting switch Version 1.2". The document is updated and available in the Member Section of Eurex Clearing, under the following path:

Risk & Collateral Management > Benchmark Transition Information > EUR: EONIA-€STR Transition

Please note below updates in the mentioned document, version 1.1:

- Availability of the one-off CD200 report
- Further clarification of the aggregation logic of CD710

Please note below updates in the mentioned document, version 1.2:

- Updated timeline due to postponement
- Added FAQ of the dress rehearsal

As this is the one-time switch in simulation, we strongly suggest Clearing Members to participate and adjust their system accordingly.

Preparation in the Member Section

Please check whether you have registered and/or updated your Release Contacts for EurexOTC Clear Release 10.1 via the Member Section on the Eurex Clearing website, under Release Contacts.

In parallel, please subscribe to Eurex Clearing circulars and newsflashes on our new subscription website under the following link in order to remain updated, as any communication regarding EurexOTC Clear Release 10.1 will only be distributed via circulars and newsflashes:

Resources > Circular & Newsletter Subscription

Attachment:

- Information table for simulation of the €STR discounting switch

B. Changes to level 3 netting (Rate Blending)

Eurex Clearing hereby announces changes to level 3 netting (Rate Blending) which will become effective in production on **18 May 2020**. The amendments are the result of market-wide feedback and are described below:

1. Review of minimum notional for resultant netted trades

Currency	Minimum notional old	Minimum notional as of 18 May 2020

CHF/DKK/EUR/GBP/NOK/PLN/SEK/USD	100,000	100
JPY	10,000,000	10,000

2. Review of floor for level 3 netting

Floor old	Floor as of 18 May 2020
0 (zero)	- 20 percent (negative)

3. Netting to allow Negative Rate blending

- Negative rates will be permitted for inclusion in rate blending. This will allow for blending with positive rates.

Kind regards

Your Client Services Team

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Target groups:	Front Office/Trading, Middle + Backoffice, IT/System Administration, Treasury
Related circular:	Eurex Clearing Circular 032/20
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