



03 Jul 2020

Eurex Clearing Circular 057/20: Introduction announcement of EurexOTC Clear Release 11.0

1. Introduction

With this circular, Eurex Clearing announces the production launch of EurexOTC Clear Release 11.0 on 19 October 2020.

In this context, changes for the EurexOTC Clear interfaces (GUI, reports), OTC IRS product extensions, netting functionality changes, introduction of the new clearing currency U.S. dollar for the LSOC OTC IRD clearing model, synchronisation of non-economic amendments with MarkitWire and discounting switch from Effective Federal Funds Rate (EFFR) to Secured Overnight Financing Rate (SOFR) are expected. In addition, a simulation environment clean-up will be performed.

The timeline for the new release is as follows:

Simulation start: 26 August 2020
Production start: 19 October 2020

2. Required action

Functions, services and technical changes to be introduced with this release might have an impact on the internal processes of Eurex Clearing Members who clear EurexOTC Clear products (hereafter: EurexOTC Clear Members). Therefore, it might be necessary for EurexOTC Clear Members to update their internal processes and technical interfaces (e.g. XSDs for EurexOTC Clear reports, Eurex Clearing FpML Interface).

- In case of cooperation with back-office vendors, EurexOTC Clear Members should contact their third-party providers as soon as possible to ensure that the necessary adjustments can be made.

In order to improve the quality of the OTC simulation environment in advance of its upcoming release, Eurex Clearing will perform a structured clean-up of old trades (except U.S. dollar trades) in the simulation environment on Monday, 10 August 2020. Therefore, all trades captured before Wednesday, 1 January 2020 will no longer be available in the simulation environment.

- Participants who wish to keep these trades, should send an e-mail with the subject "Clean-up of the simulation environment - excluded accounts" to the Key Account Manager (including Member ID and book) until Monday, 3 August 2020.
- Please check whether you have registered and/or updated your Release Contacts for EurexOTC Clear via the Member Section on the Eurex Clearing website www.eurexclearing.com, under Release Contacts.
- In parallel, please subscribe to EurexOTC Clear circulars and newsflashes on our new subscription website under the following link in order to remain updated, as any communication regarding EurexOTC Clear Release 11.0 will only be distributed via circulars and newsflashes: Circular & Newsletter Subscription

3. Details of the initiative

A. Changes to be introduced with EurexOTC Clear Release 11.0

- OTC service enhancements including FedFunds to SOFR PAI/discounting switch
- OTC IRS product extensions
- Netting functionality changes
- Introduction of the new clearing currency U.S. dollar for the LSOC OTC IRD clearing model
- Synchronisation of non-economic amendments with MarkitWire
- GUI enhancements to improve usability for customers
- Report enhancements

Eurex Clearing will provide a description of the changes that are introduced with EurexOTC Clear Release 11.0 in the Release Notes by the end of July 2020.

All changes will be reflected via documentation updates which will be published according to the attached "Eurex Clearing Member Communication Calendar". All documents that are updated as part of EurexOTC Clear Release 11.0 will be available in the Member Section on the Eurex Clearing website www.eurexclearing.com under the following path at the appropriate time: Technology > EurexOTC Clear > System documentation.

B. Overview of functional changes

OTC service enhancements including FedFunds to SOFR PAI/discounting switch:

As part of the transition for all U.S. dollar-denominated trades from EFFR to SOFR as the new risk-free rate, Eurex Clearing will implement the switch for its EurexOTC Clear service across the weekend around 19 October 2020. This means that Friday, 16 October 2020 will be the last day with EFFR PAI (PAA) and Monday, 19 October 2020 the first day with SOFR-based PAI (PAA) calculations.

A detailed explanation of the SOFR PAI/discounting switch including a description of reports and reconciliation thereof can be found in the document "EurexOTC Clear - process and methodology of the FedFunds to SOFR discounting switch" which is updated and available in the Member Section of Eurex Clearing, under the following path: Risk & Collateral Management > Benchmark Transition Information > USD: FedFund-SOFR Transition

Detailed information regarding the switch has been announced with Eurex Clearing Circular 044/20. Simulation information will be communicated via a separate Newsflash.

OTC IRS product extensions:

Eurex Clearing currently clears nine currencies, which span a variety of tenors from 2 years to 50 years. With EurexOTC Clear Release 11.0, the following product extensions are planned:

Tenor extensions

- 1-year tenor extensions, for example EUR IRS from 50 years + 10 business days to 51 years
- > 1-year tenor extensions, for example GBP OIS from 30 years + 10 business days to 51 years

Enhanced eligibility

- Variable notional for OIS & OIS-Libor Basis Swaps
- Simple spreads on OIS and negative spreads on IRS/ZC/Basis and FRA

New products

- GBP and JPY OIS-Libor Basis Swaps

Netting functionality changes:

Eurex Clearing will introduce a switch allowing for suppressing Accumulation (off/on) only during Level 3 netting on account level. The functionality to accumulate positions of the same direction will be optional for Level 3 netting. With EurexOTC Clear Release 11.0, the default value will be "No accumulation". EurexOTC Clear Members who wish to have accumulation of netting in their setup, have to contact the respective Key Account Manager. Charges will apply as per the Price List of Eurex Clearing AG, Chapter 10.5.1.

Two swaps which use different compounding methods will still be netted if the spread value is equal to 0 (zero) and the netted remnant trade will have a "Flat" as a compounding method of the trade. This functionality will be allowed for the following products: Single Currency Fix-Float Swaps (Including ZCFA) and Single Currency Basis Swap.

Introduction of the new clearing currency U.S. dollar for the LSOC OTC IRD clearing model:

Until now, U.S. dollar has been recognised as margin and product currency, but not as clearing currency. Based on client demand, U.S. dollar will be introduced as clearing currency for OTC LSOC Clearing Members with EurexOTC Clear Release 11.0 (FX, XCCY and NDF products are not affected).

Synchronisation of non-economic amendments with MarkitWire:

In addition to MarkitWire Post Trade Event Synchronization that became available for EurexOTC Clear Members in February 2020 and ensures that for any trade created at Eurex Clearing as a result of a post-trade event, a corresponding trade record is also created in MarkitWire, also a synchronisation of non-economic amendments with MarkitWire will be achieved with EurexOTC Clear Release 11.0. The goal is that MarkitWire users can

update the internal trade ID or the netting string of a record in MarkitWire, which leads to an automatic update of the corresponding trade record at Eurex Clearing. This enhancement does not require additional setup, if MW PTE sync has already been set up.

GUI enhancements to improve usability for customers:

- New transfer tab to handle big transfers with calculating the risk on a portfolio level will be introduced
- Trade/Portfolio Upload Window will be redesigned
- Product description in the OTC GUI for FX Trades will be enhanced

Report enhancements:

Due to the introduction of U.S. dollar as a clearing currency for the LSOC OTC IRD clearing model, reports (CI205/CC205, CC204, CC208 and CI217/CC217) will be created in U.S. dollar as well. Further report changes will be explained as usual in the Report Manual for EurexOTC Clear Release 11.0, which will be available in the Member Section by the end of July 2020.

Unless the context requires otherwise, terms used and not otherwise defined in this circular shall have the meaning ascribed to them in the Clearing Conditions or FCM Clearing Conditions of Eurex Clearing AG, as applicable.

Attachment:

- Eurex Clearing Member Communication Calendar – EurexOTC Clear Release 11.0

Further information

Recipients: All Clearing Members, FCM Clearing Members, Basic Clearing Members, Disclosed Direct Clients of Eurex Clearing AG and vendors

Target groups: Front Office/Trading, Middle + Backoffice, IT/System Administration, Auditing/Security Coordination

Contact: client.services@eurexclearing.com

Related circular: Eurex Clearing Circular [044/20](#)

Web: [EurexOTC Clear Release 11.0](#) initiative page

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