Eurex OTC CCP Services

IRS Post Trade Events

November 2011
Eurex Clearing web-based front end supports the trade registration process and a range of post trade events

Support for the trade registration process

• **Take-up:** A trade is given-up to a Clearing Member in MarkitWire, the Clearing Member accepts/rejects the allocation splits on the Eurex front end

Supported Post Trade Events on cleared trades

• **Trade Transfer:** Transfer trade to other CM (full or partial)
• **Account Transfer:** Re-book trade within CM's accounts (Initiated by RC or CM)
• **Trade Amendment:** Split trades in smaller notionals without changing account
  + Free text fields (e.g. indicating client in agent account) can change
• **Termination:** Different alternatives for Termination are available:
  – A customer trade will be re-booked to the Prop account of his CM
  – An inter-dealer trade will be terminated (both full and partial)
• **De-clear:** The ability to ‘de-register’ an inter-dealer trade from the Eurex Clearing service, and ‘unlock’ the trade in MarkitWire
• **Netting/ Accumulation:** The netting functionality consist of:
  – Close out of two offsetting trades
  – Add up the notional of two equal trades
• **Reject** Trades can be rejected after acceptance of take-up or other PTE
General Rules regarding Post Trade Events
Eurex Clearing web-based front end supports the trade registration process and a wide range of post trade events

• All PTE changes must be **agreed by the CM** and pass incremental risk checks – with the exception of “assignment” (no risk check necessary). In the current implementation, the agreement by CM is required

• Eurex Clearing offers the possibility to enter fees in relation to Post Trade Events in the OTC GUI with the following rules:
  – The first party enters a fee and if the counterparty wants to change it, it should reject the request and re-send it with a new fee proposal
  – Member can find a detailed fee overview on Calypso report CC203 „Variation Margin Report“ and also CB202 “Trade Full Inventory Report”; However the report CD010 „Daily Cash Account“ will display a summarized figures with the description „Fee“
  – For the following PTE’s the original OTC transaction needs to be unchanged: Termination and De-Clear
Trade Transfer
Transfer trade to other CM (full or partial)

Sample Use
- Clearing Member wants to transfer trade to another Clearing Member
- Customer wants to change Clearing Member

Process Description

Account Level Bookings (example)
Account transfer
Re-book trade within CM's accounts (initiated by RC or CM)

Sample Use

- Customer wants to re-allocate to another entity which is not set up as RC or to another RC

Process Description

Trigger: CM 1 initiates allocation
 trigger: RC 1-1 initiates allocation

CM 1 accepts?

Y

Incremental Risk Check

Eurex accepts?

Y

Trade allocated

N
End

End

Account Level Bookings (example)
Trade Amendment
Split trades in smaller notionals without changing account. Free text fields (e.g. indicating client in agent account) can change

Sample Use

- Client (in one of the RC accounts) wants to split and to set different fund IDs
- Clearing Member wants to split trade and to assign different customer references

Process Description

Trigger:
CM 1 initiates assignment

CM 1 accepts?

Y

Trade assigned

N

End

Trigger:
RC 1-1 initiates assignment

Account Level Bookings
Termination – Client Clearing Trade
A customer trade will be re-booked to the proprietary account of his CM

Sample Use
- Customer wants to remove its position, CM's executing desk takes over position

Process Description

Trigger:
CM 1 initiates termination

Trigger:
RC 1-1 initiates termination

CM 1 accepts?

Y
Incremental Risk Check

Eurex accepts?

Y
Trade moved to CM's prop account

N
End

N
End

Account Level Bookings

Clearing Member 1
- Prop Account 456 1M USDLIB
- Agent n Account

Registered Customer 1-1
- Prop Account 123 1M USDLIB
- Agent Account

Registered Customer 1-2
- Prop Account
- Agent Account

Clearing Member 2
- Prop Account
- Agent Account

Registered Customer 2-1
- Prop Account
- Agent Account
Termination* – Inter-Dealer Trade
An inter-dealer trade will be terminated

Sample Use

• Clearing Member agrees with another Clearing Member to terminate existing, non-netted original bilateral trade

Process Description

Account Level Bookings

* Termination will not be possible if any PTE has been performed on the linked trade

www.eurexclearing.com
New: Termination – Client Clearing Trade with Original Cpty
Eurex Clearing investigates to offer the possibility to terminate a client trade by agreement with the original trade counterparty

Sample Use

- Customer wants to remove its position
- Termination is executed with counterparty of the Original OTC Transaction
- Both CCP Transactions have not been modified after CCP Novation

Process Description

Account Level Bookings

*) OOT = Original OTC Linked Transaction
De-clear – Inter-Dealer Trade
The ability to ‘de-register’ an inter-dealer trade from the Eurex Clearing service, and ‘unlock’ the trade in MarkitWire

Sample Use

- Clearing Member agrees with another Clearing Member to de-clear existing, non-netted original bilateral trade within 24 hours after clearing

Process Description

Account Level Bookings

and De-Clear message is sent to MarkitWire
Netting/ Accumulation of trades
Netting two offsetting trades (full or partial)

Sample Use

• Clearing Member or Registered Customer wants to close out two identical trades on buy-side and sell-side

Netting conditions

• Same product type, book, currency, rate index, rate index tenor, maturity date, coupon dates, floating rate and fixed rate, spread over floating
• The CM or RC has to mark the trades for netting in the WebGUI

Process Description

Consequences of the netting

• It is also possible to remove the netting flag in the WebGUI until the trade has been netted
• At 21:00 CET the pre-netting report will be sent out
• After receiving the Netting Forecast the member has one hour to unmark trades
• In the end of day netting cycle, the marked trades will be netted together
• If the gross trades do not fully offset each other, a new netted trade will be created
• After the netting no other post trade events are possible and an unnetting of trades will not be possible
Reject on non novated trades

Sample Use

- Clearing Member or Registered Customer withdraws the trade from clearing before novation to either choose a different Clearing Member or change details of the trade

Process Description

Trigger: CM 1 initiates reject

Trigger: RC 1 initiates reject

CM 1 accepts?

OOC* accepts?

Bilateral trade

Y

Y

N

N

End

End

*) OOC = Original OTC Linked Counterparty
Reject on PTEs

Sample Use

- Clearing Member or Registered Customer can reject the PTE before execution in order to react on changed market conditions or in case a take-up is not being performed

Process Description

- Trigger: CM 1 initiates reject
- Trigger: RC 1-1 initiates reject
- CM 1 accepts?
- CM 1 accepts?
- OOC* / CM 2 accepts?
- End
- End
- End

*) OOC = Original OTC Linked Counterparty