Eurex Clearing Prisma –
Setting new standards in CCP risk management – overview and update

Eurex Clearing Prisma calculates combined risks across all markets for products that share similar risk characteristics within customer and proprietary positions according to liquidation groups resulting in more accurate risk calculations. This allows us to provide higher capital efficiencies and a stronger risk management framework to our customers. Our portfolio-based margining approach is replacing our existing margining methodology, Risk-based Margining (RBM). With this date approaching, we are providing you with an overview and update on what to expect from Eurex Clearing Prisma.

Our risk model
The Eurex Clearing Prisma method is based on the view of each member’s entire portfolio in one so-called liquidation group and has the advantage to account for hedging and cross-correlation effects through determining the margin requirement on a portfolio level as opposed to a product-by-product view. The single elements in the concept are selected so that risk calculation is made adequately and stable, ensuring that the concept withstands new shocks and changes to the financial markets and flexibly adapts to changes in the risk environment.

As depicted in the graph below, there will be two margin components:
- backward looking margin components (i.e. the mark to market margin) and
- improved forward looking margin components (i.e. the initial margin).

Key benefits
Our new portfolio-based risk management methodology will provide the following benefits:

- **Higher capital efficiencies**: More accurate risk netting effects for listed, and between listed and OTC positions.
- **Greater accuracy**: Cross-product scenarios enable a consistent way to account for portfolio correlation and diversification effects.
- **Robustness**: Methodology designed to enable stable margin requirements with highest adequacy.
- **Consistent framework**: Consistent risk and default management process for listed and OTC products.
**Overview RBM versus Eurex Clearing Prisma and their impact on initial margin**

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* Only included via FX haircuts on collateral level

Eurex Clearing Members with well hedged portfolios, in particular long-short index-single-name strategies, will benefit from Eurex Clearing Prisma. Specifically for larger portfolios, the comparison between RBM and Eurex Clearing Prisma shows to be strongly portfolio dependent. While the portfolio diversification is captured by both models, RBM is restricted to a set of certain strategies and is therefore less efficient.

**Example: Productive portfolio leading to reduced margin with Eurex Clearing Prisma compared to RBM**

- **Portfolio**
  - Fixed income portfolio
  - Long/short strategy of different term debt instruments

- **Features shown**
  - Portfolio model

- **Effects**
  - Prisma initial margin lower due to offsetting of long/short position in FGBL and FGBX
  - Risk factors of different debt instruments are correlated which leads to a reduced Prisma initial margin.
  - RBM does not offset FGBL against FGBX and FOAT because they do not share a margin group/margin class.

**Main portfolio components by risk contribution (16 Jun 2015)**

- **EUR millions (scaled by arb. factor)**
  - FGBL
  - FGBM
  - FBTP
  - FOAT
  - FGBX
Decommissioning RBM

Eurex Clearing Prisma was launched in May 2013 and has been running in parallel with current Risk-based Margining method, allowing our members to migrate to the new risk method at their own pace.

Since December 2017, RBM is decommissioned for exchange-traded derivatives (ETDs) assigned to liquidation groups, meaning that all Clearing Members will be obliged to use Eurex Clearing Prisma as their margin methodology. From this point on, we will also stop providing data records in the Theoretical Price files for all ETDs assigned to a liquidation group in Eurex Clearing Prisma, both on the Common Report Engine (CRE) and on the Eurex Clearing website. All data needed for reconciliation or replication of margin requirements calculated under the Eurex Clearing Prisma methodology are available to all members via the Transparency Enabler Files.

Eurex Clearing Prisma MarginCalculator

To support our clients with how to deal and work with the Eurex Clearing Prisma MarginCalculator we are providing a useful screencast which also shows how to execute calculations in the most efficient way.

By continuously providing smart solutions for your risk management, we are keeping you clear to trade.

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ARBN Number: Eurex Frankfurt AG ARBN 100 999 764

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