



eurex clearing circular 068/17

Date: 10 July 2017
Recipients: All EurexOTC Clear Clearing Members and Registered Customers of Eurex Clearing AG and Vendors
Authorized by: Thomas Laux

EurexOTC Clear: TOIS index decommissioning and replacement with the SARON index

Contact: EurexOTC Helpdesk, T +49-69-211-1 28 28, e-mail: OTCClear@eurexclearing.com

Content may be most important for:

➡ All departments

Attachment:

none

Summary:

Eurex Clearing currently offers clearing services in Swiss francs (CHF) for TOIS indexed swaps. In November 2016, the TOIS index administrator ACI Suisse announced to discontinue the CHF TOIS index after 29 December 2017.

Eurex Clearing will therefore change its EurexOTC Clear Service in the following areas:

1. Accrued interest calculated on Swiss francs variation margin (PAI) will reference SARON index fixing.
2. Valuation and margining will be based on discounting all Swiss francs swap transactions with a SARON swap discounting curve (except for any remaining TOIS overnight indexed swaps).
3. Subject to regulatory approval, clearing of SARON overnight indexed swaps will be introduced.
4. Reports will be enhanced to show the new index SARON.
5. Clearing of TOIS overnight indexed swaps will be discontinued.

The Eurex Clearing functional and technical documents will be updated with EurexOTC Release 8.0. The Clearing Conditions of Eurex Clearing AG will be adjusted in time before the introduction in production and published accordingly via separate Eurex Clearing circular.

EurexOTC Clear: TOIS index decommissioning and replacement with the SARON index

Eurex Clearing currently offers clearing services in Swiss francs (CHF) for TOIS indexed swaps. In November 2016, the TOIS index administrator ACI Suisse announced to discontinue the CHF TOIS index after 29 December 2017.

Eurex Clearing will therefore change its EurexOTC Clear Service in the following areas:

1. Accrued interest calculated on Swiss francs variation margin (PAI) will reference SARON index fixing.
2. Valuation and margining will be based on discounting all Swiss francs swap transactions with a SARON swap discounting curve (except for any remaining TOIS overnight indexed swaps).
3. Subject to regulatory approval, clearing of SARON overnight indexed swaps will be introduced.
4. Reports will be enhanced to show the new SARON index.
5. Clearing of TOIS overnight indexed swaps will be discontinued.

The timeline for 1, 2, 3 and 4 is as follows:

Start of simulation	18 September 2017
Available in production	9 October 2017

The TOIS service offering (5) will be discontinued as follows:

TOIS decommissioning date	Start of day 4 December 2017
----------------------------------	-------------------------------------

1. Price Alignment Interest (PAI)

The interest calculated and payed on the accumulated Swiss francs variation margin for Swiss francs denominated interest rate swaps is currently based on the TOIS reference rate. This will be changed to the new reference rate SARON as defined in the Supplement 51 to the 2006 ISDA Definitions (published on 3 April 2017). The rate which appears on the Thomson Reuters Screen "SARON.S" under the heading "CLSFIX" at or after 18:00 CET will be used.

2. Valuation and margining for cleared Swiss francs interest rate swaps

The discount curve to calculate the present value, variation margin, and initial margin of cleared interest rate swaps denominated in Swiss francs will be switched over from a TOIS swap curve to a discounting curve derived from overnight indexed swaps referencing the SARON index (floating rate option CHF-SARON-OIS-COMPOUND as defined in the Supplement 51 to the 2006 ISDA Definitions). The resulting impact on the variation margin to be paid or received will be effective on the day outlined above.

The change of the discounting curve will happen at the same time as the change of PAI.

3. Clearing of SARON overnight indexed swaps

Concurrently to the changes outlined in 1. and 2. it is planned to introduce clearing of SARON overnight indexed swaps (subject to regulatory approval). The eligibility criteria for SARON swaps will be aligned to the current eligibility for TOIS swaps (e.g. maximum maturity 30 years). The "EurexOTC Clear Product List" will be updated with EurexOTC Clear Release 8.0.

Until final decommissioning of TOIS swap clearing at the end of 2017, both SARON and TOIS swaps are eligible for clearing to assist the transition for cleared TOIS swaps to SARON swaps.

4. Report enhancements

All reports distributed by Eurex Clearing will not change in form but Members should expect to see the new SARON index in all relevant reports e.g. as "CHF.SARON.1D" in the interest rate curve report (CC210) or the risk factor report (CC202) as well as the floating rate option CHF-SARON-OIS-COMPOUND in the full inventory report (CB202) or any other fpml reports containing all trade details.

5. Discontinuation of the TOIS clearing service

On 4 December 2017, the clearing service for TOIS transactions will be discontinued. After that date, no TOIS swap will be accepted by Eurex Clearing. Any remaining transaction which reference TOIS directly will be cash settled on 11 December 2017 against the last available price 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. Members are advised to make use of the termination procedures (see EurexOTC Clear Procedures Manual, chapter 7.4 Termination) ahead of that day and to terminate the active TOIS trades against a termination fee with the original counterparties.

For the avoidance of doubt, any outstanding Swiss francs Libor swaps are unaffected by the TOIS swap cash settlement.

Updating of the Eurex Clearing functional and technical documents is carried out with EurexOTC Release 8.0 and will be published on the date announced in the "EurexOTC Clear IRS Release 8.0 Information Schedule". The clearing conditions will be adjusted in time before the introduction into production and announced accordingly via separate circular.

For any questions you may have, please contact EurexOTC Helpdesk +49-69-211-1 28 28 or send an e-mail to OTCClear@eurexclearing.com.

10 July 2017