CME Clearing Europe

YOUR GUIDE TO GETTING STARTED CLEARING OTC IRS

OVERVIEW

THIS USER-FRIENDLY GUIDE CLEARLY OUTLINES EVERYTHING YOU NEED TO START CLEARING OTC IRS WITH CME CLEARING EUROPE:

• Clearing Member and secondary adopting Clearing Member selection
• Choice of type of segregated account
• Legal documents
• Set-up
• User Acceptance Testing (UAT) and production testing
• Testing outline

ESTIMATED TIMELINE TO CLEARED OTC IRS READINESS – CLIENT PERSPECTIVE:

CLEARING FIRM SELECTION PROCESS
4 – 8 WEEKS
• Evaluate Clearing Members
• Receive standard legal documents
• Evaluate reporting capability
• Passive UAT testing

LEGAL DOCUMENTS
6 – 10 WEEKS

SET-UP
1 – 3 WEEKS

PRODUCTION ENVIRONMENT
ACTIVE UAT TESTING
1 – 2 WEEKS

Actual time frame may vary

How the world advances
### Legal Documentation

<table>
<thead>
<tr>
<th>Counterparties</th>
<th>Agreement(s)</th>
</tr>
</thead>
</table>
| Omnibus Segregated Account & Individually Segregated Account  
Clearing Member located in UK, Scotland and Germany | CMECE Client Acknowledgement (CM Client) |
| Omnibus Segregated Account & Individually Segregated Account  
Clearing Member located outside of UK, Scotland and Germany | Security Trustee Model  
- Security Trust Deed (Clearing Member only)  
- Client Protection Agreement with Security Trustee  
- CMECE Client Acknowledgement (Security Trustee)  
Non-Security Trustee Model  
- Client Protection Agreement |
| Fully Segregated Account  
Subject to regulatory approval | Fully Segregated Account documentation is completed in addition to the documents summarised in Omnibus Client & Individual Client section  
- FS Settlement Agreement  
- FS Security Trust Deed  
- Security Document (based on location of custodian)  
- Custody Agreement (based on location of custodian) |

### Setup

1. Contact Clearing Member and CME Clearing Europe Onboarding Team
2. Establish User Acceptance Testing (UAT) and Production Accounts
3. Select Affirmation Platform  
   Obtain and load relevant software for affirmation platform
4. Determine reporting requirements  
   Establish FTP sites or access reports from web portal or email
REPORTING

<table>
<thead>
<tr>
<th>Report</th>
<th>Description</th>
<th>Time</th>
<th>Available In Testing</th>
<th>Available In Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Day Trade Register</td>
<td>Includes new and open trades as well as corresponding cash flows on positions cleared on that day</td>
<td>1:00am GMT</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Curve Input Report</td>
<td>Contains the curve inputs of the CME Swap Curve</td>
<td>9:30pm GMT</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Discount Factor Report</td>
<td>Displays the daily discount factor out to 31 years</td>
<td>9:30pm GMT</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>CMECE Holiday Calendar</td>
<td>Shows the CMECE holiday calendar</td>
<td>8:00pm GMT</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PAI Rate File</td>
<td>Provides the rate used to calculate PAI</td>
<td>6:00pm GMT</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

TESTING

This final stage is designed to ensure accuracy and reliability at every stage of the clearing process. Suggested Acceptance testing (UAT) steps are outlined below. For specific test scripts, please contact your Clearing Member Firm.

Step 1:
Submit spot trades of various tenors (2, 5, 10, 30 years) to CME Clearing Europe for clearing

OBSERVE the following:
• UAT Accounts properly mapped to CMECE
• Client has the ability to select Clearing Member on affirmation platform
• Client has the ability to submit client-driven reference ID to CCP
• Client observes both pending and cleared status
• Client sees trades on both CMECE and Clearing Member end-of-day registers
• Valuation in line with expectations
• Initial margin in line with expectation
• Verify coupon settlements
• Validate price alignment interest calculations

Step 2:
Repeat Step 1 with:
• Various Effective Dates (Aged, Forward Starting)
• Swap attributes (e.g. payment frequencies, compounding periods, holiday calendars, floating leg indices)
• Swaps that contain upfront payments

Step 3:
Terminate various cleared trades:
• Verify pricing on T+1 settlement of upfront payments
• Confirm the affirmation process; able to affirm a new trade when terminating an existing trade
• Netting options
• Integration with Client’s internal systems

Step 4:
Repeat Steps 1-3, if applicable, with the following variables:
• Executing counterparties – trade with one counterparty and clear with another counterparty
• Alternative Clearing Member
• Alternative affirmation platforms
• Transfers
• Allocations
PRODUCTION

STEPS

• Repeat Steps 1-4 of UAT Testing with production accounts
• Verify internal systems are compatible with:
  – A 30-second response time
  – Trade submission
  – Cash Flows
  – Initial margin
  – Terminations

FOR ANY QUESTIONS REGARDING ON-BOARDING, PLEASE CONTACT US:

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