

2011-03-25

IT 50/11**IT - Genium INET Cash Flow Margin and Risk reports**

This IT Notice is aimed at fixed income derivatives and equity derivatives participants currently on the Genium INET platform.

The member extranet http://nordic.nasdaqomxtrader.com/memberextranet/genium_inet/ is always updated with the latest Genium INET related documentation.

Cash Flow Margin (applicable for fixed income derivatives users)

During 2010 NASDAQ OMX launched clearing of SEK Repo and Interest Rate Swap (IRS) products. To support these services a new risk valuation model (Cash Flow Margin – CFM) for fixed income derivatives was introduced. CFM is a yield curve based risk model that captures the natural correlation between different instruments along the same yield curve. The next step is to enhance our fixed income clearing offering even further by offering optional use of CFM valuation for all fixed income derivative products starting September 26. The new risk model shows considerable margin reduction for a balanced fixed income portfolio and the model will improve time to market of implementing new interest rate derivatives going forward.

New risk reports (applicable for all equity and fixed income derivatives users)

In order to streamline the way reports are handled in Genium INET the current risk reports in text format for both equity and fixed income derivatives will be replaced by reports in the enhanced common format, i.e. excel, pdf and csv.

Miscellaneous changes**Changes in number of items returned in vector files for fixed income instruments (applicable for fixed income derivatives users)**

Vector files are data per series that can be used for replicating margin calculations. There are three kinds of vectors files calculated by the system:

- Intra day
- Preliminary day end
- Final day end

In all these vector files a number of items are returned per series. For fixed income products there are 31 items returned per series for intra day and preliminary day end and 201 items returned per series for final day end.

In the new solution all vector files for Fixed Income products will have 201 items returned per series.

No change in the definition of the API queries or to the definition of the interface files, the system will just return more items per series in the intra day and preliminary day end files

New error codes (applicable for all equity and fixed income derivatives users)

New error codes will be added in System Error Messages Reference. Please note that existing error codes will not be affected.

Launch date

26 September 2011

Availability in Genium INET external test systems

New risk reports: June 2011 time frame

CFM: August 2011 time frame

Exact dates will be provided in the beginning of May 2011.

Member consultation artifacts

API manual for new OMnet CFM messages

Provided below is the manual for the new OMnet CFM messages in order to replicate the CFM margin calculations. The manual is a subset of the manual for OMnet version 2.0.212. The existing API has not been changed, i.e. other messages will remain as in version 2.0.210.

http://nordic.nasdaqomxtrader.com/digitalAssets/73/73590_omnet_messref_cfm_nordic_va203.pdf

CFM Margin Guide

The CFM margin guide below contains risk calculation guidelines and examples for the following products: REPO, IRS, FRA & Bond-forwards. The margin guide comes with 8 examples for the listed products. Additional examples for remaining products will be provided in coming versions of the guide.

http://nordic.nasdaqomxtrader.com/digitalAssets/73/73597_fixed_income_margin_guide_april_release.pdf

New format for risk reports including example reports

Current text reports will be replaced by reports in the common report format according to the table below.

Existing external text report	New report that replaces text report	Replaced by existing report	Replaced by new report	Not replaced	Custodian Bank report	Format Intraday	Format EoD
Margin and position Listing	Positions	X				pdf, xls	pdf, xls, csv

Non-propagated Margin and position listing	Positions, non-propagated margin		X			pdf, xls	pdf, xls, csv
Margin requirement summary	Margin requirement	X				pdf, xls	pdf, xls, csv
Data used for margin calculations	Margin data	X				pdf, xls	pdf, xls, csv
Product area collateral summary	Collateral (EoD version)	X			X		pdf, xls, csv
Member product area collateral summary				X			
Product area total collateral summary				X	X		
DPMON Product area collateral summary	Collateral (intra day version)		X		X	pdf, xls	
Security bank summary				X	X		

Example files:

Please download a zipped file with a set of risk report examples below:

http://nordic.nasdaqomxtrader.com/digitalAssets/73/73591_risk_report_examples.zip

Changes / corrections compared to existing pdf reports:

Positions

- Margin requirements for direct pledging accounts will not be included in the total margin requirement for the member.
- Clearing Account will be renamed to Margin Calculation Account.
- The margin class that the account belongs to will be included. Margin class is described on a separate slide.

Positions, Non-Propagated Margin

- This is a new report. The layout and content of the report will be the same as the Position report but:
 - Values from the non-propagated margin calculations will be used.
 - The margin requirements for the account will be summarized without currency conversion.
 - Total margin for member will not be included in the non-propagated report.

Margin Requirement

- Margin requirements for direct pledging accounts will not be included in the total margin requirement for the member.

- The value in the column "Included in Total" may be set to "Partial" in the intraday version of the report. This means that the margin requirement for the account is partially included in the total margin requirement for the member.
- Clearing Account will be renamed to Margin Calculation Account.

Margin Data

- A new column, that specifies the margin class, will be added to the report. Margin class is described on a separate slide.
- The columns Parameter % (Down/Up) will be deleted.
- Some columns are only applicable for options (Margin per Sold Contract, Closing Volatility, Low Volatility and High Volatility). In the existing report, the values in these columns are set to zero for products other than options. This will be changed and the value in these columns will be blank.

Collateral

- The total net required margin for a direct pledging account or member will be set to zero if the account/member has a net required margin credit.

Header in Intraday Reports

- The following will be added to the header in the intraday reports:
 - The time when intraday calculation was run.
 - The sequence number of the intraday margin calculation.

Explanation of Margin Class:

A margin class is primarily a classification of accounts and participants. Accounts and participants belonging to different margin classes may get different margin results on identical portfolios, because margin parameters may differ between margin classes. Since margin calculations might be performed differently, some common results (e.g. valuation interval) will be presented per margin class.

For technical questions, please contact technicalsupport@nasdaqomx.com, for project related information or business questions; please contact Henrik Jerberyd.

Henrik Jerberyd

henrik.jerberyd@nasdaqomx.com

+46 8 405 6511

Genium INET Fixed Income

Best regards,
Nasdaq OMX Nordic