

# EUR Interest Rate Swaps

## Enhancing efficiency in Interest Rate Management

Interest Rate Swaps (IRS) are derivative contracts through which two counterparties agree to exchange one stream of interest payments for another, over a set period of time. Nasdaq offers a comprehensive platform for trading and clearing of IRS, accepting contracts with a thirty-year maturity from the registration day. With a fixed rate and a floating rate based on a nominal amount, EUR IRS allows market participants to navigate fluctuations in a more efficient and secure manner through Nasdaq Clearing.

### Key features and benefits

- **Reduced counterparty risk:** As the CCP, Nasdaq Clearing becomes the counterparty to both buyer and seller.
- **Lower regulatory capital costs:** Comparatively lower regulatory capital costs to uncleared derivatives.
- **Netting opportunities:** Gain from margin efficiencies across your portfolio of exchange-listed and OTC interest rate derivatives.
- **Enhanced market access:** Clearing Members with a [Default Management Commitment](#) for EUR and contribution to the [Loss Sharing Pool](#) gain eligibility for clearing EUR Interest Rate Swaps, while clients can access the product through their designated clearing broker.

### Contact us

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Visit our webpage:

[nasdaq.com/solutions/otc-rate-derivatives-clearing](https://nasdaq.com/solutions/otc-rate-derivatives-clearing)

### Product specification

**Type of product:** Interest Rate Swap (IRS)

**Floating Interest Rate:** 3-month or 6-month EURIBOR™

**Floating Rate Day Count Fraction:** ACT/360, 30/360, 30E/360

**Fixed Rate Day Count Fraction:** ACT/ACT, ACT/360, 30/360, 30E/360

**Fixed Amount Calculation:** Fixed Amount = Notional Amount \* Fixed Rate \* Fixed Rate Day Count Fraction

**Floating Amount Calculation:** Floating Amount = Notional Amount \* Floating Rate (+/- Spread) \* Floating Day Count Fraction

## EUR IRS Clearing at Nasdaq

**Notional Amount:** The minimum notional amount is 100 000 EUR and shall not exceed 1 000 000 000 EUR

**Minimum Remaining Term:** The period between novation and termination must be at least 2 business days

**Maximum Remaining Term:** The period from novation and termination must not be more than 30 years

**Variation Margin:** The Variation Margin requirement equal the profit or loss amount determined on any Business Day on the basis of the daily market valuation. Each Business Day the profit or loss of a transaction is shifted between net debtors and net creditors.

**Price Alignment Interest (PAI):** In addition to Variation Margin, interest shall be payable on the cumulative Variation Margin, at the applicable overnight interest rate, i.e. €STR. As the €STR rate applicable from T to T+1 is not available before T+1, the rate from T-1 will be used in calculations.

**Clearing eligibility:** Members wishing to clear EUR IRS need to have entered a Default Management Commitment for EUR and have posted their contribution to the Loss Sharing Pool as stipulated in the Loss Sharing Rules. Clients will have access through their designated clearing broker.

**Risk Model:** Cash Flow Margin (CFM)

**Valuation:** Market valuation is done in a dual curve framework. The forecasting of the floating cash flows is done using a forward fixing rate curve. All cash flows are discounted using a discount factor curve constructed using OIS quotes.

**Margining:** The margin requirement for an interest rate swap is calculated using a discount factor curve constructed using deposits, FRAs and swaps with the same underlying tenor. The curve is transformed into a zero-coupon spot rate curve and then stressed with three principal components. The curve scenario which yields the worst change in the market value of the contract will determine the margin requirement.

**Series Designation:** EUR\_IRS\_3M and EUR\_IRS\_6M