Compression Watch

Reaching New Heights in Total Notional Compressed

$2.7 quadrillion! That’s the total notional compressed at SwapClear — and a key reason why we remain a market leader. But we’re not stopping there. With more frequent compression runs offered by an Approved Compression Service Provider (ACSP) and innovative enhancements to our blended rate and multi compression offerings, SwapClear is now delivering even greater benefits to participants.

REACHING NEW HEIGHTS

$2,656 trn*  
Notional compressed

15,834,255*  
Number of trades compressed

*From January 2016 to December 2019

**Source: Clarus Financial Technology — excluding swaptions and cross currency swaps

EFFECT OF COMPRESSION ON NOTIONAL OUTSTANDING

Only $7 trn  
Increase in Notional Outstanding Due to Over $1 Quadrillion in Combined Reductions

Notional Outstanding  
$309 trn  
START JAN. 2019

Notional Outstanding  
$316 trn  
END DEC. 2019

Notional Cleared  
$1,229 trn

Maturing Trades  
-311 trn

SwapClear Compressed  
911 trn

Other CCPs  
131 trn

Notional Compressed  
-911 trn

Notional Outstanding  
316 trn  
END DEC. 2019

Notional Outstanding  
309 trn  
START JAN. 2019
LOWERING YOUR CAPITAL REQUIREMENT

Reducing your capital burden has become even more important with the proposed introduction of the leverage ratio. This provides a clear incentive for financial institutions to optimize their capital requirement through the use of compression services.

<table>
<thead>
<tr>
<th>Notional Outstanding</th>
<th>$1,000,000,000,000</th>
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<tbody>
<tr>
<td>Tenor</td>
<td>1–5 Yrs</td>
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<tr>
<td>CEM Netting Limit</td>
<td>x 40%</td>
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<tr>
<td>CEM-Required PFE</td>
<td>x 0.5%</td>
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<tr>
<td>Resulting Exposure</td>
<td>$2,000 mn</td>
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<tr>
<td>Minimal Capital Requirement</td>
<td>$60 mn</td>
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Notional Outstanding

| Capital Measure | Exposure Measure | >3% |

THE BENEFITS OF COMPRESSION

Compression enables participants to reduce the overall number of line items while maintaining the same level of market risk.

Optimizes Capital
The level of capital needed by financial institutions to support their derivatives exposure to the clearinghouse is based on notional outstanding, which can be significantly reduced through compression.

Reduces Operational Risk
Eliminating line items lowers the administrative burden by reducing the number of reconciliations needed, as well as streamlining portfolio management.

Streamlines Porting
Increases the likelihood and ease of porting by creating more efficient portfolio transfers in the ordinary course of business and default scenarios.

SWAPCLEAR’S SUITE OF COMPRESSION OFFERINGS

SwapClear provides a broad range of proprietary compression offerings, as well as access to third-party ACSPs.

Solo
Available for members and clients to terminate their own offsetting trades, regardless of counterparties. Eligible products: IRS, OIS, Basis, FRAs, VNS and Inflation.

Solo with Blended Rate
Available for members and clients to compress any trade with the same remaining cash flow dates. Eligible products: IRS, OIS, Basis, FRAs and Inflation.

Duo
Provides a matching service identifying mutual compression opportunities between a pair of members. This enables them to trade out the opportunities and replicate the original risk in a more notional-efficient way.

Multi
Provides multilateral compression to members and clients through its proprietary offering or through an ACSP.

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