LCH The Markets' Partner

LCH Ltd Stress Testing and Assessment Disclosure

Risk Awards 2017 Winner

31-Jul-18

SwapClear (DF €5.7bn)	3 Defaults	4 Defaults	5 Defaults	6 Defaults	7 Defaults	8 Defaults	9 Defaults	10 Defaults
Skin in the Game Loss	100%	100%	100%	100%	100%	100%	100%	100%
Remaining Non Defaulter Assessments	102%	133%	165%	199%	211%	237%	265%	286%
Scenario Number	322	322	322	322	322	322	322	322
Scenario Type	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical
Scenario Description	Lehman	Lehman	Lehman	Lehman	Lehman	Lehman	Lehman	Lehman

RepoClear (DF €1.1bn)	3 Defaults	4 Defaults	5 Defaults	6 Defaults	7 Defaults	8 Defaults	9 Defaults	10 Defaults
Skin in the Game Loss	100%	100%	100%	100%	100%	100%	100%	100%
Remaining Non Defaulter Assessments	41%	49%	55%	58%	60%	61%	61%	62%
Scenario Number	677	677	677	677	677	677	677	677
Scenario Type	Theoretical	Theoretical	Theoretical	Theoretical	Theoretical	Theoretical	Theoretical	Theoretical
Scenario Description	Rates down	Rates down	Rates down	Rates down	Rates down	Rates down	Rates down	Rates down

EquityClear (DF €252m)	3 Defaults	4 Defaults	5 Defaults	6 Defaults	7 Defaults	8 Defaults	9 Defaults	10 Defaults
Skin in the Game Loss	100%	100%	100%	100%	100%	100%	100%	100%
Remaining Non Defaulter Assessments	34%	36%	43%	51%	62%	68%	86%	90%
Scenario Number	611	611	611	611	611	611	611	611
Scenario Type	DE-CORR	DE-CORR	DE-CORR	DE-CORR	DE-CORR	DE-CORR	DE-CORR	DE-CORR
Scenario Description	Decorrelation	Decorrelation	Decorrelation	Decorrelation	Decorrelation	Decorrelation	Decorrelation	Decorrelation

ForexClear (DF €1.4bn)	3 Defaults	4 Defaults	5 Defaults	6 Defaults	7 Defaults	8 Defaults	9 Defaults	10 Defaults
Skin in the Game Loss	100%	100%	100%	100%	100%	100%	100%	100%
Remaining Non Defaulter Assessments	66%	88%	99%	123%	143%	205%	223%	227%
Scenario Number	1014	1014	1014	1014	942	1013	1013	1013
Scenario Type	Theoretical	Theoretical	Theoretical	Theoretical	Historical	Theoretical	Theoretical	Theoretical
Scenario Description	Asian Crisis	Asian Crisis	Asian Crisis	Asian Crisis	Asian Crisis	Asian Crisis	Asian Crisis	Asian Crisis

Number of defaults:

Represents the number of member groups in default. A member group may contain more than 1 member. Defaults are assumed to be instantaneous and under the same stress conditions (i.e. the same scenario).

For example the worst 6 defaults is assumed to occur under the same scenario, however this could be a different scenario to the worst 7 defaults.

The aggregation of stress losses over margin follow the member and customer account segregation rules.

Skin in the Game Loss:

Represents the percentage of 'skin in the game' capital loss for each default fund waterfall. LCH skin in the game capital is ahead of non defaulter contributions.

Remaining Non Defaulter Assessments:

Represents the estimated maximum unfunded contribution payable to LCH for a given number of defaults. The figures are expressed as a percentage of the funded default fund contribution.

For example if a member had contributed $10m to the default fund and assessment is 154% for 5 defaults, then the member is liable to pay $15.4m in that scenario.

Assessments are capped at 1X (100%) per default up to maximum 3 defaults (300%).

Scenario Descriptions:

RepoClear 677 is a negative shift in core and peripheral bond yields (i.e. 10yr down -108bps to -188bps)

EquityClear 611 is a decorrelation scenario in which equity market are up (17 - 45%), coupled with a 100% decorrelation of the largest equity position.

ForexClear 1013 is a KRW appreciation scenario (20%) against USD; ForexClear 1014 is a KRW depreciation scenario (29%) against USD

SwapClear 322 is the lehman scenario of negative shifts (30 - 100bps shift down)