

Cash Equities and Listed Derivatives

19 June 2015

Risk Update – Cash & Derivatives Default Fund Calibration Changes

Dear Members

Further to the communication sent on 20 April 2015 ([click here](#)) related to Cash & Derivatives Default Fund calibration, LCH.Clearnet SA is pleased to announce the following information and dates, **pending on regulatory approval**:

- Reminder: the Default Fund Contribution amount is debited to Clearing Members on the fourth working day of the month.
- Currently, the monthly treasury pre-advice report AC0129 is available to Clearing Members on the third working day of the month.
 - LCH.Clearnet SA will make available the report AC0129 to Clearing Members on the second and the third working days of the month.
- **EUA Platform** will be available for Clearing Members **on 2 and 3 July 2015** to test the changes in the layout of their monthly treasury report AC0129.
- **Pending on regulatory approval, production will be available from 4 August 2015** which implies the 2 below impacts for Clearing Members:
 1. **On 4 and 5 August 2015:**
 - The layout of the pre-advice report AC0129 will be changed and available from your **eCCW®** access or LCAP (impacts described below)
 - Clearing Members will be able to visualize their new Default Fund Contribution amount
 2. **On 6 August 2015:** Default Fund monthly new contribution amount debit from LCH.Clearnet SA.

Changes on pre-advice report AC0129

➤ **Effective from 4 August 2015**

Monthly Treasury Report AC0129 (pre-advice report on Cash & Derivative markets related to the Member's monthly default fund contribution sent before effective debit) will be changed as follows:

Current label	New label
TOTAL RISQUES NON COUVERTS / TOTAL UNCOVERED RISK	Moyenne INITIAL MARGIN du membre / INDIVIDUAL AVERAGE IM
TOTAL RISQUES NON COUVERTS VALEURS MOBILIERES / UNCOVERED RISK ON CASH SECURITIES	Montant DEFAULT FUND sans le minimum contribution / DEFAULT FUND AMOUNT WITHOUT FLOOR CONTRIBUTION:
TOTAL RISQUES NON COUVERTS MARCHE DERIVES/UNCOVERED RISK ON DERIVATIVES MARKET	Montant DEFAULT FUND avec le minimum contribution / DEFAULT FUND AMOUNT WITH FLOOR CONTRIBUTION:
MONTANT GLOBAL DES RISQUES NON COUVERTS SUR L'ENSEMBLE DES COMPENSATEURS / GLOBAL UNCOVERED RISK AMOUNT OF ALL CLEARING MEMBERS /	Montant global de moyenne INITIAL MARGIN de l'ensemble des membres / TOTAL MEMBERS AVERAGE INITIAL MARGIN /

The current labels will be changed, please, refer to the attached document « *Monthly Treasury Report AC0129.pdf* ».

Key benefits

The Default Fund enhancement offers the following benefits for the Clearing Members:

1. Revised stress scenarios improve efficiencies of our risk practice.
2. LCH.Clearnet SA will **better capture the risk** of the portfolio and the induced volatility
Stress testing methodology with state-of-the-art risk practice and based upon Stress Test Loss Over Initial Margin (STLOIM) approach will enable:
 - to work as per ICB sector (Industry Classification Benchmarks) classification (not only ISIN per ISIN) providing **greater accuracy**;
 - to ensure the **Default Fund model continue to evolve as per changing market and risk environments**.
3. Aligning default fund contributions to a methodology based on Initial Margins result in **more accurate risk identification per member**. Therefore, the contribution requirement is more representative for each member.

Should you need any further information, please contact your account manager.

Best regards,

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