

Clearing Notice SIX x-clear Ltd

Changes to inter CCP Margin model

1.0 Overview

As per good practice and regulatory requirements SIX x-clear Ltd (“x-clear”) annually reviews its risk models. This includes verification of its risk model accuracy from several angles by using extensive testing and verifying the risk coverage contribution from both clearing members and CCPs interoperating with x-clear (“Co-CCPs”). Adjustments of parameters and any additional risk factors will be included in the applied risk model as deemed required for enhanced confidence as well as with consideration of market stability and x-clear clearing member interests of x-clear Members (“Members”).

As per Clearing Notice of May 20, 2017 the risk models for Cash Markets products were shifted towards more of a “defaulter-pays model” by reducing the default fund size and increasing the corresponding margins for the Members.

The introduction of the corresponding changes for the Co-CCPs has been postponed in order to allow the Co-CCPs to have more time to prepare for the changes and to inform their governance bodies and clearing members.

Accordingly in the relation to the Co-CCPs, x-clear will **introduce a Link Margin Element (LME) Add-on** when clearing in co-operation with them in the interoperable markets. The LME consists of the difference between the margin calculated by x-clear’s own risk assessments and the margin required from x-clear by the respective Co-CCPs in case the latter is higher for the same risk exposure. Additionally, the current basic risk coefficient to Co-CCPs will be raised by 0.3.

The planned changes to the Co-CCPs will consolidate and further strengthen the current interoperability framework by better equilibrating any divergence among the Co-CCPs’ risk models.

2.0 Effective date

Thursday, 1 June 2017

3.0 Impact on Members

For Members there will be **no impact** from the introduction of this new add-on to the Co-CCPs.

Hence, x-clear provides this Clearing Notice to Members for information purposes only.

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4.0 Changes in Clearing Terms

The following section 8.6.7 of the Clearing Terms relating to the Co-CCPs will be set in force with this Clearing Notice:

8.6.7 Collateral requirement to Co-CCPs

Under the “Pledge Agreement for x-clear as a Collateral Receiver” x-clear is entitled to receive a pledge from the respective Co-CCP over the security items claimed as Collateral Requirement (as defined in the Pledge Agreement with the respective Co-CCP) for the coverage of its actual credit exposure to that Co-CCP (“Balance Position” as defined in the MCLA).

The Collateral Requirement shall be assessed and claimed by x-clear as follows:

- i. x-clear shall effect a calculation of the Collateral Requirement in accordance with its methodology for the calculation of Total Margin as described in chapter 8.4 and additional add-on’s as agreed between the interoperating CCP’s (the “x-clear Collateral Reference”).*
- ii. For the corresponding credit exposure (Balance Position) x-clear will receive and acknowledge the Collateral Requirement as calculated, assessed and submitted by the respective Co-CCP under the “Pledge Agreement for x-clear as a Collateral Giver” (the “Co-CCP Collateral Reference”).*
- iii. x-clear shall compare its x-clear Collateral Reference with the Co-CCP Collateral Reference and shall fix the higher of the two amounts as its Collateral Requirement to the Co-CCP. The Collateral References compared shall be adjusted for variation margins.*

For the claiming (by margin call), administration and release of the security items of the Collateral Requirement provided by the Co-CCPs the rules of the MCLA (including the Pledge Agreements and the Inter-CCP Procedures) shall apply.”

5.0 Contact

For any further information please contact the Risk Management Operations team of x-clear under: xclearops@sisclear.com, Tel: +41 58 399 43 23

In this context, SIX x-clear Ltd draws the Members’ attention to clauses **7.1 lit. f., chapter 17.0 and 25.3** General Terms and Conditions of SIX x-clear Ltd stipulating that the Member bears responsibility for the tax requirements and consequences of clearing with x-clear pursuant to the Applicable Law and that SIX x-clear Ltd assumes no liability for any charges or other negative consequences arising in conjunction with clearing through SIX x-clear Ltd that are a result of tax laws or ordinances issued by tax authorities pursuant to the Applicable Law.