

Clearing Notice SIX x-clear AG

Revision of the Wrong-Way Risk Model in SECOM

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1.0 Overview

As part of its regular risk model maintenance, SIX x-clear has decided to slightly modify the wrong-way risk (WWR) margin formula in its SECOM risk model. The change affects the last calculation step described in subsection 7.2.2 of the SIX x-clear Operational Manual.

Current formula:

$$WWR_i = \max (VaR_i^{WWR} - RC \cdot \lambda_j \cdot IM_i^E, 0)$$

New formula:

$$WWR_i = \max (VaR_i^{WWR} - IM_i^E, 0)$$

Previously, the last step in the WWR calculation was to compare the WWR value at risk (VaR), VaR_i^{WWR} , to the total initial margin (IM) in the clearing account i , $RC \cdot \lambda_j \cdot IM_i^E$. After removing the risk rating coefficient for the member, RC , and the lambda factor for the credit group j , λ_j , from the formula, SIX x-clear comes closer to the industry standard by comparing VaR_i^{WWR} to the clean, market risk-based IM of the risk model on the clearing account i , IM_i^E . By introducing this change, SIX x-clear ensures that risks that do not directly result from a clearing member's open positions are not included in the calculation of the WWR margin.

2.0 Effective date

Monday, 2 October 2023.

3.0 Impact on Members

The overall margin impact is small. The enhancement of the WWR model will primarily affect members that trade equity instruments issued by the same member's financial group (or any of its subsidiaries) and equity instruments issued by other entities within the financial sector.

The adjustments to the Operational Manual will be published on the SIX x-clear website by 2 October 2023.

4.0 Contacts

Please contact your respective Relationship Manager or the Risk Operations Team with any questions related to this topic. The contact details are published at www.sixgroup.com > Securities Services > Contact > Risk Management.

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In this context, SIX x-clear AG draws the Members' attention to **clause 7.7, chapter 14 and 15** of the Rulebook of SIX x-clear AG stipulating that the Member is responsible for compliance with the applicable laws (in particular domestic and foreign tax, foreign exchange and stock market regulations as well as with company law and articles of association) with respect to the Clearing services obtained from SIX x-clear AG.