

Clearing Notice SIX x-clear Ltd

xcl-510

Recalibration of the risk coefficient for net open amounts above CHF 1.5 billion

1.0 Overview

With growing volumes, additional clients and changing trading patterns, SIX x-clear (“x-clear”) has observed increasingly concentrated and significantly large trading positions (net open amounts – NOAs). There are regulatory requirements on CCPs to “Cover 2” potential defaults of the largest participant groups under extreme but plausible conditions at all times. Stress-testing conducted for these portfolios and entities have exceeded warning thresholds and indicated potential risk margin gaps under such conditions. As a general rule, SIX x-clear applies a stress-loss add-on to address such potential extreme risks.

As a consequence, the current risk coefficient (RC) scaling table will be recalibrated to adequately cover extremely large NOAs as well. So far, the RC increase flattens out above an NOA of CHF 1.5 billion. The RC scaling for NOA > CHF 1.5 billion will be moderate (half the initial tangent) and will flatten out for NOA > CHF 5.0 billion.

2.0 Effective date

Thursday, 1 February 2018.

3.0 Impact on Members

All clients with NOA positions above CHF 1.5 billion will be subject to the recalibrated RC table. The impact on the potential total margin requirement might be limited as any additional margin due to the recalibration of the RC table will initially reduce the presence of any stress margin add-on. For NOA positions under CHF 1.5 billion there will be no change of parameters.

4.0 Changes in Clearing Terms

The respective rule in section 8.1.5 *Extreme net open amount* of the Clearing Terms of SIX x-clear will be updated as follows:

“Extreme net open amount

In the case of an extreme net open amount (NOA) of a participant (i.e. the absolute values of a net long open minus a net short open amount) which exceed CHF 750 million (taking into account the consolidated position of the Member across all Exchanges and MTFs cleared by x-clear), the participant's existing risk rating coefficient is increased for the period in which this situation persists, i.e., the Initial Margin requirements are accordingly higher (see table below).

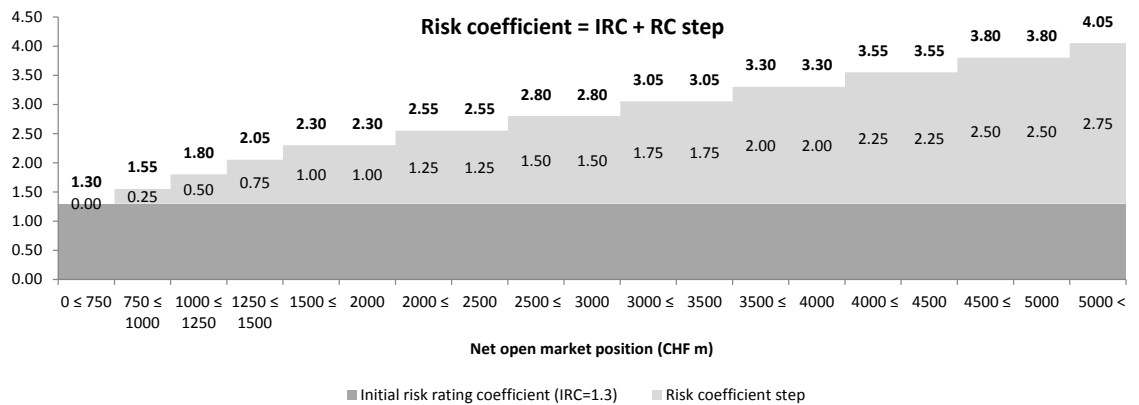
Net Open Amount in CHFm	IRC	RC Step
0 ≤ 750	1.30	-
750 ≤ 1000	1.55	0.25
1000 ≤ 1250	1.80	0.50
1250 ≤ 1500	2.05	0.75
1500 ≤ 2000	2.30	1.00
2000 ≤ 2500	2.55	1.25
2500 ≤ 3000	2.80	1.50

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Net Open Amount in CHFm	IRC	RC Step
3000 ≤ 3500	3.05	1.75
3500 ≤ 4000	3.30	2.00
4000 ≤ 4500	3.55	2.25
4500 ≤ 5000	3.80	2.50
5000 <	4.05	2.75

The risk rating coefficient flattens out above an NOA of CHF 1.5 billion. The risk rating coefficient scaling for NOA > CHF 1.5 billion will be moderate (half the initial tangent) and will flatten out for NOA > CHF 5.0 billion.



The x-clear Member will be informed in the event that its Initial Margin requirements are increased on this basis.”

5.0 Contact

For further assistance and more detailed information, please contact the Risk Operations team of x-clear under: xclearops@sisclear.com

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.