

Clearing Notice SIX x-clear Ltd

xcl-510 (Clearing Terms)

Changes to SECOM risk model

1.0 Overview

In accordance with regulatory requirements and best practice standards in risk management, SIX x-clear regularly reviews its risk models, including verifying the accuracy of margin models from different perspectives by empirically testing the risk coverage contributions (margins) of its clearing members. As of April 2019, x-clear concludes that the current SECOM risk model should be enhanced to ensure best practice standards and the fair treatment of all clearing members.

As a result, x-clear will introduce the following measures in the SECOM risk model:

1. Reduction of the Risk Coefficient (RC) by 0.3 and introduction of a cap on the RC for net open amounts above CHF 2.0 billion.
2. Increase of the SECOM VaR confidence level from 99.0% to 99.7%.

2.0 Effective date

2 May 2019.

3.0 Impact on members

By reducing the impact of the net open amount dependent Risk Coefficient, x-clear substitutes this margin component by increasing the confidence level used in the SECOM VaR calculation, thereby conforming more to our risk methodology. This change will also reduce the pro-cyclicality of the initial margins.

4.0 Changes in Clearing Terms

The following changes will apply in the Clearing Terms:

Section 8.1.1 *(Initial margin) Principle*

Using the historic Value-at-Risk (VaR) model, the current VaR is calculated for each security. For this purpose, the historic data of the previous two years (approximately 500 working days) are adopted for the long-term VaR and the previous three months (approximately 90 days) for the short-term VaR, by calculating the two-day VaRs for equities and ETFs and the seven-day VaR for bonds, based on a confidence interval of 99.7% for equities, ETFs, and bonds. The VaR is generally calculated on a weekly basis. However, in case of difficult market conditions, it may also be calculated daily.

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Section 8.1.5 *Extreme net open amount*

In the case of an extreme net open amount (NOA) of a members (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 members '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 CHF m	IRC = 1.00	IRC = 1.50	IRC = 2.00	RC step
0 ≤ 750	1.00	1.50	2.00	-
750 ≤ 1000	1.25	1.75	2.25	0.25
1000 ≤ 1250	1.50	2.00	2.50	0.50
1250 ≤ 1500	1.75	2.25	2.75	0.75
1500 ≤ 2000	2.00	2.50	3.00	1.00
2000 <	2.25	2.75	3.25	1.25

Section 8.1.6 *Risk rating coefficient*

Rating			Risk rating coefficient
Standard & Poor's	Moody's	FITCH	
AAA to A-	Aaa to A3	AAA to A-	1.00
BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	1.50
BB+ to BB-	Ba1 to Ba3	BB+ to BB-	2.00
B+ or lower	B1 or lower	B+ or lower	determined case by case

5.0 Contact

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