

# Clearing Notice SIX x-clear Ltd

## **Changes in Link Margin Element model**

### **1.0 Overview**

The Link Margin Element (LME) model is used to cover margin requirements of Co-CCPs in interoperable markets offered for clearing as a Co-CCP can be the counterparty of a trade with x-clear. Each Member of SIX x-clear in interoperable equity markets needs to cover the inherent risks of the bilateral link between SIX x-clear and the respective Co-CCP in interoperable markets.

#### **Current use of LME model**

The distribution of the Member's LME requirements is mainly calculated on a monthly basis (also during the month on an exceptional basis). The Co-CCP requirements are distributed between the relevant Members on a pro rata basis at the end of each calendar month, based on the Member's Average EOD Total Initial Margin over the previous 30 business days. Any LME margin calls for SECOM members are currently raised manually and collected from Members.

#### **Future use of LME model**

SIX x-clear will align itself with the current market practice by changing the frequency parameter of the distribution calculation in the LME model. The LME distribution will be recalculated on a daily basis based on the margin requirements received from the Co-CCPs and the most recent initial margin calculation of the Members. The Co-CCP margin requirements will be distributed between the x-clear Members on a pro rata basis based on the Member's previous EOD or intraday Total Initial Margin requirement.

In addition, for members using the SECOM system for clearing, the calculation and distribution of the individual LME margin requirement as well as the collection of margin calls from clearing members via the Swiss Interbank Clearing (SIC) connection will be fully automated. The LME data in the form of an Excel report will be available for ICM, GCM as well as on NCM level for each distribution run.

There are no technical changes expected in CLARA. The LME requirements in CLARA will be adjusted according to rules as outlined above.

### **2.0 Effective date**

1 June 2020.

### **3.0 Impact on Members**

The anticipated changes will allow a more accurate and fairer allocation of the Co-CCP margin requirements to the relevant x-clear Members and originator of risks compared

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to the current use of the model. Overall, the Members should benefit from more freely available collateral compared to the current model in place.

The collection of margin calls in the case of SECOM members with a Swiss Interbank Clearing (SIC) CHF account will be fully automated in the future and will reduce the manual workload in collateral management operations. In addition, the new RLXL290 Excel report for SECOM Members with the latest LME information will be sent to the Member's webBox after each distribution run and will be available by default for all SECOM Members.

**The changes to the Clearing Terms will be published on the SIX x-clear website by 1 June 2020.**

### **4.0 Contacts**

Please contact your respective Relationship Manager or the Risk Operations team for any questions related to this matter.

All contact details are listed at [www.six-group.com](http://www.six-group.com) > The Swiss Stock Exchange > Post-Trade > Clearing > Contacts > Risk Management Operations Clearing.

In this context, SIX x-clear Ltd draws the Members' attention to **clause 7.1, chapter 17.0 and clause 24.1** of the General Terms and Conditions of SIX x-clear Ltd 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 Ltd.