SIX x-clear’s New Clearing Platform: Member Readiness Guide – migration of Clearing Members currently connected to the CLARA system (phase 1)

1.0 Overview

Since the acquisition of the Oslo Clearing business, SIX x-clear AG (SIX x-clear) has been working with two IT Clearing platforms, SECOM and CLARA. The two systems use different risk models, and both have to fulfil multiple regulatory regimes and be flexible and compliant with future requirements. SIX x-clear took the decision to consolidate the IT Clearing architecture and migrate the two clearing platforms to the next-generation Clearing platform with the New Clearing Platform (NCP) project. With the NCP, SIX x-clear is optimizing processing capabilities as well as enhancing and aligning the risk models.

The NCP is based on the NASDAQ Financial Framework (NFF) and will be integrated into the SIX Post-Trading Target Architecture (PTTA).

The implementation of the NCP is scheduled in two phases. In phase 1, it is planned to replace the CLARA platform historically serving the Nordic Clearing Members in Sweden, Finland, Norway and Denmark. From a Clearing Member perspective, in phase 1 only Clearing Members currently connected to the CLARA platform are required to migrate.

In a second phase, the Clearing platform embedded in SECOM will be replaced. As of the completion of phase 2, all SIX x-clear Clearing Members will be migrated to the NCP, which will mark the completion of the migration and the NCP project.

The focus of this document is phase 1 of the migration. The target audience for this document is therefore Clearing Members currently connected to the CLARA platform. Clearing Members currently connected to the SECOM platform will be informed and prepared for migration at a later stage.

Please refer to the detailed plan in section 4, which describes the milestones and most crucial phases until phase 1 of the migration.

2.0 Effective date

Valid from 14 February 2022.

It is planned that Clearing Members currently connected to the CLARA system will be migrated to the NCP on 14 February 2022. Clearing Members are kindly asked to take note of all the key dates in the table in section 4.
3.0 Impact on participants

Even though throughout the project, great emphasis has been placed on keeping the impact for Clearing Members to a minimum, the switch to the next-generation technology does result in some areas where Clearing Members are required to adapt to minor changes.

Clearing Members are kindly requested to prepare for impacts in the following areas (more detail will be provided in section 4):

- Technical changes: minor changes to the Business Partner (BP) Specifications were applied. Clearing Members are kindly requested to analyze those changes with regards to the impact on their own systems.

- Risk Model: The new margin model of the NCP is based on a Monte Carlo Value-at-Risk (VaR) approach. The change to a state-of-the-art margin model will especially eradicate the need to operate separate margin validation tools.

- Account Structures: While the segregation options remain unchanged with the NCP, the new account structures used will offer a great level of flexibility. It will allow ICMs as well as GCMS with their multiple NCMs to create a setup that caters to their needs, be it business model-specific or driven by regulatory requirements. Various portability arrangements will be supported. For Clearing Members which do not wish to change anything related to their account segregation or settlement netting rules, hardly any impact is expected. SIX x-clear will transfer the current setup of each Clearing Member to the new system.

- Communication: With the introduction of the NCP Clearing Members will continue to communicate with SIX x-clear via the currently offered communication lines. There will not be any changes to the connectivity options with SIX x-clear, with the exception of the connectivity details related to the IBM Message Queue (MQ) interface. SIX x-clear will replace the current CLARA MQ server with an MQ server located in Zurich. SIX x-clear has established a direct network connection to FinansNettNorge (FNN), which will reduce the connectivity complexity.

- Graphical User Interface (GUI): The New Clearing Platform will enable greater flexibility and efficiency of data and reporting via the NCP's GUI. The GUI will be accessible through a wide range of current web browsers, which will enable Clearing Members to obtain critical data in real time and online.

- Member Testing: SIX x-clear considers effective testing to be the most important success factor to ensure a smooth introduction of the NCP. As preparation for the phase 1 migration, all Clearing Members currently connected to the CLARA platform will be provided with comprehensive documentation, including a detailed test plan detailing mandatory and optional test cases.
4.0 Details

The following table summarizes important plan milestones of phase 1 of the migration as well as important activities for both SIX x-clear and Clearing Members currently connected to the CLARA platform.

<table>
<thead>
<tr>
<th>NCP Activities for CLARA Members</th>
<th>Resp</th>
<th>Start</th>
<th>End</th>
<th>APR</th>
<th>MAY</th>
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Dates may be subject to change as the project progresses.

4.1 Technical changes

A first set of BP Specification documents was provided directly to all Clearing Members currently connected to the CLARA platform in May 2021. They can be found on SIX x-clear’s Private site available at www.six-group.com > Login > Securities Services Private > Clearing > Download Center > New Clearing Platform. Together, the following documents constitute the full set of BP Specifications required for the NCP phase 1 (CLARA migration):

- MT503 Specification – Collateral claim
- MT506 Specification – Collateral and exposure statement
- MT518 Specification – Trade information to Clearing Members
- MT536 Specification – EOD gross transactions
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- MT536 Specification – EOD settled transactions
- MT537 Specification – EOD net transactions
- MT537 Specification – EOD open positions

Clearing Members are kindly requested to note that these documents are the BP Specifications for SIX x-clear’s NCP. During final implementation, minor changes may be necessary. The final version of the BP Specifications for the NCP will be available by Q3 2021 as part of the official SIX BP Specifications at the website www.six-group.com > Login > Securities Services Private > Quick Links > Business Partner Specifications.

Clearing Members currently connected to the CLARA system are advised to analyze the documents as referred to above and implement any changes necessary at their end as soon as possible in order to ensure a seamless and a timely Member Test phase.

4.2 Risk Model

The new margin model that will be used with the NCP is based on a Monte Carlo VaR approach. Monte Carlo VaR allows SIX x-clear to generate a sufficient number of profit and loss (PnL) scenarios for portfolio margining. The parametric assumptions for return simulations, like volatility and correlations, will be checked daily against historical data, resulting in better calibration and quick adjustment to changing market conditions.

With the new risk model, the application of a net open amount-dependent risk coefficient will be discontinued, which will reduce margin procyclicality. The enhanced VaR methodology will also eliminate certain add-ons which were introduced to circumvent inefficiencies in the current risk models.

A more detailed description of the new risk model including an in-depth comparison to the existing risk models will be shared on SIX x-clear’s Private site.

4.3 Account structures

With the NCP, the underlying logic and functionalities of accounts has changed in order for SIX x-clear to offer even more flexibility to model the most complex business and regulatory requirements. For existing Clearing Members, the impact of the migration to these types of internal accounts is limited. The new system uses an updated account naming logic. This means that Clearing Members will need to adapt to new account names wherever specific account names are received from SIX x-clear and processed via technical interfaces. The new naming logic will also be visible and used as filtering options in the new GUI related to trade overview, settlement and margin information.

If Clearing Members wish to amend any netting rules currently in place, SIX x-clear kindly asks them to reach out to their responsible Relationship Manager in order to discuss specific requirements.
The segregation options will not be affected by the new account structures. Omnibus and individual client segregation are still available and will be reflected as they are in the current systems. A more detailed description of the segregation options is available in the Operational Manual of SIX x-clear at www.six-group.com > Products & Services > Post-Trade > CCP Clearing > Info Center > Existing Members.

Should any uncertainties or questions about the right settlement netting models, segregation options or account structures remain, Clearing Members are kindly asked to get in touch with SIX x-clear through their respective Relationship Manager.

4.4 Communication

As previously stated, with the introduction of the NCP Clearing Members will continue to communicate with SIX x-clear via the currently offered communication lines. There will not be any changes to the connectivity options with the exception of the connectivity details related to the MQ interface. With the MQ server located in Zurich and the direct network connection to FNN, this will reduce the connectivity complexity. The establishment of the new MQ will be communicated directly to the affected Clearing Members.

4.5 Graphical User Interface (GUI)

The NCP will enable greater flexibility and efficiency of data and reporting via the NCP's GUI. In addition to the information currently present in this document, SIX x-clear will inform Clearing Members well ahead of the Member Test window on how exactly to access the Test environment and a User Guide instructing Clearing Members how to use the new GUI will be shared. This will be accompanied by webinar sessions where the use of the GUI to perform the most important business functions will be demonstrated by SIX x-clear's operational staff.

4.6 Member testing

All Clearing Members currently connected to the CLARA platform will be provided with comprehensive documentation, including a detailed test plan detailing mandatory and optional test cases. The Member Test Package including test cases, descriptions of test data and acceptance criteria as well as a self-certification document, which will be shared on SIX x-clear's Private site.

Clearing Members are advised to take note of the dates mentioned at the beginning of section 4. Clearing Members are kindly asked to reserve adequate testing resources for the different testing phases where Clearing Member involvement is expected. SIX x-clear appreciates the support of Clearing Members during these phases and highlights the importance of a successful Member Test phase to ensure a timely and orderly migration to the NCP.
5.0 Contact

If you have any further questions, please contact your Relationship Manager. The contact details are mentioned in the list of SIX SIS contacts published at www.six-group.com > Login > Securities Services Private > Contacts > SIX SIS > List of SIX SIS contacts.

In this context, SIX x-clear AG draws the Members’ attention to clause 7.1 and chapter 16.0 (liability) 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.