

LCH.Clearnet SA: Cash Equities and Listed Derivatives

09 December 2013

### EMIR update: Risk Management – Implementation Dates & Methodologies

Dear Member,

As detailed in the communication sent on 14 November 2013 ([Click here](#)) LCH.Clearnet would like to inform you with the implementation dates below.

**Please note that these enhancements are still subject to regulatory approval and enforceable accordingly with the Rule Book, so the below dates are for information and members will be informed in due time of the actual launch.**

#### 1- Cash & Derivatives Default Fund Re-strike & Default Waterfall Process

Reminder of main changes:

- Cover 2 rule
  - Change of global current floor and cap of the Default Fund
  - Implementation of a minimum contribution per member (100k€)
  - New Waterfall process including 'Skin in the Game', assessment/replenishment and service continuity/closure.
- ➔ **Current planned date: 13 December** *(the first contributions to the Default Fund re-strike will be called on 7 January 2014, corresponding to usual calendar)*

#### 2- New Intra-day Margin Call (IDMC) on Cash Equities markets and on Commodities Derivatives market (MATIF)

- Principles and methodologies of these new IDMC are attached to this bulletin ("Intra-day Margin Call on Commodities" and "Intra-day Margin Call on Cash")
- To help members to familiarise themselves with this new IDMC, LCH.Clearnet will firstly make these enhancements in pre production from 16 of December 2013:
  1. Intra-Day SPAN® files will be displayed but Clearing Members will not be called. Intra-Day SPAN® file will be available on the web and eCCW.
  2. Clearing members concerned by the IDMC using November figures will be

contacted by their account manager

→ **Pre-production (without call): from 16 December 2013**

→ **Production with actual call: 27 January 2014**

### **3- Additional margins**

#### ✓ **Wrong Way Risk (WWR)**

A WWR arises when the counterparty's credit quality is co-dependent with the level of exposure, i.e. the risk exposure tends to increase when the counterparty credit quality gets worse. It can be direct or indirect; LCH.Clearnet SA will apply additional margin when direct WWR is effective.

Principles and methodologies of the WWR are attached to this bulletin ("WWR BL Presentation").

→ **Current planned date: 27 January 2014**

#### ✓ **Liquidity and Concentration Risk (LCR) Margin**

The Liquidity & Concentration Risk margin protects LCH.Clearnet SA, its Members and the markets it clears from the risk of concentrated positions. A concentrated position is defined as a position that LCH.Clearnet SA could not close out within the standard holding period at a regular market price. Both market level and single security/product level concentrations are taken into account.

At first stage, this risk will be monitored on a daily basis and a margin will be called if deemed necessary.

WWR and LCR margins will be visible on the Treasury report under the 'Additional Margins' tab.

→ **Current planned date: first quarter of 2014**

Should you need further information, please do not hesitate to contact your account manager.

Kind Regards,

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#### **For further information please contact:**

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