

LCH.Clearnet SA Cash Equity

Intra-day margin calls: principles and methodology

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1. Overview

- LCH.Clearnet will perform an intra-day margin call on Cash Equities in order to strengthen the Clearing House's safety by reducing intra-day counterparty risk and in addition being compliant with EMIR regulation.

EMIR Requirements:

EMIR Level 1 Article 41: "A CCP shall call and collect margins on an intra-day basis, at least when predefined thresholds are exceeded."

- A full valuation of margins in intra-day is based on:
 - ✓ Price updates provided by a data provider
 - ✓ Intra-day positions snapshot including all new validated trades already integrated on the Cash Clearing system and intra-day open instructions (still unsettled on D day) from the Settlement Instruction system.

2. Price update principle

- The scope for intra-day prices concerns mainly the equities margined within the “Liquidity Class 1” which are the assets of major indices (AEX+BEL20+CAC40+PSI).
- The intra-day prices used for margin calculations are available in the Cash intra-day SPAN® parameter file (Record 9).
- This file is published around 2:00pm CET:
 - On LCH.Clearnet Website - Cash Equities markets:
SPXXXBI SBF Intra-day Span® File
http://www.lchclearnet.com/cash_equities/data/span.asp
 - On e-CCW Cash & LCAP/MAP (FTP transfers / Public):
SPAN.SPXXXBI.gz
SPAN.SPXXXBI_D1.gz (previous Day)

NB : *The layout of the intra-day SPAN® parameter file is the same as the End Of Day (EOD) one.*

http://www.lchclearnet.com/cash_equities/secure_area/default.asp (secure area)

Then, go to “Documents / Member reports for the cash markets”

Please refer to the Chapter “4.2 Public File – SPAN ® Paris expanded format ”

3. Positions snapshot principle

➤ A snapshot of positions is performed from:

The Cash Clearing System:

- All guaranteed open positions at 01:20 pm CET.

AND

The Settlement Instruction System:

- All guaranteed unsettled instructions on D day at 01:20 pm CET.

4. Calculation principles

- Intra-day margins calculations are valued using 2 portfolios:
 - PORTFOLIO 1 → Guaranteed Open Position **excluding** unsettled instructions on D day.
 - PORTFOLIO 2 → Guaranteed Open Position **including** unsettled instructions on D day.
- The Liquidation Risks (LR) and the Negotiation Risks (NR) are calculated for each portfolio by applying the same algorithm as the EOD calculation.
- The reference prices used are the prices defined in the record 9 of the intra-day SPAN® Parameter file for both Liquidation Risk and Negotiation Risk*.
- **LCH.Clearnet SA takes into account the highest margins (the sum of LR + NR) calculated on the two Portfolio 1 & portfolio 2 for each Collateral Account (related to the Financial Account).**

Margin methodology description can be found on the following link:

http://www.lchclearnet.com/Images/IV.2-1%20VA%2020130419%20final_tcm6-48724.pdf

Please refer to Chapter 2 & 3 from instruction IV.2-1

* Indeed, coefficients $Ca1$, $Cv1$, $n\%$, $Ca2$, $Cv2$ are not applied for negotiation Risk.

5. Margin calls (1/2)

➤ **Margin Call Thresholds:**

Clearing Members will be called with Intra-day Margins if one of the two following events is triggered:

Event 1	Event 2
Thresholds A_i^* on Indices (CAC 40, AEX, BEL 20 et PSI 20) reached	Variation between the Intra-day Margin call requirements and initial margin call requirements > Threshold B^* (in %)
AND	
Intra-day Margin call requirements – initial margin call requirements > threshold C^* amount (in Euros)	
AND	
if the Clearing Member revaluated collateral is not sufficient to cover its revalued Intra-day risks	

* The thresholds will be provided in the Risk Notice.

5. Margin calls (2/2)

➤ Cover Call timeframe:

- These intra-day calls will be concomitant with the 'With Call session' of the intra-day margin calls on Equity/Index Derivatives and Fixed Income.
- An intra-day treasury report is available on e-CCW/LCAP/MAP access from 2:25pm CET.

Timeframes	Price capture	Positions Snapshot	Treasury reports availability	Information period	Settlement period
Cash Equities intra-day margin call	01:00pm CET of current business day	01:20pm CET of current business day	From 02:25pm CET	02:25pm to 02:50pm CET	02:50pm to 02:55pm CET

- Excess Cash collateral will not be returned within an intra-day call.

Note: Exceptional additional intra-day margin calls may be performed at 11:00am or 3:00pm CET in case of exceptional events as on Equity/Index Derivatives and Fixed Income.

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