

LCH.Clearnet SA Listed Derivatives

Intra-day margin calls on commodities: principles and methodology

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1. Overview

- LCH.Clearnet will perform an intra-day margin requirement on Commodities (Continental Exchange - MATIF) in order to strengthen the Clearing House's safety by reducing intra-day counterparty risk and 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 in the Derivatives Clearing system.

2. Price update principle

- **Prices of the following products are updated:**
 - Futures on Commodities using an external data provider.
 - Options on Futures using SPAN® pricing model.

- Intra-day prices and risk arrays used for margin calculations are available in the Intra-day SPAN® parameter file (Record « 81-82-83 »).

- This file is published around 2:00pm CET:
 - On LCH.Clearnet Website - MATIF markets :
FPXXXBI Matif Intra-day Span® File
<http://www.lchclearnet.com/derivatives/data/span.asp>

 - On eCCW Derivatives & LCAP/MAP (FTP transfers / Public):
SPAN.FPXXXBI.gz
SPAN.FPXXXBI_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/derivatives/liffe/secure_area/default.asp (secure area)

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

Please refer to the Chapter “4.2 Public File – SPAN”

3. Positions snapshot principle

- A snapshot of positions is performed from the Derivatives Clearing System:
 - All opened commodities positions at 01:45 pm CET at Margin Account level.

Note: Positions in ODA or in the “suspense” accounts are considered as House positions of the Clearing Member.

4. Calculation principles

- Margin requirements are calculated from initial margin (Total SPAN® Risk), Intra-day Variation Margin and Intra-day premium amounts per Clearing Member at Margin Account, Segregation type and currency level.

The final Margin requirement is:

- Initial margin (Total SPAN® Risk) + Contingent Variation Margin (CVM = Variation Margin + Intra-day Premium) calculated for each Collateral Account (related to the Financial Account).

Margin methodology description can be found at this path:

http://www.lchclearnet.com/Images/IV.2-2%20VA%2020130419%20final_tcm6-48725.pdf

Refers to Chapter 2

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 Futures commodities by maturity 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 new Intra-day calls will be concomitant with the 'With Call 'of the Intra-day margin calls on Equity & Index Derivatives, Fixed income and Cash Equities.
- A common Intra-day Treasury report is available on e-CCW/LCAP/MAP access from 2:25 pm CET.

Timeframes	Price capture	Positions Snapshot	Treasury reports availability	Information period	Settlement period
Intra-day on commodities (MATIF) margin call	01:30pm CET of current business day	01:45pm 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 margin call.

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

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