

Clearing Notice SIX x-clear Ltd

Stress Margin Add-on

1.0 Overview

SIX x-clear will introduce a Stress Margin Add-On by **1 December 2015** in order to offer improved protection for the Default Fund and so as to align itself with the CCPs in the interoperable space.

The Stress Margin Add-On shall apply to the clearing members of SIX clear as well as the co-CCPs.

The following text will be published in the Clearing Terms as of 1 December 2015:

The Stress Margin Add-On forms part of the default waterfall of SIX x-clear. This Add-On serves as an additional protective layer for the mutualized default fund, i.e. contributing to the application of the default fund becoming more remote as large stress exposures are covered by additional resources.”

Stress Margin Add-Ons will be charged whenever stress losses calculated under extreme but plausible market scenarios on a credit group level exceed a certain threshold of the default fund, i.e.

For those members connecting to the SECOM platform, the applied method shall be:

Stress Margin Add-on =

$$\left| SL_j + (RC \cdot \lambda_j \cdot IM_j) + SIG + (45\% \cdot DFF) \right|$$

where:

SL_j = **Stress Loss for credit group j (negative value)**

SIG = **Applicable "skin-in-the-game" of SIX x-clear¹**

DFF = **Applicable default fund size²**

For those members connecting to the CLARA platform, the applied method shall be:

Stress Margin Add-on =

$$\left| SL_j + IM_j + SIG + (45\% \cdot DFF) \right|$$

where:

¹ A maximum of 25 per cent of the capital of x-clear (as defined by Swiss Law, in particular in FINMA Circular 15/1 "Accounting – banks"), c.f. chapter 9

² Default fund size of segment a member is active in (cash market, derivatives), c.f. chapter 8

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Please be advised that the adjustment to the stress margin will be specified in section 5.5 of SIX x-clear's Clearing Terms and section 10.5 of the Clearing Terms for Norwegian branch will be published on effective date.

2.0 **Effective date**

1 December 2015.

3.0 **Impact on participants**

An impact analysis of the Stress Margin Add-On has been performed for SIX x-clear and indicates that the frequency of the Stress Margin Add-On for the clearing members is low and is expected to remain so going forward. For market situations where clearing positions tend to become large and unidirectional, clearing members should be prepared for the Stress Margin Add-On to become effective.

The co-CCPs are the participants mainly impacted by the additional measure as these do not provide any Default Fund contribution and do not participate in the loss mutualization through the Default Fund.

The updated Clearing Terms of SIX x-clear Ltd will be found at www.six-securities-services.com > Clearing > Download Center as of 1 December 2015.

4.0 **Contact**

For further assistance, please contact the SIX x-clear Risk Management Operations team:

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In this context, SIX x-clear Ltd draws the Members' attention to clauses **7.1 lit. f. and 25.3** General Terms and Conditions of SIX x-clear Ltd stipulating that the Member bears responsibility for the tax requirements and consequences of clearing with x-clear pursuant to the Applicable Law and that SIX x-clear Ltd assumes no liability for any charges or other negative consequences arising in conjunction with clearing through SIX x-clear Ltd that are a result of tax laws or ordinances issued by tax authorities pursuant to the Applicable Law.