LCH The Markets' Partner

RepoClear

Member Notification

RISK NOTICE 2022-037

[17/06/2022]

NOTICE

KEY RISK PARAMETERS and INTRADAY THRESHOLD

LCH SA publishes hereinafter a Notice, pursuant to Instruction IV.2-5, setting-out:

- the Fixed Income risk parameters considered in the computation of the Initial Margin for Transactions executed on trading and matching platforms and on MTS Italy regulated market,

- the threshold applicable when considering the Intraday Margin call

Please note that this notice presents the key risk parameters considered in the computation of the Initial Margin, all other risk parameters are available in the secure area of the Website.

Article 1: General Initial Margin formula

As described in Instruction IV.2-5, the final generic formula of the Initial Margin is:

$$IM = Max(IM_{Core}; IM_{Floor})$$

With

$$IM_{Core} = Base_{Model_{Core}} + DC_{Core} + APC_{Core}$$

$$IM_{Floor} = Base_{Model_{Floor}} + DC_{Floor} + APC_{Floor}$$

Where:

$Base_{Model_{Core}}$ is based on an expected shortfall

DC_{Core} the decorrelation component is based on an expected shortfall

APC_{Core} the anti-procyclicality component is based on an expected shortfall

* Effective date: 20 06 2022

$Base_{Model_{Floor}}$ is based on a value at risk

DC_{Floor} the Decorrelation Component is based on a value at risk

APC_{Floor} the anti-procyclicality component is embedded in the $Base_{Model_{Floor}}$

Article 2: Parameters

Components	Confidence interval	Holding Period	Lookback Period
$Base_{Model_{Core}}$	99.7%	5 days	2500 business days
DC_{Core}	99.7%	5 days	2500 business days
APC_{Core}	100%	5 days	2500 business days + Stress Period
$Base_{Model_{Floor}}$	99.5%	5 days	2500 business days + Stress Period
DC_{Floor}	99.5%	5 days	2500 business days + Stress Period
APC_{Floor}	Embedded in the base model floor via the extended lookback period		

Article 3: Threshold parameter

The value of the threshold considered during the intraday margin call is: **0€**

For further information please contact:

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* Effective date: 20 06 2022

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