



Member Notification

Cash Equity margin framework move to VaR

Final specifications & Implementation timeframe

June 23rd, 2021

Dear Members,

In the context of the **Expected Shortfall / VaR based risk framework implementation***, and following our [February](#) 2021 communication, LCH SA is pleased to share with you:

- **additional new & final documentation,**
- key member testing milestones until the Nov 2021 go-live/migration date.

We are now reaching a stage where we are expecting members to be in full implementation mode and we will engage with you for test phases in flight as well as the go live/migration preparation.

Please keep in mind that all the members will move together on the same weekend from SPAN[®] to VaR, so we will follow up closely with you in the coming weeks/months for your readiness.

A prerequisite is for all Cash Securities members to source and consume their member reports (member reports, banking reports and fee reports) from the LCH Portal and have migrated from existing eCCW/LCAP source reports to the new Portal sourced ones.

1. Members' documentation

This set of documents, available in our [Secure Area](#) includes:

- [Previously published documents](#)

As a reminder, you have previously received the full set of documentation related to VaR Methodology last year and in February 2021 that enabled you to start the impact analysis & implementation on your side. And you have received as well all specifications for the new Cash

Securities member reports that contained VaR related margin changes and **are a prerequisite to the migration to VaR based margin calculations.**

1. VaR Methodology Documents	Publication Date
1.1 Cash Equity FLR2.0 methodology – RFG presentation	July 2020
1.2 Functional Specification VaR Cash (Final)	February 2021
2. Cash Securities Reporting Documents – Portal	Publication Date
2.1 Equity Cash Reports Clearing file specification (Portal)	Dec 2020 , Jan 2021 , April 2021
2.2 Treasury Reports (Portal)	January , April , June 2021

➤ **[Additional & final documents published in June 2021](#)**

We are now publishing two new additional set of specifications, finalizing the set of documentation for this initiative.

1. VaR Methodology Documents
1.1 Functional Specification for Cash Securities VaR 1.2
➤ This document has been enriched mainly with the reports references
1.3 Functional Specification Additional Margins Cash Securities (NEW)
➤ Document detailing the methodology of Additional Margins (LCRM, LEM, DNR)
2. Cash Securities Reporting Documents (Portal) / New VaR Reports
2.3 Cash Securities Risk parameter files specification (Portal)
➤ 2 New Private files: Specific Margins Parameters & CMF MA LCRM Breakdown
➤ 2 New Public files: Margins Parameters & VaR/ES Risk Factors

2. Implementation timeframe

In order to assist and guide you during this implementation phase, LCH SA has defined the below key milestones:

➤ **[Testing period in 2021](#)**

Please note we recommend you to start your test & migration across Cash Securities and Treasury reports at the earliest and conduct in parallel your VaR implementation changes for September test readiness.

Your readiness on the new Cash Securities reports and new Treasury reports is a pre-requisite for moving to the VaR implementation.

	UAT Portal (2021)	Production Parallel Run (2021)	Go Live (2021)
Cash Securities	Live (XML & TXT)	July 5th	Old reports decommission October end
	XML – live	XML – Mid July	Old reports decommission October end

Treasury Reports	TXT – End July	TXT – Mid September	Old reports decommission November end
VaR methodology	Early September with scripted tests	N/A	November end – migration plan will be disclosed later

➤ Next steps

- Call will be planned end of June to exchange and answer questions with all our Members about this communication, testing & migration approach across Cash Securities & Treasury member reports and VaR implementation.
- Bilateral call engagement will keep on being organised and set up to review your readiness, understand your plans and get visibility.
- A dedicated Testing Phase call will be set up early September before VaR UAT opening to exchange on the testing scenarii with all Members.

SA EquityClear Business Development & Relationship Management team
(SAEquityClear@lch.com) remains at your disposal for any additional questions.

Best regards,

*(subject to regulatory approval)

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