



Member Notification

Cash Equity margin framework move to VaR

Updated timelines & technical specifications

Monday, 15th of February 2021

Dear Members,

In the context of LCH SA EquityClear (Cash equity) move from a SPAN® Initial Margin algorithm to an Expected Shortfall / VaR based risk framework (subject to regulatory approval), and following the Risk Focus Working Group sessions held in July 2020, we are pleased to share with you the **functional specifications of the new margining framework** as well as an updated timeline.

1. Members' documentation

- Please find enclosed **LCH SA EquityClear's new margin methodology functional specifications for Cash security** margin replication,
- The technical specifications for Member and Treasury report changes (linked to this new margin framework) will be published afterwards.
- Relevant documentation is also available in the **Secure Area**:
 - **Cash Equity FLR2.0 methodology** : gathering the new risk framework principles, scope and parameter calibration approach along with margin impact (presented during the Risk Working Group held in July 2020),
 - **SA EquityClear Methodology specifications for Cash Equities** for margin replication.

2. Implementation planning

- Start of testing period: end of Q2 2021
- Go-live date (pending regulatory approval): end of Q3 2021

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

Best regards,

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