

03 April 2023

MIGRATION TO A VaR-BASED MARGIN METHODOLOGY FOR EQUITY AND EQUITY DERIVATIVES

To the attention of:	Euronext Clearing Members on Equity and Equity Derivatives Clearing Sections of Borsa Italiana
Priority:	High
Topic:	Sharing of methodological documentation on VaR Core, VaR add-on and Default Fund and launching of test phase

Dear Client,

As previously announced in the Market Notices on 10 January 2023 ([Market Notice - 20230110 | Migration to a VaR based margin methodology for equity and equity derivatives](#)), 29 September 2022 ([Market Notice - 20220929 | New Equity and Equity Derivatives VaR model](#)), 30 June ([Market Notice - 20220630 | New Equity and Equity Derivatives VaR model](#)) and 23 June ([Market Notice - 20220623 | New Equity and Equity Derivatives VaR model](#)), a new VaR-based margin methodology will replace the SPAN model (MARS) currently applied to Euronext Clearing's Equity and Equity Derivatives sections. Furthermore, some amendments will be introduced regarding the Default Fund calibration methodology.

The VaR go-live for Borsa Italiana markets has been scheduled on 9 October 2023, subject to regulatory approval and testing validation. In order to optimize the software release, the VaR Core model will be tested and released in production simultaneously to the Add-ons. For your

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information, the same VaR model will also go live for Brussels Euronext cash market on 23 October 2023 and for Amsterdam, Dublin, Lisbon and Paris Euronext cash markets on 6 November 2023.

Client Impact

Methodological documentation:

The methodological documentation describing VaR Core model and Default Fund will be available from the 4 April 2023 on Euronext Clearing website – within VaR methodology and Default Fund sections respectively. Regarding the methodological documentation on the add-ons, it will be released on the same date with a dedicated communication.

New data flows:

The adoption of the new margin methodology and the new Default Fund calibration model involves the creation of new data flows for your internal reconciliation. The user manual on new data flows for the VaR model for Italian markets has already been published and is available on Euronext Clearing website:

[VAR-based risk model | euronext.com](#)

Starting from mid-April 2023, the new flows for the Add-ons for Italian markets will also be available on Euronext Clearing website.

Testing for the Italian markets

Margins comparison:

Starting from mid-April 2023 and upon request to the Risk Management Department, Euronext Clearing will provide to Clients with the possibility to perform a comparison between SPAN (MARS) and VaR methodologies. The comparison between the results produced by both methodologies will be conducted on the basis of historical data from real portfolios, within a defined time window.

Support for the development of margins replication:

Starting from 10 June 2023, Euronext Clearing will make available specific test cases for developing the replication of margins.

Access to test environment:

Starting from 10 July 2023, Clients will be able to access the new version of BCS Service. Such new version (5.10.0) will be available on Borsa Italiana website. Starting from that same date, the new data flows will also be available on a daily basis (at the end of the EOD batch closing



procedure), for the users already active in the customer test environment. If Clients would like to add users to the test environment, they should send their request to Euronext Clearing Membership Office at CCP-membership@euronext.com.

Euronext Clearing suggest that Clients perform tests on data flow formats to ensure that they correspond to their expectations.

For further information please contact:

Risk Management Office

E: CCP-rm.group@euronext.com