



29 SEPTEMBER 2022

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
Priority:	High
Topic:	Migration to a VaR-based margin methodology for Equity and Equity Derivatives

Dear Client,

As previously announced in the Market Notices of 23 June (Market Notice - 20220623 | New Equity and Equity Derivatives VaR model) and 30 June ([Market Notice - 20220630 | New Equity and Equity Derivatives VaR model](#)), a new VaR-based margin methodology will replace the SPAN model (MARS) currently applied to Equity and Equity Derivatives sections.

To ensure our Clients a sufficient time window to complete development and testing, the go-live, initially scheduled for December 2022, will be postponed to after the summer of 2023, subject to regulatory approval and testing validation. In order to optimize the release of the software, the VaR core model will now be tested and deployed into production jointly with VaR add-ons.

Migration to Euronext Clearing, for those Clients who are active clearers on Euronext cash markets other than Italy, remains confirmed on 23 October 2023.

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Client Impact:

The adoption of the new margin methodology involves the creation of new data flows for your internal reconciliation. In addition to the list of the new data flows published with the Market Notice on 30 June ([Market Notice - 20220630 | New Equity and Equity Derivatives VaR model](#)), Euronext Clearing will make available the following data files:

- DM14 – Derivatives/Equities Total Margins calculated separately by Settlement Group
- DM20 – Derivatives/Equities Derivatives/Equities Price Scenarios

Updated data flows are available on Euronext Clearing website, in the dedicated Equity and Derivatives section:

<https://www.euronext.com/en/post-trade/euronext-clearing/risk-management/var-based-risk-model>

With respect to the currently published version, the following data flows' structure will be modified to incorporate VaR add-ons:

- DM03 - Derivatives/Equities Initial Margins - Details
- DM07 – Fail Derivatives/Equities Initial Margins – Details

Publication of updated data flows' documentation and examples will be communicated with a further market notice.

We will continue to support Clients in the development and testing of their software. In particular, for those Clients willing to replicate core margin calculation, a sample test case containing price scenarios on sample portfolio and expected core VaR figures will be made available upon request starting from November 2022.

A further test case including add-ons will be provided; the test date will be communicated with a following notice.

Historical data comparison between SPAN (MARS) and new VaR methodologies, including add-ons, will be available upon request starting from April 2023; the comparison between SPAN and VAR Core Margin model is suspended.

Usual test channels (ICWS, BCS, SFTP) will be available for a new testing phase starting from April 2023. Time windows for End-to-End testing on production-like data will be provided in a further communication.



For further information please contact:

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