

30 JUNE 2022

# MIGRATION TO A VAR-BASED MARGIN METHODOLOGY FOR EQUITY AND EQUITY DERIVATIVES

To the attention of:	<b>Euronext Clearing Members on Equity and Equity Derivatives Clearing Sections</b>
Priority:	<b>High</b>
Topic:	<b>Migration to a VaR-based margin methodology for Equity and Equity Derivatives</b>

Dear Client,

following the Market Notice published on 23 June, ([Market Notice | 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.

Go-live, subject to regulatory approval and successful test outcome, is expected in December 2022.

## **Client Impact:**

The adoption of the new margin methodology also involves the creation of new data flows for your internal reconciliation. Please find below the list of the new data flows, produced both for the batch EOD and for the intraday margin calls (following go-live):

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- DM01 – Derivatives/Equities MtM and Premium Margins
- DM02 – Derivatives/Equities Initial Margin – Expected shortfall (*Report MN16/MI16*)
- DM03 – Derivatives/Equities Initial Margins – Details (*Report MN17/MI17*)
- DM04 – Derivatives/Equities Total Margins (*Report MN18/MI18*)
- DM05 – Fail Derivatives/Equities MtM and Premium Margins
- DM06 – Fail Derivatives/Equities Initial Margin – Expected shortfall (*Report MF16/MFI6*)
- DM07 – Fail Derivatives/Equities Initial Margins – Details (*Report MF17/MFI7*)
- DM08 – Fail Derivatives/Equities Total Margins (*Report MF18/MFI8*)
- DM09 – Futures Variation Margins (*Report MN19*)

Euronext Clearing points to your attention that the following reports and data flows will no longer be available after the new model go-live:

- D14R – Variation/Premium Margins
- D15A – Derivatives/Equities Margins – Extended
- D15B – Derivatives/Equities Net Product Group Margins (*Report MS22*)
- D15C – Derivatives/Equities Gross Product Group Margins (*Report MS42*)
- D15D – Derivatives/Equities Gross Product Group Margins by sub account (*Report MS24*)
- D15E – Failed Positions Margins (*Report MS27*)

Risk manuals of the new VaR-based model and documentation on new 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>

### **Testing:**

Clearing Members will have the opportunity to participate in testing of the new margin methodology starting 18 July and up to the model go-live.

Tests will be performed in the CDS environment, through the usual channels:

- ICWS: starting from 18 July
- SFTP: starting from 18 July
- BCS: starting from 1 August

During the testing phase, the new data flows will be available on a daily basis, at the end of the EOD batch closing procedure, for the users already active in the CDS environment. If Clients would like to add users to the CDS environment, they should send their request to Euronext Clearing Membership Office at [CCP-membership@euronext.com](mailto:CCP-membership@euronext.com).

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



Clients can also perform margins' simulations, based on the new VaR-based methodology, through the BCS Service. The new client release 5.10.0, required to run the simulations, will be available on Borsa Italiana web site starting from 1 August.

An historical data comparison among SPAN (MARS) and new VaR methodologies will be available upon request to Euronext Clearing Risk Management Office.

For further information please contact:

**Risk Management Office**

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