

## NASDAQ CLEARING

### MARGIN CONCENTRATION AND POSITION LIMIT POLICY

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#### 1. MARGIN CONCENTRATION LIMITS

The purpose of margin concentration limits is to manage large exposures. The limits aim to provide the Clearinghouse with additional default coverage in relation to significantly large and concentrated exposures.

For the Financial Market, the limits are enforced per margin calculation account and market group, while for the Commodities Market the limits are enforced per margin calculation account and market (set of risk groups). When total Initial Margin (IM) for a margin calculation account and a market group/market is above a threshold, IM will be scaled up with a scaling factor. IM that is subject to scaling will be scaled down, on request, when it is below the threshold for scaling down.

**Current limit** for a Clearing Member and market group Swedish Index and Swedish Flexible Index (IM in SEK)

Limit nr	IM limit for scaling up	Scaling factor	IM limit for scaling reduction
1	1 000 000 000	15%	1 000 000 000
2	1 800 000 000	25%	1 500 000 000

**Current limit** for a Clearing Member and market group Swedish Bond (IM in SEK)

Limit nr	IM limit for scaling up	Scaling factor	IM limit for scaling reduction
1	1 600 000 000	15%	1 700 000 000
2	2 800 000 000	25%	2 400 000 000

**Current limit** for a Clearing Member and Nordic Power (ENOBL, EPAD) (IM in EUR)

Limit nr	IM limit for scaling up	Scaling factor	IM limit for scaling reduction
1	105 000 000	15%	110 000 000
2	150 000 000	25%	140 000 000

Customers on the Derivatives Market may have limits different than those applied for Clearing Members.

In addition, Nasdaq Clearing applies a margin concentration limit on Client Accounts used for clearing of Generic Rates Instruments in respect of Clients that also act, in a different capacity, as a Clearing Member on other accounts with the CCP. The limit is enforced per margin calculation account and market group. If total Initial Margin (IM) for a margin calculation account and a market group exceeds the applicable IM threshold, IM shall be scaled up with a scaling factor in accordance with the table below. The margin concentration limit for Generic Rates Instruments does not replace the general margin concentration risk limit for the Swedish Bond market described above, i.e. the limits are additive.

**Current limit** for Market group: Swedish Bond (IM in SEK)

Limit nr	IM thresholds for scaling up	Scaling factor	IM limit for scaling reduction
1	500 000 000	30%	600 000 000

The IM limits applicable from time to time are stated in the Rules and Regulations of the Nasdaq Derivatives Market Appendix 13 Parameter Value List. Changes to Appendix 13 are communicated by market notice. For the Commodities Market, the current limits are available on the ftp site together with the other risk parameters. Changes to the parameters and limits are communicated by market notice.

If a limit is breached, Nasdaq Clearing will inform the Clearing Member, Customer or Direct Clearing Client. The Clearing Member, Customer or Direct Clearing Client will be given the choice to reduce its exposure during the day or else scaling of IM will be implemented in accordance with this policy.

A request for scaling down shall be submitted by the Clearing Member, Customer or Direct Clearing Client to Nasdaq Clearing's Risk Management departments.

**Margin scaling: other applications**

Margin scaling may also be implemented as a temporary measure in cases of Clearing Capital stress test breaches. Nasdaq Clearing runs daily stress tests (CCaR) to ensure a Clearing Capital sufficiently large to absorb a simultaneous default of the two largest counterparties of the clearinghouse. If the stress tests indicate insufficient financial resources, Nasdaq Clearing may apply margin scaling to members to lower the stressed market value until an update of the default fund is complete. Please visit the Nasdaq Clearing's Default Fund webpage to learn more: <http://business.nasdaq.com/trade/clearing/nasdaq-clearing/risk-management/default-fund/index.html>

## 2. POSITION LIMITS

The purpose of position limits is to manage liquidity risk in a default situation and to avoid delivery problems at contract expirations.

If a position limit is breached Nasdaq Clearing may take actions such as requesting the Clearing Member or Customer to reduce or maintain the position or increasing the margin parameters for the instrument in question. Two weeks before expiry the participant has to demonstrate capacity to deliver the underlying instrument to be allowed to maintain the open position.

The position limits are enforced per margin calculation account and underlying instrument. The position exposure is defined as the aggregated net number of underlying instruments to deliver or receive per margin calculation account and underlying instrument, with delta for options always set to 1 for calls and -1 for puts.

Product type	Clearing Member Limit	Customer Limit
Single stock	10% * Number of listed shares per underlying stock	5% * Number of listed shares per underlying stock
Semi-standardized F/I instruments	25% * Sum of open interest per underlying instrument	25% * Sum of open interest per underlying instrument

Number of listed shares and open interest are available in various market feeds as well as on <http://business.nasdaq.com/>.

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