

Changes to default management for NASDAQ OMX Clearing

The recent financial crisis has highlighted the importance of stable and resilient financial systems. Efforts to improve market stability are being coordinated globally and a complete overhaul of the regulatory framework in both the EU and US is expected to result in a new regulatory regime for Central Counterparties (CCPs) by the end of 2012. NASDAQ OMX will be required to adapt to the new regulations and at the same time ensure member implementation of new requirements and features.

NASDAQ OMX Clearing* manages risk through a comprehensive counterparty risk management framework, which is made up of policies, procedures, standards and resources. NASDAQ OMX Clearing faces both traditional business risks and specific risks unique to derivatives clearing services. The most noteworthy risk is counter-party default, i.e. the risk that one or several market participants will default on their obligations to the clearing organization. Today, NASDAQ OMX Clearing does not maintain a guarantee fund or reserve fund to which users contribute and does not enforce a loss-sharing scheme among its members. This means that in a default situation today NASDAQ OMX Clearing's own risk-bearing capital is at risk and not that of the members.

One proposed requirement, stipulated in the European Market Infrastructure Regulation (EMIR), is to make it mandatory for CCPs to have a default fund to which clearing members of the CCP will have to contribute. This proposal has a direct effect on the current setup for NASDAQ OMX Clearing. We are currently reviewing the implementation of a member sponsored default fund** with March 1, 2012 as the target launch date. NASDAQ OMX is committed to bringing forward an optimal default fund structure considering member perspectives, legal implications and efficient implementation processes in order to ensure a robust and equitable capital framework.

Members required to contribute to a default fund are:

- General Clearing Members
- Clearing Members

Based on this, NASDAQ OMX Clearing has published a Default Fund Policy Paper (Rev 1) that can be downloaded from nordic.nasdaqomxtrader.com/defaultfund. Going forward NASDAQ OMX will continuously publish documentation relevant for the implementation of the default fund on this page.

For further information on individual member's indicative contribution level please contact:
David Sjöblom, Risk Management, tel. +46 8 405 6377.

Trond Svensgaard, Head of Risk Management, European Commodities, tel. +47 9012 3679

** NASDAQ OMX Clearing, a secondary name of NASDAQ OMX Stockholm AB, is authorized and supervised as a European multi-asset clearing house by the Swedish Financial Supervisory Authority in Sweden as well as authorized to conduct clearing operation in Norway by the Norwegian Ministry of Finance. The clearinghouse acts as a CCP for on exchange and OTC trades in equity derivatives, fixed income derivatives, physical power and carbon contracts as well as power derivatives.*

*** The NASDAQ OMX Clearing default fund model is currently being reviewed by the Swedish Central Bank and Financial Supervisory Authorities in Sweden and Norway.*