

GUIDELINES ON STRESS MARGIN ADD-ONS

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PURPOSE AND OBJECTIVE OF STRESS MARGIN ADD-ON

The purpose of the stress margin add-on is to add a specific stress component to the Extraordinary Margin Requirement by incorporating a share of a portfolio's tail risk to the Extraordinary Margin Requirement. This add-on provides Nasdaq Clearing the ability to lower the mutualization of a specific clearing participant's tail risks among clearing participants by shifting part of the risk from the member collective to the individual account holder.

The stress margin add-on will increase the Margin Requirement for clearing participants with large stress losses in relation to initial margin (IM).

APPLICATION OF STRESS MARGIN ADD-ONS

Margin add-ons will be applied to clearing participants with large stress losses in relation to IM, where stress losses are calculated using Nasdaq Clearing's stress test methodology (CCaR). A CCaR/IM ratio is calculated on an account level on a daily basis for each clearing service. When the ratio exceeds a certain limit, a stress margin add-on will be applied to the relevant margin account.

The limit is calibrated to impact clearing participants with significantly large tail risk compared to other clearing participants. The assessment is based on the distribution of CCaR to IM ratios across all accounts relevant to the clearing service. The limits are reviewed and updated on a monthly basis and are calibrated based on the ratios of the 95th percentile of margin weighted portfolios. All limits are capped at 100%. The limits that currently apply are listed in the table below.

Clearing service	CCaR/IM ratio limit
Financial markets	100%
Commodities	100%
Seafood	100%

The limits applicable from time to time are stated in this policy. Changes to these limits are communicated by market notice.

The stress IM add-on will not be applied to portfolios with CCaR value of less than 10% of Nasdaq Clearing's Junior Capital within each clearing service. The limited tail risks tied to these accounts are assumed to be covered by the Nasdaq Clearing's own resources in the form of Junior Capital.

The stress margin add-on is applied as an Extraordinary Margin Requirement to the Margin Requirement of the relevant margin account.

If a limit is breached, and no stress margin add-on is currently applied, Nasdaq Clearing will inform the Clearing Member, Customer or Direct Clearing Client of the required stress margin add-on and the driver(s) behind the requirement(s). The stress margin add-on will be applied as an Extraordinary Margin Requirement. If there are changes to the exposure of the portfolio affecting the stress margin add-on, adjustments will be made or the add-on will be removed prior to the implementation. The Clearing Member, Customer or Direct Clearing Client will be informed of such an adjustment.

Once a stress margin add-on is applied to a margin account, Nasdaq Clearing will adjust the Extraordinary Margin Requirement amount when required in accordance with the limits and amounts listed in the table below.

Financial market clearing service:

Initial Margin (Million SEK)	Minimum Stress margin add-on	Rounded to closest multiple of
0 - 100	1 000 000 SEK	1 000 000 SEK
100 - 500	5 000 000 SEK	5 000 000 SEK
500 - 1 000	10 000 000 SEK	10 000 000 SEK
1 000+	50 000 000 SEK	50 000 000 SEK

Commodities market clearing service:

Initial Margin (Million EUR)	Minimum Stress margin add-on	Rounded to closest multiple of
0 - 10	100 000 EUR	100 000 EUR
10 - 50	500 000 EUR	500 000 EUR
50 - 100	1 000 000 EUR	1 000 000 EUR
100+	5 000 000 EUR	5 000 000 EUR

Seafood market clearing service:

Initial Margin (Million NOK)	Minimum Stress margin add-on	Rounded to closest multiple of
0 - 100	1 000 000 NOK	1 000 000 NOK
100 - 500	5 000 000 NOK	5 000 000 NOK
500 - 1 000	10 000 000 NOK	10 000 000 NOK
1 000+	50 000 000 NOK	50 000 000 NOK

For inquiries regarding the stress margin add-on, CCaR and drivers of the margin add-on requirement, please contact Risk Management using the information below.

CONTACT INFORMATION

Risk Management

Clearing.risk@nasdaq.com

Sweden: +46 8 405 7088

Norway: +47 67 10 84 26