

**NOTICE
15-049**

June 19, 2015

Summary of contentNew Stress Loss
Charges**For more information
please contact:**ICE Clear US
212-748-4001
312-836-6777
ICEClearUS@theice.comTo sign up to receive
Clearing Notices
automatically, please go
to our [Subscriptions page](#)

On April 22, 2015, ICE Clear US (ICUS) published [CM Notice #15-032](#) announcing the next system release (Release 7.9). As announced in that notice, ICUS will replace the current Supermargin plus add-on margin calculation with a “Stress Loss Charge,” pending regulatory approvals.

Currently, Supermargin is 50% of the amount a clearing member’s net margin exceeds 75%, 150% or 200% of the clearing member’s assigned capital. The 75% threshold is for the clearing firm’s house margin, the 150% threshold applies to customer margin and the 200% threshold applies to the combined customer and house net margin (see the MMSUPM report in the margin folder of MFT). Supermargin is calculated on a daily basis and added to the clearing member’s house initial margin requirements.

In addition, currently Clearing Members that have a significant exposure to the Guaranty Fund after Supermargin is applied, also have an add-on initial margin requirement (the amount of the add-on is displayed in the USD section on each Clearing Member’s MBSR report). The Risk Department evaluates reductions in this add-on margin amount on a monthly basis. The combined Supermargin and add-on margin reduces a Clearing Member’s exposure to the guaranty fund.

In Release 7.9, these two additions to a Clearing Member’s initial margin requirements will be replaced with a Stress Loss Charge. The Stress Loss Charge will have two components as follows:

- The combined exposure of two clearing members to the ICUS target guaranty fund size, and
- Each individual clearing member’s exposure to the target guaranty fund size

The Stress Loss Charge, like the Supermargin plus add-on charge it is replacing, has the effect of reducing the applicable Clearing Member’s exposure to the Guaranty Fund. Further details regarding the two Stress Loss Charge components are as follows:

Component 1:

- ICE Clear US identifies the stress scenarios where losses from the two largest Clearing Members exceed 85% of the target Guaranty Fund size, which is currently set to \$400 million.
- ICE Clear US calculates the amount of exposure exceeding 85% of the target Guaranty Fund size.

- ICE Clear US determines each firm's percentage of the total exposure over 85%.
- ICE Clear US allocates this charge across the two largest Clearing Members by multiplying the amount of the exposure over 85% by each firm's percentage of the total exposure.

Component 2:

- ICE Clear US identifies each Clearing Member's largest stress loss for all scenarios.
- ICE Clear US identifies any individual Clearing Member's exposure over a specified percentage (currently set at 70%) of the target Guaranty Fund size after applying any amount from Stress Loss Charge I (if applicable).
- ICE Clear US allocates this charge to the individual clearing member.

The Stress Loss Charge will be calculated every night after the end-of-day processing. Any stress loss charge will be collected as a separate initial margin call each morning.

A report, called the Stress Loss Charge Report, will be available in each clearing member's 'risk' folder in MFT. A sample report is attached. These reports will start being produced approximately two weeks prior to Release 7.9.

Once the Stress Loss Charge is applied to a clearing member, it will remain in effect for 30 days. As a result, the Stress Loss Charge added to a clearing member's initial margin will be the highest stress loss calculated over the previous 30 days.

As a reminder, the ICE Clear US Risk Department has the ability to require clearing members to post additional initial margin requirements in excess of the requirements generated by SPAN. These add-on initial margin requirements typically are a result of a clearing member's financial position and/or intra-day trading pattern.

Please contact Bruce Domash, Risk Director, ICE Clear US, at 312-836-6709 or bruce.domash@theice.com.

APPENDIX

Clearing Member: ABC

Business Date: 4/24/15

STRESS LOSS CHARGE I				
Scenario ID	Origin	Amount of Stress Loss	Available Collateral	(Deficiency)/ Excess
1601	Customer	(620,000,000)	320,000,000	(300,000,000)
1601	House	(40,000,000)	50,000,000	10,000,000
			Total Deficiency	(290,000,000)
			Stress Loss at Second Clearing Member	(310,000,000)
			Charge I Threshold	425,000,000
			Excess	(175,000,000)
			Clearing Member Percentage	48%
			Stress Loss Charge I (a)	84,583,333
			Total Stress Loss Charge I	84,583,333
STRESS LOSS CHARGE II				
Scenario ID	Origin	Amount of Stress Loss	Available Collateral	(Deficiency)/ Excess
855	Customer	(700,000,000)	320,000,000	(380,000,000)
855	House	(80,000,000)	50,000,000	(30,000,000)
			Total Deficiency	(410,000,000)
			Stress Loss Remaining After Total Stress Loss Charge I is Applied	(325,416,667)
			Charge II Threshold	250,000,000
			Stress Loss Charge II	75,416,667
TOTAL STRESS LOSS CHARGE				
			Total Stress Loss Charge	160,000,000
			Maximum Total Stress Loss Charge over 30 Days	30,000,000
			Prior Day's Stress Loss Add-On	30,000,000
			Stress Loss Add-on	160,000,000
			Additional Stress Loss Add-on Required (Morning Call)	130,000,000