CC&G Market Notice

28th September 2020

Basel III Final Standards reporting

For the attention of: *Direct Participants*
Priority: *Medium*
Topic: *Application of Basel III Final Standards for calculation of participants exposure towards CC&G*

Dear Customer,

starting from **28 June 2021,** **Regulation EU 876/2019** (CRR II) amending **Regulation EU 575/2013**, will become effective. The new Regulation transposes the *Final standards* for Capital requirements for bank exposures to central counterparties and the Standardized Approach (**SA-CCR**) for measuring counterparty credit risk (CCR) exposures.

In particular, the new SA-CRR method is intended to replace the existing methodology - Current Exposure Method (CEM), laid down in Regulation EU 575/2013 – applicable to long settlement transactions, OTC derivatives and exchange-traded derivatives, for its enhanced risk-sensitive approach.

For CC&G, the new provisions will mainly affect the calculation of the *Hypothetical Capital* (K_{CCP}) used to define Clearing Members' capital requirements against their contributions to the Default Fund of the Equity/Equity Derivatives Section.

In order to provide CC&G participants with an earlier assessment of their own funds Requirements pursuant to the upcoming SA-CRR, starting from September 2020, CC&G will disclose monthly figures for Capital Requirements calculation under SA-CRR, in parallel with those calculated under CEM, which will remain the methodology in force until 27 June 2021.

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CC&G will share the data used to compute Equity/Equity Derivatives *c-factor*, namely the capital coefficient to be applied to participant's contribution to the Equity/Eq. Derivatives Default Fund. For further transparency, *c-factor* value is also disclosed.

Participants will find monthly data on LSEG website as of September 2020, as well as an high level explanation of the amendments introduced by the *Final Standards*, under the following link:

https://www.lseg.com/markets-products-and-services/post-trade-services/ccp-services/ccg-english-version/risk-management/basel-iii-reporting

For further information, please contact:

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