

SLIB CRMS

GENERAL OVERVIEW

Risk control is a crucial element of clearing activity. A clearer, whether general (GCM) or individual (ICM), is faced with the risk of default of any of its clients. To protect itself against such an event, the clearer needs to continually assess the risks of its clients and will normally initiate margin calls if the risks rise above a certain level. Most regulators require that the clearer implements adequate processes and procedures and employs advanced risk management systems.

Clearing risk management has become more complex post-MiFID, with the multiplication of execution venues for European equities. Today, a given clearer is likely to operate in several CCPs, each having its specific margining methodology. In most cases, the clearer needs to replicate the risk algorithm of any CCP in which it is active, both to evaluate the risk of its clients and to reconcile its own margins, as called by the CCP.

SLIB CRMS (Clearing Risk Management System) is an innovative tool that addresses these issues at several levels. It helps you calculate margin requirements and margin calls on your clients in **all the principal CCPs in Europe**. It enables you to monitor the intraday risks of your clients, be they broker/dealers or institutional clients. It allows you to reconcile your own CCP margins as well as to monitor your exposure in any CCP. Moreover, it offers you a **global multi-market view** of your risks via risk aggregation and cross-margining.

SLIB CRMS:

a pan-European+ solution



KEYS BENEFITS

- Risk aggregation hub with links to all the main European CCPs and Hong Kong
- Native implementation of all the principal risk/margining algorithms, including SPAN, ERA, RBM and TIMS
- Covers equities, bonds and listed derivatives
- Collateral management
- Real-time intraday risk monitoring
- Customisable alerts on various dimensions of risk, including limits on cash considerations, margin requirements and calls
- Field-proven accuracy and reliability
- User-friendly interface
- Deployed as ASP or in stand-alone mode

FUNCTIONS

SLIB CRMS is designed to cover the needs of clearing participants of all the European CCPs, both General Clearing Members (GCMs) and Individual Clearing Members (ICMs):

For a **GCM**, SLIB CRMS offers better control of the risk(s) it runs versus its clients (broker/dealers and internal clients) in any and all of the markets in which they trade. The risk can be finely **monitored** during the trading day, with **customisable alert management**. At its discretion, the GCM can call intraday margins on its most risky clients.

Furthermore, the scope and level of detail in the SLIB CRMS's analysis grid enable the GCM to offer its customers high-added-value services, such as **pan-European cross-margining** and reconciliation.

For an **ICM** active in one or more markets/CCPs, SLIB CRMS offers means to monitor risk on its **institutional clients**, as well as to screen its own **intraday exposure** versus the CCPs.

Clients' risk monitoring may be associated with client reporting services and/or discretionary margin calls. Having a real time view of its CCP exposure, the ICM's treasury manager can **better anticipate** the CCP margin calls and organize its cash flow accordingly.

SLIB CRMS supports local practices and risk calculation algorithms for the following CCPs and markets:

CCP	Market places	Country
LCH.Clearnet SA	<ul style="list-style-type: none"> ▪ Nyse Euronext ▪ SecFinex ▪ SmartPool ▪ Liffe (continental) 	France, The Netherlands, Belgium, Portugal
LCH.Clearnet Ltd	<ul style="list-style-type: none"> ▪ LSE ▪ IOB 	UK
Eurex Clearing AG	<ul style="list-style-type: none"> ▪ Deutsche Börse (Xetra) ▪ Irish Stock Exchange 	Germany Ireland
CC&G	<ul style="list-style-type: none"> ▪ Borsa Italiana ▪ IDEM 	Italy
SIX x-clear	<ul style="list-style-type: none"> ▪ SIX Swiss Exchange ▪ EuroMillennium ▪ (LSE) 	Switzerland Pan-European UK
EMCF	<ul style="list-style-type: none"> ▪ Chi-X ▪ BATS Europe ▪ Nasdaq OMX Europe ▪ Nasdaq OMX Nordic 	Pan-European
EuroCCP	<ul style="list-style-type: none"> ▪ Turquoise ▪ SmartPool 	Pan-European
HKSCC	<ul style="list-style-type: none"> ▪ SEHK 	Hong Kong

SLIB CRMS automatically collects positions and/or trades either directly from the CCPs or from the clearer's internal systems. It connects to exchanges and to market data feeds to obtain latest prices for all the instruments in a given position. The system then applies its native implementations of appropriate CCP algorithms to calculate risk exposure, margin requirements and the resulting margin calls. This process can work in real time and can provide an up-to-the-moment view of the clearer's risk at any time during the day.

SLIB CRMS uses the current valuation of security collateral, if any, to update the final margins. The system then generates margin call notices to clients, in customisable formats, and creates records to feed the clearer's internal systems, such as accounting.