



**Risk Testing Results  
Disclosure - Year 2019**

13.January.2020

## 1. Introduction

OMIClear's testing programs are a core part of OMIclear's risk management framework to ensure that it can successfully fulfil its role of central counterparty (CCP) under a wide range of plausible scenarios and that its margin system is producing the expected results. Moreover, such tests are a fundamental tool for monitoring closely OMIclear's risk exposure and react in a timely manner if necessary.

For more information on the testing programs implemented by OMIclear please refer to: <https://www.omiclear.pt/en/content/market-risk-testing-methodologies>.

This document presents a high-level summary of the back tests and stress tests results and of any corrective measures undertaken.

This disclosure report is based on the tests results obtained in the period between **January 1<sup>st</sup>, 2019 and December 31<sup>st</sup>, 2019** and is published annually.

## 2. Back Tests

OMIClear conducts portfolio back tests on a daily basis for all clearing accounts. The aim of OMIclear's back testing program is to verify and validate that its margin model is achieving its purpose, i.e., that the computed margins would have been sufficient to cover with a 99% confidence interval, the worst price development for closing out, in the time horizon underlying the initial margin calculation, all positions in a clearing account.

In case the computed losses are greater than the initial margin required at a portfolio level, a hit is registered. If the number of hits in the relevant period is higher than statically expected (higher than 1%) then OMIclear shall trigger corrective measures.

Throughout the year of 2019 ten (10) hits were observed which generated a **hit ratio of approximately 0,09%, far below the 1% threshold defined by OMIclear**, consequently the initial margin model used by OMIclear keeps being appropriate to face the market risk observed in this period. In other words, the evidence provided by these back tests confirms that there is no need to implement corrective measures in the model.

## 3. Stress Tests

OMIClear conducts stress tests on a daily basis for a set of scenarios on Extreme but Plausible Market Conditions (EbPMC). In case the daily stress test results show that the available funds would not be sufficient to cover the default of the two Clearing Members representing the largest exposure, an update of the Clearing Fund is triggered.

During 2019, following the rules laid down in its Instruction B07/2014 - Clearing Fund, in addition to the monthly revaluations of the Clearing Fund based on the daily stress tests results of the previous sixty (60) clearing days, OMIclear had seven (7) situations on which the stress tests results were higher than the value of the Clearing Fund in place. Since in two (2) situations there was no need to trigger an extraordinary revaluation of the Clearing Fund (as the amount that would be required to cover the stress tests results was already covered by the new Clearing Fund producing effect on the following day, in practice, **OMIClear only had to trigger five (5) extraordinary revaluations of the Clearing Fund**. It is worth mentioning that, on all these five occasions, **all clearing members held an excess of collateral to accommodate the increase of their Clearing Fund contributions**.