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IDCH Notice to Members No. 0006-11

Notice to Members

TO: OTC Clearing Members of the International Derivatives Clearinghouse, LLC
FROM: Risk Management Department / Market Operations
SUBJECT: Applying Historical Scenario (HS) VAR to establish Initial Performance Bond for a portfolio of cleared OTC contracts
DATE: July 15, 2011

Please be advised that on July 15, 2011, IDCH will begin to apply a Historic Scenario (HS) VAR to establish Initial Performance Bond for each portfolio of OTC Contracts cleared by OTC Clearing Members. IDCH utilizes five look back periods: 30 days, 90 days, 125 days, 250 days, and 500 days, and an implied 99.7% confidence interval to generate Initial Performance Bond. The inputs to Initial Performance Bond are calculated as the average plus 3 standard deviations for each of the look back periods. The minimum IM requirement is the higher of the Initial Performance Bond derived from the five look back periods or the largest move over the preceding 125 days.

If you have any questions, please contact:

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