

## **Financial resources**

*In NASDAQ OMX Derivatives Markets' capacity as a clearing organization, market participants and regulators impose extremely high standards upon the clearing organization. With regard to financial status, it is essential that the clearing organization possesses both financial strength and financial readiness at all times.*

NASDAQ OMX Derivatives Markets' clearing concept differs from the traditional member-owned clearing organization with regard to how potential counterparty losses are covered. Firstly, NASDAQ OMX Derivatives Markets does not maintain a guarantee fund or reserve fund to which users contribute. Secondly, NASDAQ OMX Derivatives Markets does not enforce a loss-sharing scheme among its members. Instead, the conservative margining methodology, its collateral pledging requirements, its pro-active risk management and its risk-bearing capital act as buffers between any defaulting counterparty and all other trading participants on the exchange.

This means that NASDAQ OMX Derivatives Markets' own risk-bearing capital is at risk and not that of the members. Thus, NASDAQ OMX Derivatives Markets has a fully vested interest in ensuring that risk management routines are applied at all times to provide for the accurate measurement, reasonable control and satisfactory protection against risks arising within the clearing organization.

### **1.1 Resources of NASDAQ OMX Derivatives Markets**

NASDAQ OMX Derivatives Markets has dedicated clearing capital resources which are specifically designed to cover the risk of counterparty losses in its clearing business in order to handle extreme situations where pledged collateral and other resources may be insufficient. In total, NASDAQ OMX Derivatives Markets has committed capital resources of SEK 2.08 billion to cover potential counterparty losses.

NASDAQ OMX Derivatives Markets has its own capital resources of SEK 251 million in share capital and restricted reserves. This capital and additional retained earnings of in total SEK 925 million is invested in low risk interest bearing securities. Synthetic capital structured as an insurance of SEK 1.15 billion is provided by OMX Capital Insurance AG. (Capital information as of 2008-11-13)

The allocated resources also assure continued business or an orderly winding up process and cover potential losses due to operational risks. A part of the total committed resources maintained is available on short notice to assure appropriate payment readiness.

It should also be noted that greater losses than those calculated to be covered can occur by the above referenced capital resources. This applies to losses due to counterparty risks and operational risks and if more capital is available (e.g. retained earnings), such capital may also be used to cover such losses.

OMX Capital Insurance AG is a wholly-owned insurance company within the NASDAQ OMX group which has a Swiss insurance authorization. A reinsurance agreement entered into by OMX Capital Insurance with an external insurance company (which currently has a "financial strength" rating of "AA with negative outlook" by Standard & Poor's) provides OMX Capital Insurance with reinsurance for a part of its undertakings.

## **1.2 Investment policy and back-up line of credit**

NASDAQ OMX Derivatives Markets' capital resources comprise share capital and restricted reserves. In addition to large holdings of liquid assets, NASDAQ OMX Derivatives Markets has committed and unsecured credit line arrangements. These credit lines may be utilized on short notice to assure an appropriate payment readiness. This credit line may be utilized on short notice to assure an appropriate payment readiness.

## **1.3 Securities borrowing arrangements**

NASDAQ OMX Derivatives Markets also has committed and secured securities borrowing arrangements that may be utilized in cases where counterparties have insufficient delivery capacity.