

Policy for Tailor Made Clearing

Each time tailor made (TM) clearing is requested on a new underlying, Risk Management –Financial Markets (RMF) performs a liquidity analysis on the underlying. If RMF deems the liquidity to be adequate, a risk parameter is calculated for the new underlying. The risk parameter is based on the underlying instrument's liquidity and volatility. All parameters are calculated on one year of historical data.

Stocks

Stocks are categorized in liquidity groups. The categorization is based on price history and three liquidity measures:

- Days without trades
- Average bid-ask spread
- Median traded volume in relation to Free float volume¹

Given above liquidity values the stocks are then categorized:

Liquidity category

A

B

C

Not suitable for clearing

If the underlying stock is classified as not suitable for clearing the TM request should be denied. Different criteria are applied on the different liquidity categories accordingly:

Liquidity group	Max length	Lead time	Liquidity buffer	Min parameter
A	2 years	2 days	-	10%
B	1 year	2 days	-	10%
C	6 months	3 days	10%	20%
Not suitable for clearing ¹	-	3 days	10%	40%

1) Only applied on contracts already cleared.

¹ For some markets the number of outstanding shares categorized as free float more realistically reflects the number of outstanding shares. Thus using the free float value will provide a more accurate liquidity rating.

Apart from the liquidity category specific limits, a number of general limits apply on all TM contracts:

- Max strike call options Max 30% above ATM
- Min strike put options Max 30% below ATM
- Min stock price 2 SEK (or equivalent in other currencies)²
- Min average daily volume 10 000 shares

Index

A TM index is generally a basket of different stocks. The liquidity of the underlying stocks is evaluated and, if approved, a risk parameter on the index is calculated based on a three day lead-time. The limits that apply are:

- Max strike call options Max 30% above ATM
- Min strike put options Max 30% below ATM
- Min risk parameter OMXS30 parameter
- All underlying stocks are categorized as suitable for clearing (A-C)

If one of the underlying stocks in the TM index is categorized as C or not suitable for clearing the number of lead days is raised to 4.

TM Evaluation

RMF will evaluate all stocks which have active TM contracts semiannually (June and December). If a stock is rated as Not suitable for clearing its TM contracts will be given the following restrictions:

- New contracts are not allowed
- It is only possible to roll positions expiring within three months

Existing positions may be kept until expiration. Restrictions will be communicated to the market through an exchange notice. The restrictions will be effective as of the announcement.

² If the stock price has been trading constantly below the threshold during the entire period with low volatility, the stock can be considered suitable for clearing. The parameter will be set to 40%.