

## **Stress test methodology for Balancing Market**

### **1. Objective of stress test**

Running stress tests by KELER CCP has a double objective:

- on one hand to check that the default fund (TP KGA) is of appropriate size at all times, and
- to check compliance with the requirements on the other financial resources of KELER CCP on the other hand.

### **2. Preparation of stress test**

#### **a. Price correction stress test**

Two scenarios are implied, a historical one and a hypothetical one. The scenarios' stress parameters are determined based on FGSZ Zrt.'s marginal price calculation, which are used for the daily calculation of the stressed, aggregated exposures. These stressed, aggregated exposures of the stress scenarios are compared to the individual margin requirements, and the first largest uncovered exposure or the sum of the second and third largest uncovered exposures, if the sum of latter is larger has to be covered by the default fund. If the default fund is not covered the results of the stress test, then KELER CCP can impose additional financial collateral or decree extraordinary recalculation of the default fund.

According to the method above, uncovered risk based on the sum of the first and the second largest stress value is also determined which has to be covered by KELER CCP's other financial resources.

#### **b. Determination of historical minimum of the default fund**

Aggregated exposures which are uncovered by historical individual margins are determined on a daily basis, out of these amounts the first largest or the sum of the second and the third largest is taken, if the sum of latter is larger, and that amount is the base for the historical VaR calculation. The value of the default fund always has to be higher than the value of the historical VaR (99.9%) calculated based on the previously determined data series (from 1<sup>st</sup> July 2010 to present day). If the value of the default fund is lower than the previously determined historical minimum value, then KELER CCP can impose additional financial collateral or decree extraordinary recalculation of the default fund.

According to the method above, uncovered risk based on the sum of the first and the second largest historical uncovered exposures is also determined which has to be covered by KELER CCP's other financial resources.