

	N°	Title
	III.1-1	<b>AVAILABLE CLEARING FUNCTIONALITIES ON THE CASH &amp; DERIVATIVES CLEARING SYSTEM</b>

***Pursuant to Title III of the Clearing Rule Book.***

*Where reference is made in this Instruction to house Position Account, it should be understood as the Clearing Member's house Position Account. Where reference is made in this Instruction to client Position Account it should be understood as the Clearing Member's client Position Account and/or a Trading Member's house and client Position Account.*

*For the purpose of this Instruction, "functionalities" mean all technical operations, described in this Instruction, that Clearing Members can execute from their clearing access means or that are executed by LCH SA on their behalf.*

**CHAPTER 1 COMMON PROVISIONS**

***Section 1.1 Positions Registration: Posting and account management***

Article 1

The Posting of a Trade Leg is the process by which the Clearing Member registers Trade Legs, or a part of it, either for its own account or for a third party account, on one of the Position Accounts opened in the Clearing Member's name in the Clearing System.

Posting is suspended in case of any unavailability of the Clearing System.

Article 2

The Clearing Member must carry out its Posting in accordance with the principles defined in Chapter 2 of Title 3 of the Clearing Rule Book.

Article 3

Three types of Posting are possible:

- manual: Posting is directly initiated by the Clearing Member by sending a command to the Clearing System. The registration of the Trade Legs referred to in Article 1 is carried out immediately;
- systematic: Posting is initiated by the Clearing System (the Clearing System having first been parameterised), without any specific intervention of the relevant Clearing Member for this Trade Leg;
- automatic: information on Posting is transmitted by the trading system when the order is executed on the market and then transmitted to the Clearing System. Posting is initiated by the Clearing System, without any intervention of the relevant Clearing Member.

Article 4

LCH SA acknowledges receipt of Postings sent by the Clearing Members in the Clearing System in real time.

#### Article 5

Notwithstanding the provisions of Article 4, Transactions traded on Euronext Paris Markets relating to linked Transactions (DSOs), are registered in the Clearing System at a later time.

#### Article 6

Posting in the Clearing Member's system must be the same as the one stated in the Clearing System.

#### Article 7

For Margin calculation purposes, LCH SA uses the data resulting from the Posting carried out by the Clearing Member on its Position Accounts, in accordance with the principles set out in Section 3.2.2 of the Clearing Rule Book.

### **Section 1.2 Specific Operations: Give-Up**

#### Article 8

No Give-Up can be granted for Trade Legs carried out for one's own account or for a Market Maker account.

#### Article 9

Give-Up can only be performed on an intra Trading Day basis during the clearing hours defined in a Notice.

#### Article 10

Several types of Give-Ups are possible:

- manual: the Give-Up is directly transferred by the allocator Clearing Member and accepted by a the allocatee Clearing Member in the Clearing System, ("take up");
- systematic: the allocatee Clearing Member gives its prior approval for acceptance of Give-Ups coming from an allocator Clearing Member,

This approval must be expressed and be communicated to LCH SA by letter, before its implementation in the Clearing System. The Clearing System initiates the take up;

- automatic: the Give-Up information is given at the same time as the order execution on the market and transmitted by the trading system to the Clearing System. The allocatee Clearing Member must accept the Give-Up in order for it to be effective.

#### Article 11

When they are different entities, the allocator Clearing Member and the allocatee Clearing Member must sign an agreement for the systematic Give-Up, by which:

- the allocator undertakes to send the Trade Legs, referred to in the agreement, to the designated allocatee,
- the allocatee undertakes to inform LCH SA if it accepts the Give-Up and to perform the Posting of the Trade Leg, by providing LCH SA with a dully filed in "take-up declaration of compliance" which template is available in the admission file.
- the allocatee, if it refuses Give-Up, must inform the allocator. The concerned Trade Leg will then remain in the books of the allocator.

#### Article 12

As far as manual and automatic Give-Ups are concerned, the acceptance of the allocatee is tacit and is deemed to occur on activation of the "take-up" functionality available on the clearing access means.

#### Article 13

Give-Up acceptance implies the transfer of all rights and obligations linked to the Trade Leg of the allocator Clearing Member to the allocatee Clearing Member, when they are different entities.

#### Article 14

When the Give-Up is related to Securities Market, the Clearing Member can give up, i.e become an allocator, if it has been admitted as such by LCH SA, pursuant to a technical test period of one calendar month.

Such admission is subject to the results of prior technical assessments and to the operational parameters of the Clearing Member (criteria of volume, applicant status).

#### Article 15

LCH SA acknowledges receipt of all Give-Up requests sent by allocator Clearing Members, as well as all Give-Up approvals sent by allocatee Clearing Members, when they are different entities

## **CHAPTER 2 PROVISIONS DEALING WITH SECURITIES MARKETS**

### **Section 2.1. Positions Keeping**

*The provisions hereafter and Annex 1 are setting out the positions keeping for administrative purposes. As reminder LCH SA obligations' to deliver or to pay are carried out on net basis as it is set out in Article 1.3.2.10 of the Clearing Rules.*

#### Article 16

The house and client Position Accounts opened by LCH SA in the name of the Clearing Member are managed on a gross basis.

Thus the Clearing Member cannot request LCH SA to offset Trade Legs in the above-mentioned Position Accounts.

### **Section 2.2 Cancellation of Transactions**

#### Article 17

LCH SA will cancel Transactions in the Clearing System, as soon as it receives the request from the relevant Market Undertaking under the conditions set out in the latter's Trading Rules. Such cancellation may occur until LCH SA sends the instructions of settlement to the relevant Securities settlement systems, the relevant Central Securities Depositories of Reference or the relevant central banks.

#### Article 18

The parties involved in such cancellation are informed by the Relevant Market Undertaking, under the terms set out in its Trading Rules.

## **CHAPTER 3 PROVISIONS DEALING WITH DERIVATIVES MARKETS**

*The provisions hereafter and Annex 1 are setting out the positions keeping for administrative purposes. As reminder LCH SA obligations' to deliver or to pay are carried out on net basis as it is set out in Article 1.3.2.10 of the Clearing Rules.*

#### Article 19

On an exceptional basis, LCH SA executes functionalities, usually directly executed by Clearing Members, on their behalf on their express request.

LCH SA may provide this service only when a Clearing Member justifies that its information system suffers from a major operational or technical failure preventing the execution of the functionality. The Clearing Member request must comply with the requirements set-up in a Notice.

#### Article 20

LCH SA reserves the right to refuse such request or to limit the number of operations to be executed on the Clearing Members behalf per Clearing Member and per Clearing Day.

#### Article 21

LCH SA notifies by any means the related Clearing Member for any operations executed on the latter's behalf.

### **Section 3.1. Position keeping and calculation of market gross open interest**

#### **A. General provisions**

#### Article 22

The Clearing Member is allowed to offset Open Positions only if the corresponding Trade Legs were initiated by the same entity. The Clearing Member must obtain such information from its Trading Members or Clients.

The Clearing Member performs a corresponding offsetting therefore obtaining a net Open Position for each Trading Member Client, and when applicable, for its own account.

#### Article 23

The offsetting can be cancelled:

- on the same Clearing Day by the Clearing Member; or
- during the following five Clearing Days by LCH SA on behalf of the Clearing Member and on the latter express request.

#### Article 24

The Clearing Member shall send a motivated request to LCH SA within five Clearing days following the related offsetting. This request shall contain several mentions as indicated in a Notice.

#### Article 25

LCH SA accepts or refuses to cancel the offsetting. Refusal shall be justified and/or the Clearing Member may be enjoined to provide to LCH SA further documents.

#### Article 26

The house and client Position Accounts opened by LCH SA in the name of the Clearing Member are managed on a gross basis, except for:

- The Trading Member acting for its own account ("dealer") which house Position Account is managed on a net basis;
- The client of a Clearing Member having a dedicated Position Account, which Position Account can be managed on a net basis, upon request of the Clearing Member.

The Market Maker Position Account opened by LCH SA in the name of the Clearing Member is managed net.

#### **B. Position keeping for Open Positions executed on Euronext Amsterdam Derivatives Markets**

#### Article 27

The clients Positions Accounts opened by LCH SA in the name of the Clearing Member are managed on a gross basis.

The house and the Market Maker Position Accounts opened by LCH SA in the name of the Clearing Member are managed net.

#### **C. Calculation of market's gross open interest**

#### Article 28

Market's gross open interest corresponds, for all Clearing Members to the aggregation of the client, Market Maker, and house Open Positions at the Margin Account level for a given Open Position held in the same Positions Accounts.

#### Article 29

For each Derivative Financial Instrument, the market's gross open interest is calculated as follows:

- for futures contracts, on a maturity-by-maturity basis; and
- for option contracts on a maturity-by-maturity basis and on a series-by-series basis, by aggregating all Open Positions as defined in Article 28. LCH SA publishes this calculation daily.

## **Section 3.2 Specific Operations**

### **A. Corrections**

#### Article 30

A Correction on a Trade Leg of a Derivative Financial Instrument is performed by the Clearing Member, till the fifth Clearing Day following the day of registration of the relevant Trade Leg.

### **B. Transfer of Open Positions**

#### **B.1 Transfer of Open Positions: General Provisions**

#### Article 31

Internal Transfer of Open Positions is carried out between the Clearing Members' Positions Accounts within its Account Structure.

#### Article 32

External Transfer of Open Position is initiated by an « initiating » Clearing Member to another « receiving » Clearing Member, until the expiry of the relevant Trade Legs.

#### Article 33

The Transfer of Open Position can be performed from the Clearing Day following the registration of the related Trade Legs until the expiry of the relevant Derivative contract.

#### Article 34

The Transfer of Open Position is submitted to LCH SA's approval. Each of the initiating and the receiving Clearing Member shall send a request to LCH SA.

Such request shall not be in conflict with the segregation rules defined in the Clearing Rule Book.

Such request may be cancelled by the initiating Clearing Member at any time until the time LCH SA has approved the Transfer of Open Position.

#### Article 35

The time limit for LCH SA to acknowledge the Transfer of Open Position is indicated in a Notice.

Notwithstanding the mentioned above, the receiving Clearing Member can impose an earlier deadline for external Trade Legs Transfer submitted to it.

#### Article 36

LCH SA approves/refuses the Transfer of Open Positions in the Clearing System on the Clearing Day following the Transfer of Open Positions request following the documents provided by the Clearing Member and taken into account on the following basis

- Future contracts are transferred on the basis of Open Positions valued at the Settlement Price of the day preceding the day of the Transfer of the Open Positions
- Option contracts are transferred without financial movements.

#### Article 37

As soon as LCH SA gives its approval, either the relevant Open Positions are transferred in real-time, or they are transferred at the end of the Clearing Day ("batch Transfer of Open Positions"), following the Clearing Member's request.

#### Article 38

Transfer of Open Positions is forbidden for Market Makers unless:

- The Clearing Member justifies that the Market Maker information system had suffered from a major operational or technical failure preventing him from trading. In such case the Trade Legs can be registered in another Clearing Member house or client Account and transferred to the relevant Clearing Member Market Maker Position Account.
- On the Dutch Clearing Segment, the Clearing Member must provide LCH SA with the approval issued by Euronext Amsterdam.

## **B.2 « Corrective » Transfers of Open Positions: Specific Provisions**

Article 39

The internal or external corrective Transfer of Open Positions is performed by the Clearing Member from the Clearing Day following the registration of the related Trade Legs until the fifth Clearing Day (included) following the day of the Posting of the related Trade Legs.

Article 40

By opposition to the provision of Article 37 above, for corrective Transfer of Open Positions, LCH SA takes into account the negotiation price of the Trading Day preceding the day of the Transfer of Open Positions.

Other provisions of part B1 fully apply to corrective Transfers of Open Positions.

## **C. Option contract Exercises and Assignments**

### **C.1 General provisions**

Article 41

A Clearing Member which buys an American-style option contract can exercise it at any time and up to the option's expiry (included). The abandonment will only occur at the option contract's expiry.

A Clearing Member which buys a European-style option contract can exercise it or not (abandon) only at the option's expiry (included).

Article 42

At the expiry date, based on the reference price as defined by the Relevant Market Undertaking, in-the-money options (excluding exercise costs) are automatically exercised, unless the buying Clearing Member requests otherwise before the cut of time mentioned in Article 43 below. At the expiry date at-the-money and out-of-the-money options are automatically abandoned unless the buying Clearing Member requests otherwise before the cut of time mentioned in Article 43 below.

Article 43

Except for automatic Exercise or abandonment performed by LCH SA in the conditions described in Article 41, the final decision to exercise or abandon an option remains under the sole liability of the Clearing Member. The Clearing Member shall ensure that its order to exercise or abandon an option has been properly performed by LCH SA which reserves the right to reject such order. In such case, LCH SA informs the Clearing Member who shall comply with the process indicated by LCH SA.

Article 44

Instructions to exercise or to abandon option contracts must be issued within the timeframes specified in a Notice.

In case of exceptional market events affecting the closing of the trading session or in case of corporate events for which the effects on the valuation of option are not known until the end of the trading session, LCH SA can decide to extend the Exercise cut off time.

Any extension of the Exercise deadline is addressed in a Notice.

Article 45

If an option contract is exercised or not (abandoned), the assigned or not assigned Clearing Members are designated on pro rata on their short Open Positions in the relevant series.

Article 46

Every Exercise shall be irrevocable and shall give rise to a purchase or a sale in accordance with the terms contained in the option contract.

The Clearing Member which exercises the option contract and the one which has been assigned must each designate a Trading Member or a Clearing Member active on the market, where the underlying is traded and having the appropriate settlement solution, if they are not themselves Trading Member or Clearing Member of that market.

Notwithstanding the above mentioned, the Clearing Member can revoke or amend an Exercise until the Exercise cut off time.

## **C.2 Consequences of an Assignment**

### Article 47

The option contract then becomes a Transaction on the underlying Financial Instrument at the Exercise price and for the quantity of such option contract, multiplied by the lots size of the option contract.

### Article 48

The segregation principles at the Margin Account level, following an Exercise/Assignment are the same as those set out in Articles 3.2.2.2 to 3.2.2.5, 3.2.2.7, and 3.2.2.8, of the Clearing Rule Book.

The delivery and settlement of Transactions resulting from an Exercise/Assignment is subject to the same conditions as any other Securities directly traded on the relevant market.

### Article 49

The Exercise/Assignment of a Clearing Member having an Open Position on an index option contract generates a cash settlement on the Clearing Day following the expiry.

### Article 50

The Exercise/Assignment of a Clearing Member having an Open Position on an option on an interest rate future contract generates an Open Position on an interest rate future on the relevant Euronext Derivatives Market.

**ANNEX 1**  
**Illustration of Position Account keeping on the Relevant Markets Undertaking for Listed Derivatives**

Illustration of Position Account keeping for listed derivatives

At Clearing Member Firm level	Client Account Structure				House Account Structure				
At Client level	Trading Member Firm (TMF)				Non TMF				
At Position Account level	Position Account type	Clients	Client X	House	Market Maker	Clients	Client Y	House	Market Maker
	Management of positions	gross	gross*	gross or net	net	gross	gross*	gross or net	net
	Position offsetting	yes	yes	yes	na	yes	yes	yes	na

*(\*) By default, positions are managed on a gross basis; they can be managed on a net basis, upon request of Clearing Member, when the Client has a dedicated Position Account (see article 26)*  
*Reminder: whatever the case, the Margin Accounts are always managed in net*