

LCH

CDSClear

Clearing innovation for unmatched capital
and operational efficiencies



LSEG POST
TRADE

LCH CDSClear clears more European and US credit derivatives than any other CCP.

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01. The benefits of partnership

LCH CDSClear volumes and market share have been surging for more than 18 months, demonstrating the growing popularity of a service that truly reflects the needs of both members and their clients.

Built in partnership with the industry, LCH CDSClear is not only the fastest-growing CDS clearing service in the world but also the only European credit CCP that allows you to cross-margin European and US products. And as the only CCP to clear Credit Index Options, we continue to deliver innovative solutions that meet the clearing needs of markets globally.

By helping us develop our products, you are ensuring that LCH CDSClear more effectively meets your daily clearing needs, whether you are a member or a client, while also benefiting from LCH's world-class risk and default management solutions.

So what does that bring to you? With more products than any other clearing service, there are now even greater opportunities for capital efficiency through margin offsets. We also deliver enhanced asset protection and extensive opportunities for portfolio margining, as well as risk-free compression, tailored backloading and rebalancing for all participants – all within a transparent framework.

02. Why LCH CDSClear?

When you clear with CDSClear, an EMIR-authorised, France-based clearing service of LCH, you benefit from the years of experience and expertise that established SwapClear as the world's leading interest rate swap clearing service. This allows LCH CDSClear to focus on delivering unmatched capital and operational efficiencies, confident that its service is underpinned by a proven, robust and reliable risk management platform.

It's this leadership in risk management, along with our proven willingness to innovate with unique products such as Credit Index Options, that enables us to optimise clearing for participants while addressing all regulatory requirements.

03. So what makes us different?

01.

Industry partnership

We have a proven commitment to working with our members and their clients to continually enhance the service and drive even greater efficiencies.

02.

Product breadth

LCH CDSClear offers the broadest product coverage of any Credit Derivatives clearing service worldwide. It is also the only CCP in Europe to clear European and US Indices, Single Names and Index.

03.

Credit Index Options clearing

LCH CDSClear is the only global service where you can clear Credit Index Options and take advantage of our new risk management framework.

04.

Risk management

Our unique risk management framework captures wrong-way risk associated with clearing senior financial names, including CDS-referencing member banks. As a result, we are the only CCP in Europe to clear all single-name constituents of the Senior Financials Index

05.

Trusted default management

Our loss attribution is based on a robust waterfall and risk neutralisation, with portfolios auctioned among surviving members.

06.

Risk-free compression

As a highly flexible risk management service, compression reduces both the number of trades that could be impacted by credit events, as well as the associated capital and operational costs.

07.

Backloading

Full customisation allows clearing members and their clients to optimise volumes accepted and margins required on a daily or weekly basis.

08.

Margin rebalancing

This enables members to rebalance risk across CCPs and/or to the OTC space.

04. What we clear

LCH CDSClear clears more European and US products than any other CDS clearing service, with over 500 Single Names and over 100 indices. Index Basis packages are eligible for clearing on Main, Crossover, Senior Financials and Subordinated Financials.

US products	
CDX.NA Indices	US Single Names
CDX.NA.IG indices: from series 14 onward CDX.NA.HY indices: from series 24 onward	Single Names on the reference entities composing the CDX.NA.IG indices (excluding monolines); quarterly IMM maturities up to 10-year
US dollar-denominated	US dollar-denominated
Standard quarterly coupons	100/500bps quarterly coupons
ISDA 2014 Credit definitions	Standard North American Corporate (SNAC) transaction type confirmed under ISDA 2014 Credit definitions

European products	
iTraxx® Europe Indices	US Single Names
Main, Crossover indices: from series 13 onward Senior Financials indices: 5-year & 10-year tenors from series 11 onward	Single Names on the reference entities composing the iTraxx Europe Main, Crossover, HiVol and Senior Financial indices; quarterly IMM maturities up to 10-year
Euro-denominated	Euro-denominated
Standard quarterly coupons	25/100/300/500bps quarterly coupons
ISDA 2003 & 2014 Credit definitions	European Corporate (EC), Standard European Corporate (SEC) or Standard European Financial Corporate (SEFC) transaction types confirmed under ISDA 2003 and/or 2014 Credit definitions

Options	
	Credit Index Options
Swaptions Underlying Indices	iTraxx® Europe Indices <ul style="list-style-type: none">– iTraxx® Main 5Y OTR and OTR -1 Series– iTraxx® Crossover 5Y OTR and OTR -1 Series CDX.NA Indices <ul style="list-style-type: none">– CDX.IG 5YR OTR and OTR-1 Series– CDX.HY 5YR OTR and OTR-1 Series
Option Type	Receiver/Payer
Expiries	1M, 2M and 3M expiries
Exercise	<ul style="list-style-type: none">– Options exercise available on expiry day only– Exercise window:<ul style="list-style-type: none">– 9 a.m. to 4 p.m. London time on expiry day (iTraxx only)– 9 a.m. to 11 a.m. ET on expiry day (CDX only)– Options clearing service features an innovative Electronic Exercise Platform that facilitates electronic exercise of cleared index options on an anonymous basis
Strikes	iTraxx® Europe Indices <ul style="list-style-type: none">– iTraxx® Main index family: Multiples of 2.5bps– iTraxx® Crossover index family: Multiples of 12.5bps CDX.NA Indices <ul style="list-style-type: none">– CDX IG family: Multiples of 2.5bps– CDX HY family: Multiples of 0.5 cents
Approved Matching Provider	<ul style="list-style-type: none">– Intraday Clearing service provided by MarkitWire– Direct connectivity from other trading venues possible via Clearlink API
Settlement	Physically settled, delivered Index CDS automatically cleared at LCH CDSClear
Services	Available for both member and client flows

LCH. The Markets’ Partner.

LCH builds strong relationships with commodity, credit, equity, fixed income, foreign exchange (FX) and rates market participants to help drive superior performance and deliver best-in-class risk management.

As a member or client, partnering with us helps you increase capital and operational efficiency, while adhering to an expanding and complex set of cross-border regulations, thanks to our experience and expertise.

Working closely with our stakeholders, we have helped the market transition to central clearing and continue to introduce innovative enhancements. Choose from a variety of solutions such as compression, sponsored clearing, credit index options clearing, contracts for differences clearing and LCH SwapAgent for managing uncleared swaps. Our focus on innovation and our uncompromising commitment to service delivery make LCH, an LSEG business, the natural choice of the world’s leading market participants globally.

About Markit

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