

LCH SA CDS Clearing Procedures

Section 6 - CDS Default Fund

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Capitalised terms used in this CDS Default Fund Procedure and not otherwise defined herein shall have the meaning given pursuant to the remainder of the CDS Clearing Documentation, as such term is defined in the document entitled "CDS Clearing Rule Book" published by LCH SA, as amended from time to time.

6.1 SCOPE

This Section 6 of the Procedures sets out the method for calculating the size of the CDS Default Fund and certain related matters.

6.2 COLLATERAL PAYMENT ARRANGEMENT

A Clearing Member's Contribution must be made by way of Cash Collateral.

For further details about the transfer of Cash Collateral, please refer to Section 3 of the Procedures.

6.3 ELIGIBLE CURRENCIES

Cash Collateral transferred to satisfy a Clearing Member's Contribution Requirement must be made in an Eligible Currency.

For a list of Eligible Currencies please refer to Section 3 of the Procedures.

6.4 CALCULATION OF THE CDS DEFAULT FUND AMOUNT

The size of the CDS Default Fund is equal to the Combined Unmargined Risk.

Default Fund size

= 1.1

* $Max_{60\ days} \left(Max_{Scenarios} \left(Max_{Member} (UR) + 2ndMax_{Member} (UR) \right) \right)$

where UR stands for the Group Member Uncovered Risk.

The Group Member Uncovered Risk is computed on a daily basis for each stress-test scenario.

The Group Member Uncovered Risk is calculated in accordance with the methodology established by LCH SA after consultation with the Risk Committee. The parameters used to calculate the Group Member Uncovered Risk and the funded contributions are set out in a Clearing Notice and published on the Website.

6.5 CALCULATION OF A CLEARING MEMBER'S CONTRIBUTION

Article 4.4.1.3 of the CDS Clearing Rule Book sets out the method by which a Clearing Member's Contribution shall be calculated.

6.6 ADDITIONAL CONTRIBUTION AMOUNT

This Paragraph 6.6 applies if, in accordance with Article 4.4.1.4 of the CDS Clearing Rule Book, LCH SA calls on Clearing Members to make an Additional Contribution Amount.

Each Clearing Member shall pay the Additional Contribution Amount with Euro-denominated Cash Collateral, through TARGET2.

If notified on or before 14:00, each Clearing Member shall pay the Additional Contribution Amount to LCH SA by 09:00 on the next Business Day and if notified after 14:00, at the payment window used for the purpose of the First Intraday Call on the next Business Day.

However, if Competitive Bidding has been conducted in accordance with the CDS Default Management Process and LCH SA is due to register Transfer Positions on the following calendar day, then LCH SA may, through TARGET2, request that each Clearing Member pay its Additional Contribution Amount:

- (a) where the request for an Additional Contribution Amount was sent by LCH SA on or before 14:00 – by 15:55 on the same Business Day; or
- (b) where the request for an Additional Contribution Amount was sent by LCH SA after 14:00 – by 09:00 on the next Business Day.

LCH SA will provide Clearing Members with as much notice as is reasonably practicable of its intention to call for payment of the Additional Contribution Amount. Notice will be given by publication of the AC0102E and AC0103E Treasury Reports through any reporting mechanism specified in a Clearing Notice and by telephone call to the telephone number notified to LCH SA as part of the relevant Clearing Member's admission application.

6.7 CDS DEFAULT FUND FLOOR

The floor to the CDS Default Fund is EUR 100 million.

6.8 CAPPING OF THE CDS DEFAULT FUND

The CDS Default Fund is not capped at a specific amount.

6.9 RETURN OF CASH COLLATERAL

For the conditions and timetable for the return of Cash Collateral by LCH SA please refer to Section 3 of the Procedures.