

Clearing Notice

2020/001

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Effective from 8 January 2020

CDSClear – Requirements for requesting specific margin calculations for CDS index basis packages

Pursuant to Section 4.2.1.2 of the CDS Clearing Rule Book, LCH SA hereby publishes a Clearing Notice regarding an update to the Margin Requirements for certain Cleared Transactions when these are identified as being part of an Index Basis Package (“**IBP**”). An Index Basis Package comprises of Index Cleared Transactions and Single Name Cleared Transactions (the “**Index Basis Package Cleared Transactions**”), which meet the criteria set forth herein. LCH SA has decided to extend its current offering of portfolio margining to comport with the European Securities and Markets Authority (“**ESMA**”) opinion on portfolio margining published on 10 April 2017 (the “**ESMA opinion**”) (please refer to the relevant Regulatory Update 07 [here](#)).

Index Basis Packages

Subject to the terms and conditions described herein, a Clearing Member (or, pursuant to the notification procedure below, a Client) may request that certain of its Index Basis Package Cleared Transactions be deemed eligible to specific IBP margin calculations. These specific IBP margin calculations are the result of the Index Basis Package Cleared Transactions being treated as a single instrument for the purpose of Initial Margin calculations, in accordance with the ESMA opinion. LCH SA shall have full discretion in determining whether to apply such specific margin calculation. In the event LCH SA approves such request, the specific IBP margin calculation will be applied in respect of such set of Index Basis Package Cleared Transactions.

The specific IBP margin calculation request is available only for Index Basis Packages which are identified to LCH SA as being composed of either:

- (i) a long or short index CDS position and an opposite short or long position in that index CDS single name CDS constituents, where the single name CDS notional amounts respect the weighting of each index CDS constituent; or
- (ii) a long or short index CDS position and a combination of an opposite short or long position in one of the index CDS’s sub-index CDS and the remaining index CDS single name CDS constituents that are not also constituents of the sub-index CDS, where the single name CDS notional amounts respect the weightings of each index CDS constituents on one hand and

the sub-index CDS notional amount respects the sum of its single name CDS constituent weightings on the other hand.

Index CDS constituents must have the same coupon, maturity and seniority, be subject to the same ISDA Credit Derivatives Definitions and restructuring clause as the index CDS, and sub-index CDS where relevant.

Any such set of positions within the IBP and accepted by LCH SA for specific margin calculations shall, for so long as they are so identified, remain subject to further conditions described below. In addition to the foregoing, LCH SA may impose notional thresholds and any other limits or parameters with respect to IBPs and may so notify Clearing Members and Clients of such parameters.

Compression

For so long as a set of Cleared Transactions remains approved as an IBP, such Cleared Transactions shall be excluded from automatic compression against the rest of the portfolio, although Clearing Members may instruct LCH SA to perform ad hoc compression of such Cleared Transactions. Automatic compression may still be applied between one or more Index Basis Package Cleared Transactions on the same index family and maturity.

Transfer

Unless an IBP is broken up at the Clearing Member's request, it shall be transferred as a package.

Notification procedure

Pursuant to and in accordance with the terms and conditions of a duly completed and signed notification form available on demand (a "**Request Delegation Form**"), Clients may submit their requests for specific margin calculations directly to LCH SA.

Clearing Members and Clients shall address their requests that specific margin calculations be applied to a set of Cleared Transactions to the attention of the CDSClear Operations department.

Any queries or requests for further information should be sent to LCH SA's CDSClear Operations department at cdsclear.ops@lch.com.

Capitalised terms used in this Clearing Notice and not otherwise defined herein shall have the meaning given pursuant to the document entitled "CDS Clearing Rule Book" published by LCH SA, as amended from time to time.

Any amendments or modifications to the content of this Clearing Notice will be published by LCH SA in an updated Clearing Notice.

LCH SA

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