

	<b>N°</b>	<b>Title</b>
<b>Instruction</b>	<b>II-1.2</b>	<b>SPECIFIC PROVISIONS APPLICABLE TO AN ALLIED CLEARING HOUSE.</b>

***Pursuant to Articles 2.1.1.5 to 2.1.1.7 of the Clearing Rule Book.***

**Article 1**

For the purpose of this Instruction, Cassa di Compensazione e Garanzia (“CC&G”) is the only Participant recognised by LCH SA as an Allied Clearing House.

Pursuant to Articles 2.1.1.6 and 2.1.1.7 of the Clearing Rule Book, the Allied Clearing House is submitted to the same rights and obligations as a General Clearing Member except regarding the following items:

- a) On site inspection/audit obligations, under Articles 2.2.1.1 i) and 2.4.2.1 *et seq.* Nevertheless, LCH SA endeavours to look for all information needed in order for it to be able to assess the operational risk on the Allied Clearing House and to inform the relevant Competent Authority of any problem related to the Allied Clearing House so that the Competent Authority can act upon this information according to its powers;
- b) Tools and medias for communication of information;
- c) Authorised Clearing Operators requirements under Article 2.2.2.5 *et seq.*;
- d) Buy-in and sell out procedures, under Articles 1.3.2.10 and 3.4.1.19, since LCH SA and the Allied Clearing House have an identical buy-in/sell out procedures vis-à-vis their own participant;

Furthermore:

- e) Margin requirements are calculated in accordance with the terms of Instruction IV.2-5; excluding debt Securities Intra-day Margins.
- f) Default Fund contribution obligation, under Article 4.3.0.1 *et seq.*, is replaced by an exchange between LCH SA and the Allied Clearing House of a specific adequate additional Margin as specified hereinafter.

**Article 2**

LCH SA and the Allied Clearing House call an identical additional Margin from each other, to be deposited only in cash (Euro) and to be used exclusively in case of the default of the other.

When LCH SA or the Allied Clearing House defaults, the non defaulting party will draw, after exhausting the defaulting party’s daily Initial Margin, the additional Margin the latter has deposited, under the terms, conditions and sequence contained in the rules applicable to non defaulting party’s participants.

**Article 3**

The additional Margin equals to the average of positive variation of margin requirements without margins on fails from LCH SA to the Allied Clearing House and from the Allied Clearing House to LCH SA, calculated on a period of 250 Clearing Days, increased by 3 standard deviations of the same amounts during a period of 10 Clearing Days.

The additional Margin is calculated and called on a daily basis.