

	<b>N°</b>	<b>Title</b>
	<b>II.4-1</b>	<b>INFORMATION AND AUDITS</b>

***Pursuant to Sections 2.4.1 and 2.4.2 of the Clearing Rule Book***

**CHAPTER 1 COMMUNICATION OF INFORMATION**

The provisions of this Chapter 1 do not apply to Special Clearing Members.

**Article 1**

Information that can be requested by LCH SA from the Clearing Member, includes but is not limited to:

- Account opening agreements between the Clearing Member and its (Associated) Trading Members or Clients;
- Any agreement regarding the provision of clearing and settlement services between the Clearing Member and its (Associated) Trading Members or Clients (including Clearing Agreements);
- Any document reflecting the recording of the Transactions in the different Position Accounts held by the Clearing Member (house, client, Trading Member, Market Maker) per Clearing Day;
- Any document regarding the management of Net Fails as issued by the system used by the Clearing Member;
- Any document regarding the management of corporate events as issued by the system used by the Clearing Member;
- Any document indicating the Clearing Member's risk management adequacy (cf. quality requirements as defined in Instruction II.2-2);
- Any document indicating the capacity of the Clearing Member's (Associated) Trading Members or Clients to fulfil their obligations, including but not limited to the Margin obligations (cf: records of collateral received);
- Any document regarding money laundering procedures.

**Article 2**

LCH SA has confidentiality obligations in accordance with the Admission Agreement. However, it can disclose any information obtained under this Instruction to Competent Authorities or any relevant jurisdiction or arbitration court as appointed in the Admission Agreement.

LCH SA can also disclose this information to other exchanges or clearing houses in the context of exchange-of-information arrangements, as provided in Article 1.3.4.1 of the Clearing Rule Book, provided that these arrangements are bound by a confidentiality undertaking.

### **Article 3**

When a Clearing Member does not disclose the information required by LCH SA, without justifying this refusal either by a mandatory provision of law or national regulation or by duly documented proof of its incapacity, despite its diligence, to obtain such documentation from its clients, LCH SA may consider this refusal as an Event of Default, as defined in the Clearing Rule Book. Accordingly, LCH SA can take any measure to reduce its risk, such as increasing the Margin obligations of this Clearing Member.

## **CHAPTER 2      AUDITS**

### **Section 1      *Audits required by the Competent Authority(ies)***

#### **Article 4**

If LCH SA is mandated by one or more Competent Authorities to audit a Clearing Member, the audit will be conducted according to the rules applicable regarding this Competent Authority.

### **Section 2      *Audits at LCH SA's initiative***

#### **Article 5**

As soon as the Clearing Member has signed the Admission Agreement and until the agreement is terminated, LCH SA can audit the Clearing Member's clearing activities.

#### **Article 6**

LCH SA contacts the legal representatives of the Clearing Member, by any means, to advise it that LCH SA wishes to audit it and, as the case may be, to state the third party to which it has delegated its audit, in accordance with the Clearing Rule Book.

In case LCH SA performs the audit itself or delegates it pursuant to Article 2.4.2.4 of the Clearing Rule Book to one of the Euronext Market Undertakings it should advise the Clearing Member at least the Clearing Day preceding the audit.

When the Clearing Member subcontracts its clearing activities pursuant to Article 2.2.2.2 of the Clearing Rule Book, wholly or partially, the subcontractor must have undertaken to submit itself to LCH SA's audits in the same circumstances as those applicable to the Clearing Member, the latter will therefore take all necessary steps to inform the subcontractor of the audit.

#### **Article 7**

In case the audit is performed by external auditors, LCH SA must advise the Clearing Member at least three Clearing Days preceding the audit.

If the Clearing Member considers that there is a conflict of interest regarding one auditor as stated in Article 2.4.2.4, it will notify LCH SA, prior to the launching of the audit.

Such notification shall contain a description of the causes of such conflict of interest.

#### **Article 8**

On the date agreed on or imposed by LCH SA, the auditors will come to the relevant premises and remit to a legal representative of the Clearing Member the mandate by which they are empowered to carry out the audit, as well as a document proving their identity.

This mandate will contain the object of the audit, which can be either precise points or the global assessment of the Clearing Member's fulfilment of its obligations under the Clearing Rule Book.

Once the mandate has been remitted, the audit starts.

#### **Article 9**

The Clearing Member will grant auditor(s) access to any of its premises or to any other premises where the clearing activities are carried out.

Auditor(s) can require, from any of the Clearing Member's employees or persons acting for and/or on its behalf, for any document or information that it considers necessary to fulfil its task.

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Auditor(s) can also ask to interview any of the Clearing Member's employees or persons acting for and/or on its behalf.

The Clearing Member must give fair and helpful assistance to auditor(s).

**Article 10**

The Clearing Member and auditor(s) will meet regularly in order to follow the progress of the audit and to define the remaining points to be tackled.

The frequency of such meetings is determined by the Clearing Member.

The meetings will be held on the Clearing Member's premises unless the parties agree otherwise.

The number of persons attending a meeting for each party shall not exceed eight, unless the parties agree otherwise.

Once all points have been discussed, LCH SA presents, during the last meeting, a draft audit report for review by the Clearing Member, who can make comments. Those comments will be attached to the audit report.

The audit report is descriptive only and does not contain recommendations.

**Article 11**

The final version of the report is given to the Clearing Member, within 10 Clearing Days of the last meeting referred to above, by letter with acknowledgement of receipt.

The Clearing Member will answer this report, within 10 Clearing Days of receiving it.

**Article 12**

Further to the answer to the report, a follow up audit can be organised by LCH SA.

**Article 13**

On the basis of an audit report, LCH SA can declare that the Clearing Member does not comply with the Clearing Rules and is therefore in default or, in respect of a Special Clearing Member, that a Special Clearing Member Event has occurred, as the case may be.

LCH SA will therefore take the appropriate measures as mentioned in Article 4.5.2.1 of the Clearing Rule Book.

The Clearing Member shall be informed of LCH SA's decision by letter with acknowledgement of receipt.