

	N°	Title
	IV.2-4	CROSS MARGINING FOR FRENCH CLEARING SEGMENT

CHAPTER 1 SCOPE

Article 1

To calculate the Margin that must be deposited by Clearing Members with LCH SA, and by beneficiaries, mentioned in Chapter II hereinafter, with Clearing Members, with respect to so-called "cross-margined" Open Positions on Financial Instruments, LCH SA can authorise a "cross margining procedure" according to the terms and conditions set out hereinafter.

The procedure encompasses all Trade Legs taken by the same beneficiary in one or the other of the following cases :

- On one hand, the Trade Legs in a USIT on indices ("hereinafter referred to as "trackers"), the relevant indices are the Dow Jones Stoxx 50, the Dow Jones Euro Stoxx 50 and the CAC 40, and on the other hand, Open Positions in future and option contracts with the same underlying indices, or;
- On one hand the Trade Legs in underlying Securities of Monep options and on the other hand the Open Positions in the options contracts on these Securities

CHAPTER 2 BENEFICIARIES

Article 2

The cross-margining procedure defined hereinafter can be applied only to Open Positions taken as principal by Market Maker of the Monep.

CHAPTER 3 AUTHORISATION PROCEDURE AND UNDERTAKINGS

Article 3

To benefit from cross-margining, the beneficiaries referred to in Article 20 must obtain prior authorisation from LCH SA.

Furthermore, beneficiaries that are not Clearing Members must sign an agreement with their Clearing Member(s) whereby the former undertake to:

- observe the operating procedure established jointly by LCH SA on cross margining;
- declare to LCH SA the trackers or underlying Securities of Monep options that benefit from the cross-margining procedure; only those Trade Legs meeting the criteria laid down by LCH SA may be taken into consideration;
- maintain separate record-keeping for cross-margined Trade Legs taken in the two markets and those taken by the beneficiary in those same markets;

- assign all the Collateral described in Articles 4 and 5 to the joint guarantee of cross-margined Trade Legs;
- submit to documentary or on-the-spot verifications by LCH SA, or any agent designated by it, of activities subject to cross-margining.

A copy of this agreement will be transmitted to LCH SA.

CHAPTER 4 MARGINS AND GUARANTEES

Article 4

Initial Margin calls by LCH SA on the beneficiaries' Trade Legs of trackers cross margining and intended to cover incurred risk, i.e. price changes since the trade date, will continue to be calculated separately and daily. Similarly, Variation Margin calls on futures on indices will continue to be calculated and settled daily.

In contrast, Margin intended to cover prospective price movements is called solely with respect to residual risk, given the imperfect correlation between :

- either trackers and Trade Legs in corresponding futures and options;
- or underlying Securities of Monep options and the positions in corresponding Securities.

The methods of calculating and calling Margin for residual risk are specified in a Notice on parameters for Margins.

Article 5

The Clearing Members pass on to the beneficiaries the Margin requirement of LCH SA, regarding their cross margined Positions, according to the same principles as to those stipulated in Article 4.