

LCH's CDSClear Launches Credit Index Options Clearing

- LCH becomes the first CCP to clear credit index options
- CDSClear launches clearing of credit index options on the IHS Markit iTraxx Main 5Y and IHS Markit iTraxx Crossover 5Y indices
- Expansion of CDSClear will bring members and clients additional funding, capital and operational benefits

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LCH, a leading global clearing house, today announced that it has extended its CDSClear platform to include the clearing of credit index options. This addition to LCH's credit derivatives clearing service follows the launch of CDX high-yield clearing in July 2017.

LCH is the first CCP to design, develop and implement a risk framework for the clearing of credit index options. The model has been approved by European and French regulators, under the EMIR framework, as well as US regulators (CFTC and SEC). MarkitSERV, the post-trade service from IHS Markit, will process cleared credit index options for both dealer-to-dealer and dealer-to-client flows.

Frank Soussan, Global Head of CDSClear, LCH, said: "CDSClear continues to go from strength to strength, with a significant increase in volumes over the last 12 months. By extending CDSClear to the clearing of credit index options, members and clients can take advantage of significant funding, capital and operational benefits. This latest service is part of our continued expansion and innovation at CDSClear as more of the market moves toward clearing."

"CDSClear's launch of credit index options will provide us with more opportunities for netting and the ability to better manage initial margin," said Samik Chandarana, head of Global Credit Index Trading at J.P. Morgan. "As the first framework of its kind, this is an important step in the evolution of this market."

Francois Popon, Head of European CDS Trading, Societe Generale, said: "Evolving regulations as well as the significant capital and operational benefits have acted as a driver for us to make more use of clearing service. We look forward to continuing to work with CDSClear to achieve enhanced risk management and improved efficiency across our credit business."

The innovative risk framework for clearing will bring significant benefits to members and clients, including:

- **Portfolio Margining:** the service will bring initial margin benefits from full cross-margining of options with indices and single names
- **Margin Optimisation:** multi-lateral netting from facing a single counterparty (LCH) will provide margin and capital benefits
- **Operational Risk Reduction:** the ability to bring numerous bilateral counterparty exposures down to a single net exposure to the CCP per instrument will significantly ease the options exercise process
- **Funding Benefits:** with uncleared margin rules, clients and members will have an increased ability to manage bilateral initial margin versus cleared initial margin

The CDSClear credit index options rollout will be introduced in two phases. Phase one will cover both interdealer and client flows for 1-month, 2-month and 3-month expiries on underlying CDS indices from IHS Markit, namely: iTraxx Main 5Y OTR & OTR-1 series and iTraxx Crossover 5Y OTR & OTR-1 series. Phase two,

subject to regulatory approval will involve 1-month, 2-month and 3-month expiries on the underlying indices of: CDX IG 5Y OTR & OTR-1 series and CDX HY 5Y OTR & OTR-1 series.

For further information

Rhiannon Davies, Tel: +44 (0)20 7426 7523

Lucie Holloway, Tel: +44 (0)20 7797 1126

About LCH

LCH is a group of leading multi-asset clearing houses that provides proven risk management capabilities across a range of asset classes. As demand for robust clearing services continues to grow, LCH is committed to maintaining the highest standards of risk management across all our services.

As the markets' partner, LCH operates an open access model, offering a choice of execution venues, delivering unprecedented choice and efficiencies to the marketplace.

LCH operates clearing houses around the world, with clearing houses incorporated in the UK, France and the United States with additional offices in the Asia Pacific region. It offers clearing services across asset classes including OTC and listed rates; CDS and FX; fixed income; commodities; cash equities and equity derivatives.

LCH is majority owned by London Stock Exchange Group (LSE.L), an international markets infrastructure business that sits at the heart of the world's financial community.

Further information on LCH can be found at www.lch.com

About Markit

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