

Member Notification

Date: 3 October, 2018

To: LCH SA - EquityClear Members

Updates on De-netting Risk Margin and Treasury Reports

Dear Member,

LCH SA is pleased to announce the upcoming enhancement of the De-Netting risk margin and consequently of the AC0102E treasury report (txt and XML format).

High level description of the De-netting risk enhancement

The settlement process creates de-netted positions where members hold several Delivery Accounts or have positions on several Settlement Dates.

This risk arising from the settlement process needs to be taken into account in the margins as Initial Margins are calculated on netted positions at Margin Account level.

Therefore, the De-netting risk margin has been enhanced in order to daily capture these risks and to take into account the two de-netting components:

- **The De-netting risk due to several Delivery Accounts**
Driven by the additional risk when having **more than one Delivery Account for a single Margin Account (enhance of the current model)**.
- **The De-netting risk due to several settlement dates (S/S-1)**
This is the additional risk resulting from de-offsetting between **different settlement dates (new component)**.

De-netting risk margin collection

De-netting risk margin collection will be improved moving from a monthly collection to a **daily collection**, in the initial morning call at 8:00 am CET and in the Intra-Day call at 2:25pm CET.

De-netting risk impacts on Treasury Reports

- A daily reporting of the De-netting risk margin in a dedicated bucket “Additional Margins (DNR)” - see updated AC0102E report (txt and XML format via your current access means eCCW® and/or LCAP).
- All other contents of the report remain unchanged.

Updated AC0102E report (txt)

The AC0102E txt report will be updated to show the new De-netting risk margin (displayed in yellow color below):

(D) ----> FLUX DIVERS / VARIOUS FLOW	S/Cpte M House S-Acc	S/Cpte I Market Maker S-Acc	S/Cpte C Client S-Acc	TOTAL TOTAL
PENALITE / PENALTY	0,00C	0,00C	0,00C	0,00C
TVA PENALITE / PENALTY VAT	0,00C	0,00C	0,00C	0,00C
RACHAT TITRE / REPURCHASE OF SECURITIE	0,00C	0,00C	0,00C	0,00C
ANNUL SUSPENS TIT. / FAILS CANCEL. SECURITIE	0,00C	0,00C	0,00C	0,00C
REGUL CHAMBRE COMPENS./ REGUL. CLEARING HOUSE	0,00C	0,00C	0,00C	0,00C
	-----	-----	-----	-----
	0,00C	0,00C	0,00C	0,00C
(M) ----> FLUX GARANTIE / COLLATERAL FLOW				
COUVERTURE EXIGEE RISQUE LIQUIDATION / LIQUIDATION RISK	0,00C	0,00C	157.931,00D	157.931,00D
COUVERTURES ADDITIONNELLES (DEFAULT FUND) / ADDITIONAL MARGINS (DEFAULT FUND)	0,00C	0,00C	0,00C	0,00C
COUVERTURE EXIGEE RISQUE NEGOCIATION / NEGOCIATION RISK	0,00C	0,00C	0,00C	0,00C
COUVERTURE PRET/EMPRUNT BRUXELLES / L&B BRUSSELS RISK	0,00C	0,00C	0,00C	0,00C
MAJORATION DE COUVERTURE / INCREASE COVERAGE	0,00C	0,00C	0,00C	0,00C
MARGES ADDITIONNELLES (NWR) / ADDITIONAL MARGINS (NWR)	0,00C	0,00C	0,00C	0,00C
MARGES ADDITIONNELLES (LCRM) / ADDITIONAL MARGINS (LCRM)	0,00C	0,00C	10.429,08D	10.429,08D
MARGES ADDITIONNELLES (DNR) / ADDITIONAL MARGINS (DNR)	0,00C	0,00C	0,00C	0,00C
MARGES ADDITIONNELLES (Autres) / ADDITIONAL MARGINS (Others)	0,00C	0,00C	0,00C	0,00C
MARGES ADDITIONNELLES - CREDIT RISK / ADDITIONAL MARGINS - CREDIT RISK	0,00C	0,00C	0,00C	0,00C
TOTAL COUVERTURE EXIGEE JOUR / TOTAL MARGIN REQUIREMENTS	-----	-----	-----	-----
	0,00C	0,00C	168.360,08D	168.360,08D

De-netting risk impacts on AC0102E (xml file)

The AC0102E xml file will be updated as below, including the 2 components of the De-netting risk margin mentioned previously:

New NATOP XML report

```
<Mrgn>
  <MrgnTp>DNRCSD</MrgnTp>
  <MrgnAmt Ccy="EUR">0</MrgnAmt>
  <ShrtLngInd>LONG</ShrtLngInd>
</Mrgn>

<Mrgn>
  <MrgnTp>DNRCDA</MrgnTp>
  <MrgnAmt Ccy="EUR">0</MrgnAmt>
  <ShrtLngInd>LONG</ShrtLngInd>
</Mrgn>
```

Project timelines

- Testing environment from **4 October 2018**

- **Production will be updated in 3 steps:**
 - **8 November 2018** → **Technical deployment only**, for creation of De-netting risk field on the AC0102E txt report and XML.
This new field will show all amounts at “zero” in the field “Additional Margins (DNR)” and the current De-netting risk margin will still be available and accurate in the current “De-netting risk cash call document” area.

 - **7 December 2018** → The new created De-Netting Risk field will display the margins amounts in the line “Additional Margins (DNR)”. From this point, the current “De-netting risk cash call document” area will show amounts at “zero” (not accurate anymore).

 - **Before end of 2018** → The current “De-netting risk cash call document” area will be deleted from the AC0102E txt report. A communication on the precise date of this modification will be send later on.

The updated Treasury Reports and XML will be provided to Members, upon request to the following email address: treasury.ops.fr@lch.com

SA EquityClear Business Development & Relationship Management team remains at your disposal for any additional questions,

Best regards,

Juan José Lizana | Business Development & Relationship Manager (Cash Equities & Listed Derivatives)

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