

	N°	Title
	V.4-4	CLEARING & SETTLEMENT OF TRIPARTY REPOS

Pursuant to Title V of the Clearing Rules.

This Instruction describes the Clearing and Settlement process of Triparty Repo Transactions, the main characteristics of which are defined in a dedicated Notice.

CHAPTER 1 – CLEARING PROCESS

Section 1.1 Posting of Transactions

Article 1.1.1

The Posting of a Trade Leg is the process by which the Clearing Member registers a Trade Leg, or a part of it, either for its own account or for a third party account, on one of the Position Accounts opened in the Clearing Member's name in the Clearing System.

Posting is suspended in case of any unavailability of the Clearing System.

For Triparty Repo clearing services, Posting is automatic: information on Posting is transmitted by the trading system when the Transaction is executed and then transmitted to the Clearing System. Posting is initiated by the Clearing System, without any intervention of the relevant Clearing Member.

Article 1.1.2

LCH SA acknowledges receipt of Postings sent by Clearing Members in the Clearing System in real time.

Article 1.1.3

Posting in the Clearing Member's system must be the same as the one stated in the Clearing System.

Article 1.1.4

For Margin calculation purposes, LCH SA uses the data resulting from the Posting carried out by the Clearing Member on its Position Accounts, in accordance with the principles set out in the Instruction on Margining of Triparty Repos (Calculation Methodology).

Section 1.2 Registration of Transactions

Article 1.2.1

Each Clearing Day, upon reception and successful passing of technical and functional tests, LCH SA registers Triparty Repo Transactions, within the clearing hours, as set out in a Notice.

LCH SA notifies in real time the relevant Clearing Member of the acceptance of its Transactions.

CHAPTER 2 – SETTLEMENT AND DELIVERY

Article 2.1

LCH SA sends the Net Position Exposures of each Clearing Member, when modified, to Euroclear Collateral Management System according to cut offs times for automatic allocation of collateralising securities.

LCH SA sends in-border (Collateral Giver and Collateral Taker both within the Euroclear Bank environment or both within the Euroclear France settlement environment) or cross-border (Collateral Giver and Collateral Taker within different settlement environment (one within Euroclear Bank and one within Euroclear France)) collateral management instructions.

Euroclear Collateral Management System is responsible for sending the appropriate settlement Instructions to the CSD of Reference, pursuant to the latter's rules.

Article 2.2

Settlement Instructions are sent in delivery versus payment mode to the CSD of Reference.

CHAPTER 3 – TRADE CANCELLATION

Article 3.1

LCH SA will cancel Transactions in the Fixed Income Clearing System, as soon as it receives the request from the relevant Market Undertaking under the conditions set out in the latter's Trading Rules. The parties involved in such cancellation are informed by the Relevant Market Undertaking, under the terms set out in its Trading Rules.

CHAPTER 4 – PAYMENT OBLIGATIONS

Article 4.1

The Cash Lender or Collateral Taker is expected to pay to the Cash Borrower an amount of cash equivalent to the amount of collateralizing securities delivered by the latter, with LCH SA being interposed.

Article 4.2

The Cash Borrower or Collateral Giver is expected to deliver to the Cash Lender an amount of collateralising securities and to pay the total interest amount at maturity on the corresponding cash amount, with LCH SA being interposed both pursuant to the terms of the Initial Transaction.

CHAPTER 5 – MARGIN REQUIREMENTS

Margin requirements are detailed in a dedicated Instruction.

CHAPTER 6 – MANAGEMENT OF FAILS

Allocation Fails are managed in accordance with Article 5.2.3.3 of the Clearing Rule Book.

CHAPTER 7 – DEFAULT MANAGEMENT

Clearing Member Events of Default are managed in accordance with the Clearing Rule Book and the Triparty Repo Default Management Instruction.

CHAPTER 8 – CORPORATE EVENTS MANAGEMENT

Section 8.1 Corporate events management

Article 8.1.1

Corporate events occurring on the collateralising securities follow Euroclear Collateral Management System's rules and are managed by the Collateral Management System accordingly.

In the specific case of an Event of Default, LCH SA manages corporate events as described below.

Article 8.1.2

Triparty Repos are subject to three types of corporate events:

- Coupons payment,
- Split, and;
- Redemption.

Section 8.2 Coupons payment

Article 8.2.1

LCH SA shall exclusively apply coupon payments on Trade Legs corresponding to Triparty Repo Transactions, when such coupon payment occurs during the period between the Initial Transaction and the Return Transaction.

Article 8.2.2

For Repos Transactions, in case a coupon payment occurs during the period between the Initial Transaction and the Return Transaction, LCH SA calculates the coupon amount at the registration of the Initial Transaction in the Clearing System and integrates that coupon amount (including the accrued interest on this coupon) in the cash amount of the Return Transaction. This coupon amount is due to the Clearing Member holding the relevant Securities on record date.

CHAPTER 9 – CASH SETTLEMENT

For the purposes of article 5.2.3.4 of the Clearing Rule Book, the formula to be used for calculating the cash settlement amount in order to debit the Cash Lender's account and credit the Cash Borrower's account is the following :

Cash Settlement = Nominal to be returned x (clean price parameter + accrued coupon d-1)

In which :

- clean price parameter and accrued coupon on d-1 data are provided by LCH SA in its reporting to each relevant Clearing Member,
- clean price parameter includes valuation price and margin applied by LCH SA for the Security concerned,
- "nominal to be returned" includes ECB haircut.