

CDSClear

Credit index options clearing

Mitigate risk for credit derivatives portfolios

Risk innovation at the service of the credit derivatives market

LCH CDSClear continues to extend its leadership in innovation through its partnership with the industry. Since launching the first clearing service for credit index options (CIOs) featuring the iTraxx® Main and Crossover indices in 2017, LCH CDSClear has delivered access to a growing pool of market makers and an expanding cleared

notional product offering, including the recent addition of CDX™ HY and IG index options. By clearing CIOs at LCH CDSClear, our members and their clients are able to reduce risk, increase operational efficiency and drive significant funding benefits.

What is CIO clearing?

Covering both inter-dealer and client flows, LCH CDSClear is offering the industry's first and fastest-growing CIO clearing service. Initially it enables you to clear one-month, two-month and three-month swaptions on these underlying indices:

ITRAXX® EUROPE INDICES

- iTraxx® Main 5Y OTR and OTR-1 series
- iTraxx® Crossover 5Y OTR
- OTR-1 series

CDX™.NA INDICES

- CDX™.IG 5YR OTR and OTR-1 series
- CDX™.HY 5YR OTR and OTR-1 series

Who does it help?

CIO clearing is an excellent risk management tool for banks, hedge funds and asset managers. So whether you are a trader, portfolio manager or risk/middle-office professional, it's worth taking a look. We've already seen strong demand from the large banks, with nine clearing members live and a number of their clients in the process of onboarding.

What are the key benefits?

Voluntary clearing of options gives clients the flexibility to reduce the risk of their entire credit derivatives portfolio.

01.**Capital reduction**

Facing the CCP lowers the capital risk weighting compared to facing a bank or clearing broker. Multilateral netting also reduces gross bilateral counterparty exposures down to a single net exposure to the CCP.

03.**Operational risk reduction**

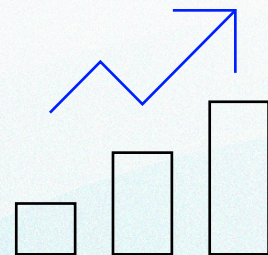
Multilateral netting, the consolidation of multiple positions across a number of counterparties into a CCP net position, materially reduces operational risk by enabling a single expiry/exercise instruction per instrument. Our Electronic Exercise Platform, available to clearing members and their clients, enables users to perform secure, anonymous exercise of cleared options in real time.

02.**Margin offsets**

Swaptions and the delta on the underlying index can now be cleared together, enabling market participants to manage their cleared versus bilateral IM more efficiently, and realise offsets of up to 90% for delta hedged options.

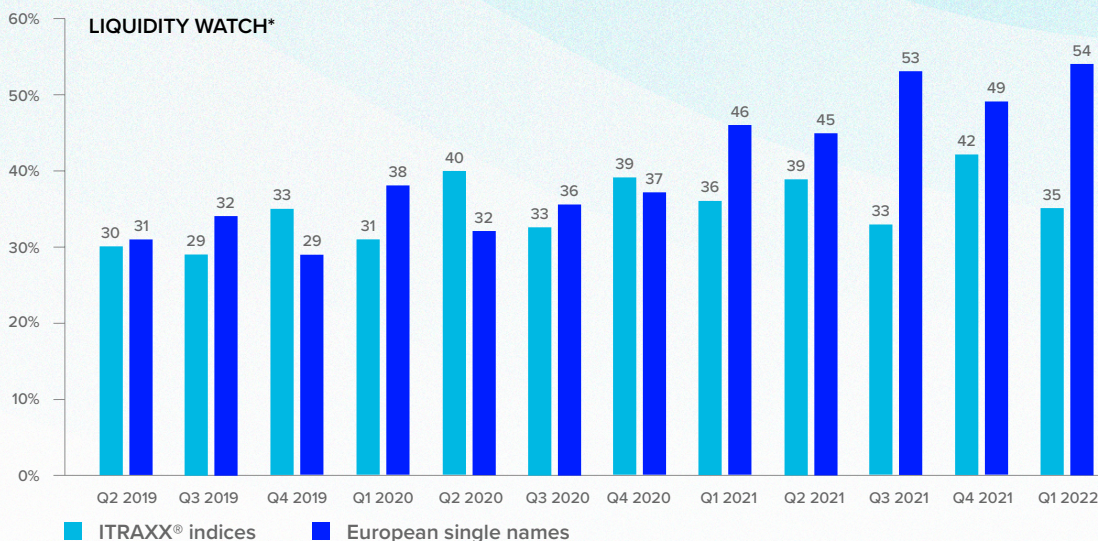
04.**Industry-wide efficiencies**

CIO clearing results in increased market liquidity and price transparency.



Liquidity on the rise

The CDS clearing landscape is changing, with LCH CDSClear volumes and market share surging for more than 18 months. This reflects the growing popularity of a service that meets the needs of both members and clients.



*Sources: Market share calculation is based on notional values from LCH CDSClear (lch.com) and ICEClearEurope (theice.com) (excl. sovereigns)

- Market segment share calculation is based on notional values from CDSClear (www.lch.com) and ICE (www.theice.com) (excl. sovereigns)
- Notional is double sided and includes notional cleared of both European and US products (notional cleared in USD have been converted in EUR).
- Markit CDX™ and Markit iTraxx® are service marks of Markit North America Inc. and Markit Indices Limited

and have been licensed for use by LCH SA. The Markit CDX™ and Markit iTraxx® indices referenced herein are the property of Markit North America Inc. and Markit Indices Limited and are used under license. The Index CDS eligible for clearing by LCH SA are not sponsored, endorsed, or promoted by Markit North America Inc. and Markit Indices Limited or any of its members

A unique partnership

Built in partnership with the industry, LCH CDSClear is not only the fastest-growing CDS clearing service in the world but also the only European service that allows clients to:

- Cross-margin European and US indices, singles names and index options in a single CCP
- Clear credit index options

- Clear all senior and subordinated financial single names, including CDS on member banks, enabling clients to clear index arbitrage strategies to maximise margin efficiencies

Now, with even more opportunities on the horizon, there has never been a better time to join LCH CDSClear as a client.



LSEG POST
TRADE

Contact us

Email lchsales@lseg.com
Phone +44 (0) 20 3197 4516
Website lch.com/services/cdsclear

Disclaimer

This document has been provided to you for informational purposes only and is intended as an overview of certain aspects of, or proposed changes to, the SwapClear, Listed Interest Rates, SwapAgent and/or any other service provided by LCH Group Holdings Limited ("LCH Group") or any of its group undertakings (group undertakings shall be construed in accordance with section 1161 of the Companies Act 2006; each an "LCH Group Company").

LCH Limited is supervised by the Bank of England within the UK regulatory framework, registered as a derivatives clearing organisation with the U.S. Commodity Futures Trading Commission ("CFTC") and recognised as a third-country CCP under Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("EMIR"). LCH S.A. is regulated and supervised in France by the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the Banque de France, authorised as an E.U. CCP under EMIR, registered as a derivatives clearing organisation with the CFTC and as a clearing agency with the U.S. Securities and Exchange Commission. LCH Limited and LCH S.A. also hold licenses or authorisations in other jurisdictions in which they offer their services. More information is available at www.lch.com

The relationship of an LCH Group Company with its members is governed solely by its rulebook and certain other ancillary documentation, as applicable. This document does not, and does not purport to, contain a detailed description of any aspect of a service provided by an LCH Group Company or any other topics discussed in this document, and it has not been prepared for any specific person. This document does not, and does not seek to, constitute advice of any nature. You may not rely upon the contents of this document under any circumstance and should seek your own independent legal, investment, tax and other advice. The information and any opinion contained in this document does not constitute a recommendation or offer with respect to any derivative contract, financial instrument, security or service. No LCH Group Company makes any representation, warranty, condition or guarantee (whether express or implied) that the contents of this document are accurate, complete or up-to-date, and makes no commitment to offer any particular product or service. No LCH Group Company shall have any liability for any losses, claims, demands, actions, proceedings, damages, costs or expenses arising out of, or in any way connected with, the information contained in this document, except that each LCH Group Company accepts liability that cannot be excluded by applicable law.

Copyright © LCH Limited 2023. All rights reserved. Copyright © LCH S.A. 2023. All rights reserved. LCH SwapClear, LCH CDSClear, LCH ForexClear, LCH RepoClear, LCH EquityClear, LCH SwapAgent and €GCPlus are registered trademarks of LCH.