

OPERATIONS

21 May 2015

Update - Flex contracts and additional intraday series cycles

Dear Clearing Members,

LCH.Clearnet SA is pleased to confirm the launch of the Flex contracts and implementation of additional intraday series cycles. These new services will be delivered in two lots as follows:

- The Lot 1 includes two main services:
 - Creation of the Flex contracts with an expiry day on the third Friday of the month
 - Additional intraday series cycles for the creation of Flex and COB contracts
- The Lot 2 covers the creation of the Flex contracts with an expiry date on any business day of the month (and not only on the third Friday)

The Clearing Members will be able to start their end to end tests (Lot 1) on the 15th of June for a go live in July 2015 (exact date to be confirmed).

The go live of Lot 2 is planned after summer 2015.

The launches (date and content) are subject to relevant internal and regulatory reviews.

1. What is a Flex contract?

The Flex contracts service supports trading and clearing of tailor-made futures and options contracts on various asset classes. Options and Futures using the Flex contracts facility can be customized by choosing the settlement type, the expiration date, the exercise price and the exercise style.

2. Benefits to clear the Flex contracts

The Flex contracts facility gives Market Participants total flexibility and fungibility with the added benefit of mitigated counterparty risk by novating trades through LCH.Clearnet SA.

3. How it works?

Clearing operates through the derivatives clearing system. Trades on Flex contracts are matched on the Euronext platforms, registration of matched transactions presented to LCH.Clearnet SA occurs during the intraday series cycles.

LCH.Clearnet SA will offer some margin offsets between Flex and COB Instruments on same underlying.

4. Additional intraday series cycles

New intraday series cycles will be introduced for the creation of the COB and Flex contracts as follows:

- MONEP clearing organization (financial products): 9:30 am, 12:00 am, 3:45 pm, 5:15 pm & 6:15 pm CET (5:25 pm cycle to be removed)
- MATIF clearing organization (commodities): 11:30 am, 3:30 pm, 5:30 pm CET (only COB)

- contracts - no Flex Contract will be created on commodities)
- A product referential file will be broadcast to Clearing Members for each intraday series cycle detailing the new intraday series (8 intraday product files per day)

5. Technical changes in the clearing system for lot 1*

Some technical changes in the clearing system will be associated to the new services. For lot 1, they are mainly related to the management of the products referential:

- New intraday series cycles will be added for the creation of the COB and Flex contracts
- The structure of the contract Id will include the expiry day (DD) for the Flex contracts (no change for the COB contracts)
- A flag will be filled in an existing field to distinguish in between COB and Flex contracts

Even if Clearing Members aren't active on the Flex contracts they will have to process the additional intraday series cycles at the launch of Lot 1.

These changes are detailed in the attached Powerpoint report. The updated specifications and associated samples of files are available in the LCH.Clearnet secured area (https://secure-area.lchclearnet.com/secure_area/Default.asp).

() The changes related to the lot 2 will be communicated at a later stage.*

6. Member Onboarding

To confirm their interest in the Flex contracts, the Clearing Members are invited to contact their LCH.Clearnet SA account managers. They will check the clearing authorization of Members on the Flex clearing segments.

LCH.Clearnet SA invites all clearing members – including those who do not plan to clear Flex contracts from launch – to study potential impacts in their systems and participate at least to end-to-ends non regression tests.

7. Testing period

The end-to-end test period of Lot 1 will start on the 15th of June. It will cover trading and clearing platforms. The testing period of Lot 2 will start in late summer 2015.

The Operations Department remains at your disposal for any information or assistance.

Best regards.

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