



LCH.Clearnet SA

CCP services offer on CDS products

European Central Bank meeting
February 24th, 2009

Rationale / Expertise / Target date

○ Rationale

- Echo from LCH.Clearnet SA's members firms and banks associations for a CCP solution established in the Euro-zone.
- Request from LCH.Clearnet SA's regulatory bodies and authorities

○ LCH.Clearnet SA expertise and credentials

- Leading independent CCP licensed as a credit institution in the Euro-zone
- Regulated and supervised as an investment service provider under the terms of the Consolidated Banking Directive and as a securities settlement system operator under the terms of the Settlement Finality Directive
- Recognised expertise as clearing house on various markets and financial instruments (exchange traded derivatives, equities, OTC products).
- Access to TARGET2 system : cash settlement facilities in central bank money (management of intra-day liquidity)
- Compliance with high industry standards such as CPSS-IOSCO recommendations
- Track record in projects' delivery

- **Target date:** December 2009 with maximum re-use of existing clearing systems.

Service offer - product coverage & processes

- **CCP services to be offered in a two-step approach to:**
 - CDS based upon European indices
 - CDS on European listed single names

- **CCP services main features to be refined according to members and regulators feedback:**
 - Trade management
 - Position management:
 - Novation facing off against LCH.Clearnet SA
 - Multilateral netting on a daily basis
 - Appropriate risk management:
 - Position valuation on a daily basis
 - Margining (initial and variation margining) with SPAN methodology and calls
 - Clearing guarantee fund
 - Default management processes relevant to the characteristics of CDS products in case of credit events (ISDA framework)
 - Settlement/delivery - Safe payment processing through TARGET2 system
 - Fully automated clearing services (Straight Through Processing)