

Member Notification

LCH SA is enhancing its risk framework introducing 2 add-on margins for capturing risk arising from:

- Liquidity and Concentration Risk at Legal Entity level: LEM* (Legal Entity Margin)
- Physical delivery on Option and Future exercises: E2AM* (Exercise to Assignment Margin)

*subject to regulatory non-objection

LCH SA will therefore update accordingly AC0102 treasury report (txt and XML format).

High level description of these Add-on Margins

Add-on Margin	Rational	Scope	Timing
LEM add-on	To capture the inherent risk related to the simultaneous default of entities linked to the same legal entity (LEI).	All positions on EquityClear (Cash Equity and Financial Listed Derivative) and CommodityClear	Would be called (if applicable), in the intraday day call at 2:00 pm CET
E2AM add-on	To cover the risk in the Cash and Derivatives margin framework related to physical delivery resulting from option and Future exercises	All expiry positions with physical delivery on Equity Listed Derivatives (incl. Equity Options and Single Stock Futures) with price > 0.1€ the day of expiry	On monthly expiry during the first Intra-Day call at 11:00 am CET the day of the expiry. Reset to 0 for the initial morning call of next day of the expiry.

Add-on margins impacts on Treasury Reports

Daily reporting of both LEM and E2AM add-ons in a dedicated bucket of AC0102E report (txt and XML format via your current access means eCCW® and/or LCAP)

Add-on Margin	AC0102 (txt) Bucket	AC0102 (xml) Natop

LEM add-on	MARGES ADDITIONNELLES (LEM) / ADDITIONAL MARGINS (LEM)	<u>For MONEP:</u> <Mrgn> <MrgnTp> LEMMON</MrgnTp> <MrgnAmt Ccy="EUR">0</MrgnAmt> <ShrtLngInd>LONG</ShrtLngInd> </Mrgn> <u>For MATIF:</u> <Mrgn> <MrgnTp>LEMMAT</MrgnTp> <MrgnAmt Ccy="EUR">0</MrgnAmt> <ShrtLngInd>LONG</ShrtLngInd> </Mrgn> <u>For SBF:</u> <Mrgn> <MrgnTp> LEMCAS</MrgnTp> <MrgnAmt Ccy="EUR">0</MrgnAmt> <ShrtLngInd>LONG</ShrtLngInd> </Mrgn>
E2AM add-on	MARGES ADDITIONNELLES (EAM) / ADDITIONAL MARGINS (EAM)	<u>For MONEP:</u> <Mrgn> <MrgnTp>EAMMON</MrgnTp> <MrgnAmt Ccy="EUR">0</MrgnAmt> <ShrtLngInd>LONG</ShrtLngInd> </Mrgn> <u>For SBF:</u> <Mrgn> <MrgnTp>EAMCAS</MrgnTp> <MrgnAmt Ccy="EUR">0</MrgnAmt> <ShrtLngInd>LONG</ShrtLngInd> </Mrgn>

NB: All other contents of the report remain unchanged

Implementation timelines

Ø Production will be updated in 2 steps :

- **As of 26 June 2020: Technical deployment with creation of dedicated new risk fields in AC0102E txt and XML report.**
These new dedicated fields will display all amount at “zero”.
Add-on margins amounts will be populated under the field “Majoration de couverture”.

- **Q3 2020: Add-on margins amounts will be displayed in each dedicated bucket and natop (field of the xml report).** As of this date, the current “Majoration de couverture” area will no more include those add-ons margins amounts.

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

Best regards,

Email: SAEquityClearBusinessDev&RM@lch.com

LCH.SA