

How it works

Trade Management

All transactions that are submitted to LCH.Clearnet SA are registered in its clearing systems in the name of the clearing member. Upon registration novation occurs. As a result of novation, LCH.Clearnet SA becomes counterparty to the clearing member and becomes therefore subject to the rights and subject to the obligations arising from the transaction registered in the name of such clearing member.

Position management

LCH.Clearnet SA aggregates trade legs with respect to payment of cash or delivery of securities, into open positions. The trade legs and open positions are managed within positions accounts. The clearing members can modify the posting into the positions accounts, when needed, using corrections, give-ups, transfers.

Settlement management

LCH.Clearnet SA together with Euroclear Group have designed a settlement solution, Euronext Stock Exchange Settlement (ESES). This solution offers clearing members the possibility to settle their exchange trades against LCH.Clearnet SA on a Delivery-Versus-Payment - DVP – basis via the settlement platform of their choice (Euroclear Bank or the domestic Central Securities Depository) i.e. :

- Euroclear France or Euroclear Bank for Clearing Members working on Euronext Paris
- Euroclear Belgium or Euroclear Bank for Clearing Members active on Euronext Brussels,
- Euroclear Netherlands or Euroclear Bank for Clearing Members active on Euronext Amsterdam and LSE DTS,
- Interbolsa for Clearing Members active on Euronext Lisbon.

Risk Management

For transactions registered in the clearing systems, margins are required to cover:

the liquidation risk, the open positions value variation in case of unfavourable market evolution;
the negotiation risk, which covers the open positions past variations ("marked to market").

LCH.Clearnet SA informs clearing members of the amount relative to the margins required on the morning of their eligibility. The calculations are made using SPAN ®.

Furthermore, a Clearing Member is obliged to contribute to the clearing fund. Once a month LCH.Clearnet SA shall determine the size of the clearing fund and the level of each individual clearing member's contribution. The total amount that may initially be called must, at a minimum, cover the price risk run by the clearing member in respect of its largest uncovered risk.

Default Management

In case a clearing member does not fulfil its payment or delivery obligations LCH.Clearnet initiates sell-out or buy-in procedures. If LCH.Clearnet SA is unable to deliver a given financial instrument, pursuant to the market conditions, LCH.Clearnet SA will pay a cash amount in lieu of delivery to the clearing member suffering from the default. Those procedures are at the defaulting clearing members expense. In case of real global default others measures can be taken.

Timetable of a Clearing Day

Members and providers		Clearing systems	
5.30am	Receiving Cash reference database (update following CE)		
9am	Beginning of real time clearing Opening of NSC-VE, NSC-VW, NSC-VL and TCS2 markets		
9am to 6pm	Receiving trades (MS 5011, 5021) and messages (MS 2xxx, 3xxx, 4xxx, 5xxx)		
6pm	Sending of public CE file (SPxxxOA)	5.30pm /6pm	First part CE processing (settlement date = D+1)
6.30pm	Receiving trades NSC-VL (MS 5011,5021)		
7pm	Closing TCS2 (members)		
7.30pm	Closing TCS2 (market monitoring) Receiving Cash reference database		
8pm	End of real time clearing	8pm	Open milestone (SBF) End of real time (MS 5551)
6am to 9.15pm	Sending to the CSD of the 'Movements to settle' file	8.15pm	Beginning of clearing systems processing
Before 9pm	Receiving messages following the ex/ass (MS 5011,5021)		
9pm	Sending of SPAN [®] files (SPxxxBA)	9.15pm	Deletion operations (MS 4031,4041,5021)
6pm to 10.30pm	Sending of SIF/BIF files (EPxxxssSIF/EPxxxssBIF)	9.30pm	Recycling coupons (MS 5012, 5022)
		9.45pm	Batch 'POST' milestone (SBF) Systematic posting batch
		10.00pm to 10.30pm	2nd part corporate events processing (settlement date<D+1)
11.00pm	Sending of Position Resume files (SPxxxS3)	10.30pm	Batch 'BCOE' milestones (SBF) end of corporate processing (MS 5552)
7.00pm	Sending of PB result file (SPxxxB1)	12.00pm	Batch 'CROLF' milestone (SBF) date modification (MS 5552)

8.00pm	Sending of Margin calls documents (EpxxxF1 file transfer or fax)	12.30pm	End of clearing systems processing