NOTICE

LCH.CLEARNET

NOTICE >> LCH.Clearnet SA Corporate Reference No.: 2011-128

RISK NOTICE

From: Risk Department
Date: 26th August 2011
Markets affected: Securities listed on :
Euronext Cash Amsterdam, Brussels, Lisbon, Luxembourg and Paris
Securities traded on SecFinex, Equiduct

NOTICE OF MARGIN PARAMETERS

LCH.CLEARNET SA sets the margin parameters for the **SPAN® Cash algorithm** pursuant to the instruction IV.2-1 and margin parameters for the **additional margins to cover denetting risk linked to the use of several delivery accounts** pursuant to the instruction IV.2-3.

These modifications concern:

- **Parameters for the intermediary liquidation risk (Shares)**
- **Liquidity inter-classes credit (Shares)**

The changed parameters are printed **in bold** in the appendix.

These amounts shall come into effect with the margin call on the morning of **Tuesday 30th August 2011**, for the positions at the close of **Monday 29th August 2011.**

The clearing members shall require margins from clients and trading members on the basis of principles defined in Article 4.2.0.6 of the clearing Rule Book.

These parameters are applied as part of the SPAN ® methodology available on the LCH.CLEARNET web site:

www.lchclearnet.com / risk_management/ sa / Methods / Methodology SPAN ® Cash

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Clearing Organization SBF

Equities and assimilated products (Algorithm using the Liquidity Classes)

Parameters for the intermediary liquidation risk

Liquidity Class[1]	x %[2]	y %[3]
LQ1*ZZ*	**6.10%**	6.50%
LQ2*ZZ*	8.75%	**5.65%**
LQ3*ZZ*	9.75%	**14.85%**
LQ4*ZZ*	19.50%	10.70%

Liquidity inter-classes credit

Priority	Coefficient inter[4]	Liquidity class 1	Side of the overall net position[4]	Liquidity class 2	Side of the overall net position[5]
1	**5.3%**	LQ1*ZZ*	A	LQ2*ZZ*	B

All securities have been re-assigned in liquidity class regarding following criteria:

- LQ1*ZZ*: stocks in main indices (AEX+BEL20+CAC40+PSI)
- LQ2*ZZ*: other continuously traded stocks
- LQ3*ZZ*: ETF, investment funds
- LQ4*ZZ*: fixing traded stocks and others

Note that: the study concerning the correlation between the various liquidity classes, shows that the general market risk (y) could be reduced by :

- 88% between LQ1ZZ and LQ2ZZ

To obtain the inter coefficient for each priority, the following formula is applied:

- for priority 1: $(0,88*y_1+0,88*y_2)/2$,

[1] *ZZ*= Currency Code
[2] X = Specific risk applied to the overall gross position (PA + PV)
[3] Y = General market risk applied to the overall net position (PA - PV)
[4] The Inter Coefficient is applied to the smallest common overall net position (PA - PV) between the concerned liquidity classes
[4] The A/B side means that positions on the liquidity classes must have opposite sides

BONDS (Algorithm using Duration Classes)

Parameters for the intermediary liquidation risk

Duration Class	x %[1]	y %[2]
DR4*ZZ*	1,05 %	1 %
DR5*ZZ*	1,03 %	0,67 %
DR6*ZZ*	1,76 %	0,6 %

Duration intra-class charge

Duration Class	Intra Coefficient[3]
DR4*ZZ*	0,40 %
DR5*ZZ*	0,44 %
DR6*ZZ*	0,50 %

[1] X = Specific risk applied to the overall gross position(PA + PV)
[2] Y = General market risk applied to the overall net position (PA - PV)
[3] The intra coefficient is applied to the smallest common value between the net buying positions and the net selling positions of the concerned duration classes

Parameters in order to increase the negotiation risk

Clearing Organization SBF

Equities and assimilated products

In case of non quotation

Liquidity class	Buying c_1	Selling c_2
LQ1*ZZ*	1 %	1 %
LQ2*ZZ*	1 %	1 %
LQ3*ZZ*	1 %	1 %
LQ4*ZZ*	1 %	1 %

In case of significant variations

Liquidity class	Stop-loss threshold (1)	Buying c_3	Selling c_4
LQ1*ZZ*	14 %	10 %	10 %
LQ2*ZZ*	14 %	15 %	15 %
LQ3*ZZ*	20 %	20 %	20 %
LQ4*ZZ*	20 %	20 %	20 %

(1) The variation to the “stop-loss” threshold compared with previous day prices must be:
- strictly inferior for negative variation prices
- strictly superior for positive variation prices

BONDS

In case of non quotation

Duration class	Buying c_1	Selling c_2
DR4*ZZ*	0.2 %	0.2 %
DR5*ZZ*	1.0 %	1.0 %
DR6*ZZ*	2.0 %	2.0 %

In case of significant variations

Duration class	Stop-loss threshold (1)	Buying c_3	Selling c_4
DR4*ZZ*	1 %	0.2 %	0.2 %
DR5*ZZ*	5 %	1.0 %	1.0 %
DR6*ZZ*	10 %	2.0 %	2.0 %

(2) The variation to the “stop-loss” threshold compared with previous day prices must be:
- strictly inferior for negative variation prices
- strictly superior for positive variation prices

ADDITIONAL MARGINS TO COVER DE-NETTING RISK LINKED TO THE USE OF SEVERAL DELIVERY ACCOUNTS

The de-netting risk is measured by comparing the Open Positions due for settlement the next Clearing Day to the de-netted Open Position which could result from the settlement process.

The following algorithm will be used:

A = the risk of the Open Position to be settled =

(buying Open Positions to be settled + selling Open Positions to be settled) x X% +
(buying Open Positions to be settled - selling Open Positions to be settled) x Y%

B = the risk of the buying Open Position to be settled at Delivery Account level =

Buying Open Position to be settled at Delivery Account level x (X% + Y%)

The **A** and **B** risk will be calculated using the regular SPAN ® methodology for liquidation risk. The level of calculation for A will be the Performance Bond level.
If **B>A**, the settlement process entails potential additional de-netting risk and this risk **(B-A)** will be taken into consideration in the calculation.

1. Equities and all Securities assigned to liquidity classes :

Parameters for the intermediary liquidation risk

Liquidity Class[1]	x %[2]	y %[3]
LQ1*ZZ*	**6.10%**	6.50%
LQ2*ZZ*	8.75%	**5.65%**
LQ3*ZZ*	9.75%	**14.85%**
LQ4*ZZ*	19.50%	10.70%

2. Bonds assigned to duration classes:

Parameters for the intermediary liquidation risk

Duration Class	x %[4]	y %[5]
DR4*ZZ*	1,05 %	1 %
DR5*ZZ*	1,03 %	0,67 %
DR6*ZZ*	1,76 %	0,6 %

The parameters used in the A and B risk for inter class credits and intra class charges are zero percent for all liquidity and duration classes.

[1] *ZZ*= Currency Code
[2] X = Specific risk applied to the overall gross position (PA + PV)
[3] Y = General market risk applied to the overall net position (PA - PV)
[4] X = Specific risk applied to the overall gross position(PA + PV)
[5] Y = General market risk applied to the overall net position (PA - PV)

Currency Table

Currency	*SPAN Currency code "ZZ"*	Name	Parameters for currency risk
AUD	AU	Australian dollar	9.5%
BTN	BT	Bouthan ngultrul	8%
CAD	CA	Canadian dollar	4.5%
CHF	CH	Swiss franc	4%
DKK	DK	Danish krone	4%
EUR	EU	Euro	0%
GBP	GB	Pound sterling	5.5%
HKD	HK	Dollar Hong-Kong	5.5%
HUF	HU	Hungarian forint	8%
JPY	JP	Japanese yen	9%
MXN	MX	Mexican peso	8.5%
NOK	NO	Norwegian krone	5.5%
NZD	NZ	New Zealand dollar	6%
PLN	PL	Polish zloty	9%
RON	RO	Lei Roumain	9.5%
SEK	SE	Swede krone	4%
SGD	SG	Singaporean dollar	8%
TRY	TR	Turkish lira	10%
USD	US	American dollar	5.5%
ZAR	ZA	South Africa rand	13.5%

NB: Only currencies presented in this table are guaranteed by LCH.Clearnet SA.

Foreign exchange risk methodology:

Conversion of Initial Margin is done at Member Code / PB Segregation type / PB Account /Currency level.

Negotiation risk

A negative Negotiation Risk is a charge and the parameter for the currency risk is used to increase the risk amount (to cover the foreign exchange risk). The conversion formula for the Negotiation Risk is therefore:

Negotiation Risk in Euro = Negotiation Risk in currency / currency exchange rate* A

With:

A = 1 + rate for currency risk if Negotiation Risk is negative (to increase charge)
A = 1 - rate for currency risk if Negotiation Risk is positive (to decrease credit)

Liquidation risk

The Liquidation Risk is always a charge, so we use the same conversion formula than for the negative negotiation risk.

Liquidation Risk in Euro = Liquidation Risk in currency / currency exchange rate * B

With:

B = 1 + rate for currency risk (to increase charge).