

RISK NOTICE

From: Risk Department
Date: 7th July 2011
Markets affected: CASSIOPEIA

NOTICE ON CASSIOPEIA MARGIN PARAMETERS

LCH.CLEARNET SA sets the margin parameters for the Cassiopeia launch pursuant to the instruction IV.2-1.

These modifications concern:

- **Parameters for the intermediary liquidation risk**
- **Duration intra-class charge**

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 12th July 2011**, for the positions at the close of **Monday 11th July 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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BONDS (Algorithm using Duration Classes)
1) Parameters for the intermediary liquidation risk

Duration Class	Maturities	x % ¹	y % ²
CAP04	]0;1Y[	1,16 %	0,51 %
CAP05	[1Y;2Y[	1,16 %	0,39 %
CAP06	[2Y;7Y[	1,28 %	0,40 %
CAP07	From 7Y included	2,00 %	0,53 %
CAP00	All maturities*	2,00 %	0,53 %
CABWL	All maturities**	9,00 %	0,53 %

2) Duration intra-class charge

Duration Class	Maturities	Intra Coefficient ³
CAP04	]0;1Y[	0,45 %
CAP05	[1Y;2Y[	0,24 %
CAP06	[2Y;7Y[	0,35 %
CAP07	From 7Y included	0,33 %
CAP00	All maturities*	0,45 %
CABWL	All maturities**	0,50 %

*CAP00 is a Duration Class by default used in case of no automatic allocation of bonds.

** CABWL is a Duration Class to impose exceptionally high conservative parameters list on bonds under Watch due to the deterioration of their creditworthiness.

¹ X = Specific risk applied to the overall gross position(BP + SP)

² Y = General market risk applied to the overall net position (BP - SP)

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

3) Parameters in order to increase the negotiation risk

- In case of non quotation:

Duration class	Maturities	Buying c ₁	Selling c ₂
CAP04	]0;1Y[	20 %	20 %
CAP05	[1Y;2Y[	20 %	20 %
CAP06	[2Y;7Y[	20 %	20 %
CAP07	From 7Y included	20 %	20 %
CAP00*	All maturities	20 %	20 %
CABWL**	All maturities	20 %	20 %

- In case of significant variations:

Duration class	Maturities	Stop-loss threshold (1)	Buying c ₃	Selling c ₄
CAP04	]0;1Y[	6 %	10 %	10 %
CAP05	[1Y;2Y[	6 %	10 %	10 %
CAP06	[2Y;7Y[	6 %	10 %	10 %
CAP07	From 7Y included	6 %	10 %	10 %
CAP00*	All maturities	6 %	10 %	10 %
CABWL**	All maturities	6 %	10 %	10 %

*CAP00 is a Duration Class by default used in case of no automatic allocation of bonds.

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(1) Threshold (variation observed on previous day prices) considered for application of parameters c3 and c4