

■ Credit Default Swap Clearing

➤ New Service for December 2009

LCH.Clearnet SA will launch a credit default swap (CDS) clearing offering in December 2009.

This new service is being launched in response to regulator and market demand. Policy makers around the world believe that the clearing of CDS would improve the stability and security of financial markets and, within Europe, the European Commission and the European Central Bank (ECB), amongst others, have called for a European clearing house to clear CDS trades executed in the region, thereby facilitating local regulatory oversight. Furthermore, in early February, the commission asked the European Parliament to support legislation requiring banks in the EU to use a Clearing House in the region to clear CDS.

Service Outline:

The full scope of the offering is being finalised after extensive consultation with members and regulators. The service will be launched in phases; the first phase (planned for December 2009) will cover iTraxx European indices. Single names and US indices will be considered in the second phase (planned for H1 2010).

The main details of the service are:

- Novation within a Eurozone legal framework;
- LCH.Clearnet SA will act as the CCP (position management & netting, risk management);
- ISDA standardised CDS contracts will be cleared;
- ISDA will be the authority regarding credit events and related auctions;
- Markit will be used for pricing and product reference data;
- DTCC's Trade Information Warehouse will be the central registrar;
- LCH.Clearnet SA will receive for clearing trades registered as golden records in the DTCC's Trade Information Warehouse.

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The offering will therefore be agnostic with regard to trading venue and will encompass the core requirements as determined by key industry and policy groups, including ISDA, CESR, the ECB and the European commission.

Next Steps:

- If you are interested in this new service please contact your product implementation manager (see below) to ensure you are kept informed;
- The service description and testing guide will be published at the end of August;
- Tests with Members intending to use this service will run from November until early December.

For further information, please contact:

your LCH.Clearnet SA product implementation manager:

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or

your local account manager

Customer and Market Management LCH.Clearnet SA

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