

**EXHIBIT A-1.1**

**LCH.CLEARNET SA (“LCH.C SA”)**

**APPLICATION FOR DCO REGISTRATION**

**COMPLIANCE WITH DCO CORE PRINCIPLES**

<b><u>CORE PRINCIPLE</u></b>	<b><u>RELATED RULES/DOCUMENTS</u></b>	<b><u>APPLICANT COMMENTS</u></b>
<p>CORE PRINCIPLE A</p> <p>COMPLIANCE.—</p> <p>(i) IN GENERAL.—To be registered and to maintain registration as a derivatives clearing organization, a derivatives clearing organization shall comply with each core principle described in this paragraph and any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5).</p> <p>(ii) DISCRETION OF DERIVATIVES CLEARING ORGANIZATION.— Subject to any rule or regulation prescribed by the Commission, a derivatives clearing organization shall have reasonable discretion in establishing the manner by which the derivatives clearing organization complies with each core principle described in this paragraph.</p>	<p><u>Exhibit A</u> of Form DCO</p> <p><u>Narratives Reference Document</u></p> <p><u>Exhibit A-1.1</u> (Compliance with DCO Core Principles)</p> <p><u>Exhibit A-2.1</u> (CDS Clearing Rule Book)</p> <p><u>Exhibit A-2.2</u> (FCM CDS Clearing Rule Book)</p> <p><u>Exhibit A-3.1</u> (Agreement and with DTCC Deriv/SERV LLC and MarkitSERV LLC and related User Agreement)</p> <p><u>Exhibit A-4.1</u> (CDS Clearing: Service Description)</p> <p><u>Exhibit A-5.1</u> (LCH.Clearnet Group Limited Ownership Chart)</p> <p><u>Exhibit A.5.2</u> (Press Release re Proposed LSE Acquisition)</p> <p><u>Exhibit A-5.3</u> (CDS Governance Agreement)</p> <p><u>Exhibit A-6.1</u> (Director Fitness Certification)</p> <p><u>Exhibit A-7.1</u> (Corporate Organizational Structure Diagram)</p> <p><u>Exhibit A-8.1</u> (Articles of Association of LCH.C SA)</p> <p><u>Exhibit A-8.2</u> (Articles of Association of LCH.Clearnet Group Limited)</p> <p><u>Exhibit A-8.3</u> (Certificate of Good Standing from the Paris Chamber of Commerce)</p> <p><u>Exhibit A-10.1</u> (Manual of Compliance Procedures: Outsourcing of Essential Services)</p> <p><u>Exhibit A-10.2</u> (Agreement with TARGET 2 and <i>Banque de France</i>)</p> <p><u>Exhibit A-10.3</u> (Agreement with Société Générale SA)</p> <p><u>Exhibit A-10.4</u> (Master Agreement)</p>	<p>LCH.C SA is applying for registration as a derivatives clearing organization (“DCO”) to provide clearing services for CDS contracts on the following broad-based credit default swap (“CDS”) indices: the benchmark iTraxx Europe Main index, the iTraxx Europe HiVol index; and the iTraxx Europe Crossover Index. LCH.C SA accepts for clearing 3-, 5-, 7- and 10-year maturity CDS on these iTraxx indices, from series 5 and above.</p> <p>LCH.C SA intends to provide index CDS clearing services for underlying US customers acting through futures commission merchants (“FCMs”) registered with the Commodity Futures Trading Commission (“CFTC”) by the end of 2012. LCH.C SA also intends to permit US institutions to participate in LCH.C SA’s existing inter-dealer CDS clearing service to clear their own proprietary index CDS business.</p> <p>The entirety of this application, including the Exhibits hereto, demonstrates LCH.C SA’s compliance with each of the DCO core principles set out in Section 5b of the Commodity Exchange Act, as amended, and the requirements of the CFTC imposed pursuant to Section 8a(5) thereof.</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
	<p>with Markit)</p> <p><u>Exhibit A-10.5</u> (New Framework Agreement with Atos Origin Infogérance SAS)</p> <p><u>Exhibit A-10.6</u> (Intra-Group Services Agreement)</p> <p><u>Exhibit A-11.1</u> (LCH.C SA Rules of Procedure)</p> <p><u>Exhibit A-11.2</u> (LCH.C SA Compliance Charter)</p> <p><u>Exhibit A-11.3</u> (LCH.C SA Anti-Money Laundering Procedures)</p> <p><u>Exhibit A-11.4</u> (LCH.C SA Whistleblower Guidelines)</p> <p><u>Exhibit A-11.5</u> (LCH.C SA Anti-Bribery Policy)</p>	
<p><b>CORE PRINCIPLE B</b></p> <p><b>FINANCIAL RESOURCES.—</b></p> <p>(i) <b>IN GENERAL.—</b>Each derivatives clearing organization shall have adequate financial, operational, and managerial resources, as determined by the Commission, to discharge each responsibility of the derivatives clearing organization.</p> <p>(ii) <b>MINIMUM AMOUNT OF FINANCIAL RESOURCES.—</b> Each derivatives clearing organization shall possess financial resources that, at a minimum, exceed the total amount that would—</p> <p>(I) enable the organization to meet its financial obligations to its members and participants notwithstanding a default by the member or participant creating the largest financial exposure for that organization in extreme but plausible market conditions; and</p> <p>(II) enable the derivatives clearing organization to cover the operating costs of the derivatives clearing organization for a period of 1 year (as calculated on a rolling basis).</p>	<p><u>Exhibit B</u> of Form DCO</p> <p><u>Exhibit B-1.1</u> (LCH.C SA 2011 Audited Financial Statements)</p> <p><u>Exhibit B-1.2</u> (LCH.C SA Unaudited Financial Statements as of one month of submission)</p> <p><u>Exhibit B-2.1</u> (LCH.C SA Financial Resources Against Default and Other Risks Policy)</p> <p><u>Exhibit B-2.2</u> (Evidence of Unencumbered Assets Sufficient to Satisfy Rule 39.11(a)(1))</p> <p><u>Exhibit B-2.3</u> (Demonstration of Default Resources Liquidity)</p> <p><u>Exhibit B-2.4</u> (Demonstration of Maintenance of Default Resources Required by Rule 39.11(a)(1))</p> <p><u>Exhibit B-3.1</u> (Total Operating Expenses for 2011)</p> <p><u>Exhibit B-3.2</u> (LCH.C SA Premises and Infrastructure)</p> <p><u>Exhibit B-3.3</u> (New York Premises Letter)</p> <p><u>Exhibit B-3.4</u> (2012 Budget)</p> <p><u>Exhibit B-3.5</u> (LCH.C SA Financial Resources: General Principles)</p> <p><u>Exhibit B-3.6</u> (LCH.C SA Internal Capital Adequacy Assessment Process)</p> <p><u>Exhibit B-4.1</u> (LCH.C SA</p>	<p>LCH.C SA is required by its own internal policies to comply with the CPSS-IOSCO Recommendations for Central Counterparties, which require a central counterparty to maintain sufficient financial resources to withstand, at a minimum, a default by the participant to which it has the largest exposure in extreme but plausible circumstances. LCH.C SA maintains, on an ongoing basis, amounts that are sufficient for LCH.C SA to meet its financial obligations to non-defaulting Clearing Members in case of a Clearing Member default. In addition, the size of the CDS Default Fund is calculated based on LCH.C SA’s two largest Clearing Member exposures under extreme but plausible circumstances.</p> <p>LCH.C SA’s Risk Department performs monthly back testing of the parameters and of the margins held against Clearing Members’ positions. It also performs stress testing, which assess the impact of a number of scenarios on Clearing Member portfolios and compares the stresses calculated against the amount of margin held.</p> <p>LCH.C SA’s liquidity policy requires it to have access at all times to sufficiently liquid resources to be able to cover</p>

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	<p>Organizational Charts)</p> <p><u>Exhibit B-4.2</u> (Biographical Details of Maurice Carn)</p>	<p>simultaneously its operational liquidity requirements as well as its default liquidity requirements in the event of a Clearing Member default. LCH.C SA’s Treasury investment policy requires that all cash amounts held by it in connection with its central counterparty activities are invested in money market funds, short term, low risk deposits, sovereign bonds or other debt securities with maturities of three years or less.</p> <p>LCH.C SA has consistently maintained sufficient cash on hand to cover more than a year of operating expenses. LCH.C SA has financial monitoring procedures in place to ensure that this requirement is met on a rolling basis.</p> <p>The continuous operation of LCH.C SA’s clearing business demonstrates the adequacy of LCH.C SA’s information technology, communications and physical infrastructure. LCH.C SA’s staffing and human resources are adequate to fulfill all operations and associated functions, tasks and services, including appropriate supervision in respect of each, to operate LCH.C SA’s clearing business on a daily basis.</p>
<p>CORE PRINCIPLE C</p> <p>PARTICIPANT AND PRODUCT ELIGIBILITY.—</p> <p>(i) IN GENERAL.—Each derivatives clearing organization shall establish—</p> <p>(I) appropriate admission and continuing eligibility standards (including sufficient financial resources and operational capacity to meet obligations arising from participation in the derivatives clearing organization) for members of, and participants in, the derivatives clearing organization; and</p> <p>(II) appropriate standards for</p>	<p><u>Exhibit C</u> of Form DCO</p> <p><u>Exhibit C-1.1</u> (CDS Admission Agreement)</p> <p><u>Exhibit C-1.2</u> (FCM Clearing Membership Agreement)</p> <p><u>Exhibit C-1.3</u> (LCH.Clearnet Group Risk Management Policy: Member Risk Assessment)</p> <p><u>Exhibit C-1.4</u> (LCH.C SA Financial Monitoring of Clearing Members)</p> <p><u>Exhibit C-1.5</u> (List of Current and Prospective Clearing Members)</p> <p><u>Exhibit C-2.1</u> (Eligibility Criteria for CDS Accepted for Clearing)</p> <p><u>Exhibit C-2.2</u> (CDS Clearing Supplement)</p>	<p>The requirements for admission as a Clearing Member of LCH.C SA are designed to ensure that each Clearing Member meets certain well-defined financial, operational, credit, regulatory and risk management requirements.</p> <p>LCH.C SA is subject to French law, which provides that only certain regulated entities otherwise subject to specific licensing may be clearing members of a clearing house. In addition, prospective Clearing Members will need to meet a range of eligibility criteria, including:</p> <ul style="list-style-type: none"> <li>• supervision by its relevant competent authorities;</li> </ul>

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<p>determining the eligibility of agreements, contracts, or transactions submitted to the derivatives clearing organization for clearing.</p> <p>(ii) <b>REQUIRED PROCEDURES.</b>—Each derivatives clearing organization shall establish and implement procedures to verify, on an ongoing basis, the compliance of each participation and membership requirement of the derivatives clearing organization.</p> <p>(iii) <b>REQUIREMENTS.</b>—The participation and membership requirements of each derivatives clearing organization shall—</p> <p>(I) be objective;</p> <p>(II) be publicly disclosed; and</p> <p>(III) permit fair and open access.</p>	<p><u>Exhibit C-2.3</u> (Clearing Mechanics)</p> <p><u>Rulebook:</u></p> <p>Title II (Membership)</p> <p><u>FCM Rulebook:</u></p> <p>Title II (Membership)</p>	<ul style="list-style-type: none"> <li>• possession of sufficient expertise in relation to clearing activities, to the satisfaction of LCH.C SA;</li> <li>• membership in relevant industry organizations (including ISDA, DTCC, TIW and any AMP designated by LCH.C SA);</li> <li>• maintaining adequate risk management policies;</li> <li>• meeting certain capital, liquidity and solvency criteria;</li> <li>• establishing appropriate contractual arrangements with securities settlement systems and payment systems;</li> <li>• nominating a director or officer to be responsible for the clearing operations of the Clearing Member and to act on behalf of the Clearing Member; and</li> <li>• for Clearing Members that are incorporated or registered in the United States, satisfying the requirements of an “eligible contract participant” as defined in Section 1a(18) of the CEA (other than paragraph (C) thereof).</li> </ul> <p>Prospective Clearing Members are also expected to meet appropriate operational and financial requirements and must establish appropriate contractual arrangements with settlements agents, paying agents, or settlement/paying agents. Each Clearing Member must permit LCH.C SA to conduct inspections of its clearing activity and audit its systems and operations upon reasonable request and in accordance with applicable provisions of the CDS Clearing Rule Book or the FCM CDS Clearing Rule Book, as applicable.</p> <p>The admission requirements set out</p>

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		<p>above are objective and LCH.C SA considers that they are necessary for its protection and are appropriate for the clearing business that LCH.C SA intends to conduct. LCH.C SA will not refuse a prospective Clearing Member's application for any reason other than due to its inability to fulfil these clear, impartial membership requirements. Clearing Members are not required to be swap dealers or to maintain a swap portfolio of a particular size or meet a swap transaction volume threshold.</p> <p>Prospective Clearing Members that meet the aforementioned criteria must execute a CDS Admission Agreement. Those that wish to conduct customer or client business must execute an FCM Clearing Membership Agreement, be registered as an FCM with the CFTC and be incorporated or otherwise organized under the laws of a State of the United States.</p> <p>LCH.C SA operates a member risk assessment policy that assesses each Clearing Member's creditworthiness and financial condition in order to detect, as early as possible, events that may threaten the ability of a Clearing Member to continue to meet its obligations by reviewing each Clearing Member's financial reports and regulatory returns, external credit-ratings and evaluating standards of management and control. Basic risk assessments are carried out on a daily basis, although LCH.C SA has full intra-day risk assessment capabilities. Each Clearing Member must report the occurrence of certain events to LCH.C SA that may affect such Clearing Member's ability to discharge its obligations. When a deterioration in a Clearing Member's financial status is considered sufficiently serious, LCH.C SA may take a number of actions, including adjustments to such Clearing Member's participation in LCH.C</p>

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		<p>SA’s CDS clearing services.</p> <p>Clearing Members must maintain capital of at least €3 billion. Each FCM Clearing Member must maintain adjusted net capital, as defined in CFTC Regulation 1.17, of \$50 million.</p> <p>LCH.C SA accepts for clearing 3, 5, 7 and 10-year maturity CDS on the iTraxx Europe Main index, the iTraxx Europe HiVol index and the iTraxx Europe Crossover index, from series 5 and above. LCH.C SA will not accept a CDS contract for clearing unless LCH.C SA is satisfied as to the following eligibility criteria: (1) LCH.C SA is able to process a full clearing service in respect of such CDS contract; (2) the CDS in question is a standardised product capable of being processed through TIW; (3) LCH.C SA is able to obtain an end-of-day price for purposes of valuating positions; (4) LCH.C SA is able to define a default management process in respect of such CDS contract; (5) LCH.C SA is comfortable that its relevant risk management framework is appropriate for clearing such products; and (6) any required changes to LCH.C SA’s rulebook obtain any required approvals from applicable regulatory authorities. LCH.C SA’s Risk Committee maintains ongoing risk-based oversight of existing CDS contracts accepted for clearing and conducts risk-based evaluations of CDS contracts proposed to be accepted for clearing.</p> <p>The CDS market has historically been over-the-counter. However, if a swap execution facility (“SEF”) lists a CDS for trading, LCH.C SA will engage such SEF in discussions to accept such CDS for clearing provided that such CDS is of a group, category, type or class similar to the CDS already cleared by LCH.C SA and such CDS meets LCH.C SA’s risk management criteria for accepting new products</p>

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		set out above.
<p>CORE PRINCIPLE D</p> <p>RISK MANAGEMENT.—</p> <p>(i) IN GENERAL.—Each derivatives clearing organization shall ensure that the derivatives clearing organization possesses the ability to manage the risks associated with discharging the responsibilities of the derivatives clearing organization through the use of appropriate tools and procedures.</p> <p>(ii) MEASUREMENT OF CREDIT EXPOSURE.—Each derivatives clearing organization shall—</p> <p>(I) not less than once during each business day of the derivatives clearing organization, measure the credit exposures of the derivatives clearing organization to each member and participant of the derivatives clearing organization; and</p> <p>(II) monitor each exposure described in subclause (I) periodically during the business day of the derivatives clearing organization.</p> <p>(iii) LIMITATION OF EXPOSURE TO POTENTIAL LOSSES</p> <p>FROM DEFAULTS.—Each derivatives clearing organization, through margin requirements and other risk control mechanisms, shall limit the exposure of the derivatives clearing organization to potential losses from defaults by members and participants of the derivatives clearing organization to ensure that—</p> <p>(I) the operations of the derivatives clearing organization would not be disrupted; and</p> <p>(II) nondefaulting members or participants would not be exposed</p>	<p><u>Exhibit D</u> of Form DCO</p> <p><u>Exhibit D-1.A</u> (LCH.C SA Risk Committee Terms of Reference)</p> <p><u>Exhibit D-1.B</u> (LCH.C SA Risk Management Meeting Terms of Reference)</p> <p><u>Exhibit D-1.C</u> (LCH.C SA Risk Policy: CDS Products)</p> <p><u>Exhibit D-1.D</u> (LCH.C SA Risk Policy: Default Fund)</p> <p><u>Exhibit D-1.E</u> (LCH.C SA Risk Policy: Liquidity)</p> <p><u>Exhibit D-1.F</u> (LCH.Clearnet Group Risk Policy: Collateral)</p> <p><u>Exhibit D-1.G</u> (LCH.Clearnet Group Risk Policy: Settlement and Payment Risk)</p> <p><u>Exhibit D-1.H</u> (LCH.Clearnet Group Treasury Investment Policy)</p> <p><u>Exhibit D-2.A</u> (LCH.Clearnet Group Board Risk Tolerance Statement)</p> <p><u>Exhibit D-2.B</u> (CDS Index Parameters Guide – T+1 Model)</p> <p><u>Exhibit D-2.C</u> (FSA CDS Assessment: Pricing)</p> <p><u>Exhibit D-2.D</u> (Results of December 2010 Back Test)</p> <p><u>Exhibit D-2.E</u> (Results of January 2011 Stress Test)</p> <p><u>Exhibit D-2.F</u> (Ernst &amp; Young Report November 2010)</p> <p><u>Exhibit D-2.G</u> (Ernst &amp; Young Report May 2011)</p> <p><u>Exhibit D-2.H</u> (CDS Clearing EUA)</p> <p><u>Exhibit D-2.I</u> (CDS Clearing Testing Guide)</p> <p><u>Exhibit D-3.A</u> (CDS Risk Monitoring: Reporting Organization)</p> <p><u>Exhibit D-3.B</u> (Red Alert Team Procedure)</p> <p><u>Exhibit D-3.C</u> (DTCC Contingency Procedure)</p>	<p>LCH.C SA’s Risk Committee, Risk Management Meeting and Risk Department are responsible for discharging LCH.C SA’s risk management function. LCH.C SA’s risk management framework is set out in a series of risk management policies and procedures dedicated to: margining, clearing fund, financial resources, liquidity, collateral, settlement and payment risk, and member risk assessment.</p> <p>In accordance with LCH.Clearnet Group Limited’s overall risk appetite, LCH.C SA is required to ensure that initial margin is sufficient to cover observed market risk losses to a 99.7 percent confidence level over the assumed holding period of a CDS contract(s), i.e., five days. To meet this 99.7 percent confidence target, Clearnet has developed a robust margin methodology for its CDS clearing business which employs the following financial resources from each Clearing Member: (i) a multi-component margin requirement calculated in accordance with a bespoke CDS margin methodology; and (ii) a contribution to the CDS default fund. LCH.C SA also calculates variation margin amounts on a daily basis. Several recent tests demonstrate the sufficiency of the collateral levels required pursuant to this framework.</p> <p>To calculate each Clearing Member’s required margin payment for each clearing day (other than variation margin) LCH.C SA determines a net open position per contract of the same type for such Clearing Member and then calculates the components of the Clearing Member’s margin requirement in respect of such open position(s). LCH.C SA also calculates the aggregate value of the collateral posted by that Clearing Member. If a Clearing Member’s margin requirement</p>

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<p>to losses that nondefaulting members or participants cannot anticipate or control.</p> <p>(iv) MARGIN REQUIREMENTS.—The margin required from each member and participant of a derivatives clearing organization shall be sufficient to cover potential exposures in normal market conditions.</p> <p>(v) REQUIREMENTS REGARDING MODELS AND PARAMETERS.— Each model and parameter used in setting margin requirements under clause (iv) shall be—</p> <p>(I) risk-based; and</p> <p>(II) reviewed on a regular basis.</p>	<p><u>Exhibit D-3.D</u> (Section 7 of the CDS Clearing Procedures)</p> <p><u>Exhibit D-3.E</u> (Section 5 of the CDS Clearing Procedures)</p> <p><u>Rulebook:</u></p> <p>Section 2.3.2 (Monitoring)</p> <p>Title III, Chapter 3 (Compression)</p> <p>Title IV (Risk Management)</p> <p><u>FCM Rulebook:</u></p> <p>Section 2.3.2 (Monitoring)</p> <p>Title III, Chapter 3 (Compression)</p> <p>Title IV (Risk Management)</p>	<p>exceeds its margin balance and/or if LCH.C SA calculates that such Clearing Member must make a variation margin payment, LCH.C SA makes a margin call for such amounts in accordance with the daily margin timetable.</p> <p>In order to calculate the daily margin requirement for each Clearing Member, Clearnet requires daily pricing for all CDS accepted for clearing. LCH.C SA receives end-of-day contributed prices (i.e., the price/spread) for each CDS contract accepted in accordance with the relevant provisions of the CDS Clearing Rule Book.</p> <p>LCH.C SA also conducts robust daily risk monitoring of all positions of its Clearing Members as part of its daily financial oversight and member risk assessment policies. This monitoring activity is supplemented by a suite of daily risk management reports as well as LCH.C SA’s overall risk assessment of such Clearing Member. Together, these factors influence LCH.C SA’s response to any specific risks identified pursuant to daily risk monitoring of each Clearing Member’s positions. Any alert raised in respect of a Clearing Member may lead to the imposition of certain remedial measures, including a requirement for additional margin and conducting a more comprehensive review of such Clearing Member’s creditworthiness.</p> <p>LCH.C SA only accepts collateral which is of a high credit quality, where there is demonstrable market liquidity and where LCH.C SA has appropriate procedures in place to realize the value of the collateral.</p>
<p>CORE PRINCIPLE E</p> <p>SETTLEMENT PROCEDURES.—Each derivatives clearing organization</p>	<p><u>Exhibit E</u> of Form DCO</p> <p><u>Exhibit E-1.1</u> (Section 3 of the CDS Clearing Procedures)</p> <p><u>Exhibit E-1.2</u> (Memo Describing</p>	<p>Settlement cash flows denominated in Euros are split between two payment systems, one for all clearing-related cash-flows (e.g., margin payments, clearing fees and contributions to the CDS Default</p>

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<p>shall—</p> <p>(i) complete money settlements on a timely basis (but not less frequently than once each business day);</p> <p>(ii) employ money settlement arrangements to eliminate or strictly limit the exposure of the derivatives clearing organization to settlement bank risks (including credit and liquidity risks from the use of banks to effect money settlements);</p> <p>(iii) ensure that money settlements are final when effected;</p> <p>(iv) maintain an accurate record of the flow of funds associated with each money settlement;</p> <p>(v) possess the ability to comply with each term and condition of any permitted netting or offset arrangement with any other clearing organization;</p> <p>(vi) regarding physical settlements, establish rules that clearly state each obligation of the derivatives clearing organization with respect to physical deliveries; and</p> <p>(vii) ensure that each risk arising from an obligation described in clause (vi) is identified and managed.</p>	<p>PPS Arrangements)</p> <p><u>Exhibit E-1.3</u> (LCH.C SA Connectivity Solutions)</p> <p><u>Exhibit E-3</u> (LCH.Clearnet Group Risk Management Policy: Inter CCP Risk Management)</p> <p><u>Rulebook:</u></p> <p>Section 4.2.5 (Valuation of Open Positions)</p> <p>Title III, Chapter I (Novation and Registration)</p> <p><u>FCM Rulebook:</u></p> <p>Section 4.2.5 (Valuation of Open Positions)</p> <p>Title III, Chapter I (Novation and Registration)</p>	<p>Fund) and a separate system for product-related settlement payments (e.g., upfront premium, coupons and credit event cash settlement):</p> <ul style="list-style-type: none"> <li>For all clearing-related settlement payments denominated in Euros, LCH.C SA relies on its status as a participant in the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (“TARGET 2”) and settlement payments are made within the mandatory timeframes established by the European Central Bank. Clearing-related settlement payments may also be satisfied through the use of eligible collateral, which may be either deposited via title transfer or pledged subject to a security interest in accordance with specified timeframes.</li> <li>For all product-related settlement payments, LCH.C SA currently relies on the continuous linked settlement infrastructure (“CLS”) used by the DTCC’s Trade Information Warehouse.</li> </ul> <p>According to its settlement and payment risk policy, LCH.C SA must wherever possible make settlement payments using central bank money (e.g., the TARGET 2 arrangements for clearing-related settlement payments) in order to eliminate payment risk. However, alternative settlement arrangements are possible provided certain operational and other conditions are met.</p> <p>With respect to FCM client collateral deposited in the United States, LCH.C SA will operate a direct debit system, known as the “Protected Payments System” for the transfer of funds between LCH.C SA and FCM Clearing Members.</p>

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		<p>If a Clearing Member fails to make its required margin payment by 9:00 a.m. Paris time on a clearing day, no novation will occur at the normal time for that day. Instead, LCH.C SA will recalculate the margin requirements for all Clearing Members, excluding those to which the Clearing Member failing to meet its margin requirements is a party. Provided that each Clearing Member (other than the affected Clearing Member) has paid its recalculated margin requirement by 12:15 p.m. Paris time, all transactions (other than those to which the affected Clearing Member is a party) will be novated at 12:30 p.m. Paris time.</p> <p>LCH.C SA calculates variation margin on a daily basis to account for the potential profit or loss due to the change in the market value of a Cleared Transaction. Variation margin payments must be made in the currency of the underlying product; as all products currently accepted for clearing are denominated in Euros, all variation margin payments must be made in Euros. Therefore such payments are made in accordance with the TARGET 2 settlement timetable.</p> <p>LCH.C SA maintains specific procedures when physical settlement is applicable to a CDS contract that is subject to a credit event.</p> <p>LCH.C SA will maintain all records in respect of settlement payment flows in accordance with its recordkeeping procedures set out in <u>Exhibit K</u>.</p>
<p>CORE PRINCIPLE F</p> <p>TREATMENT OF FUNDS.—</p> <p>(i) REQUIRED STANDARDS AND PROCEDURES.—Each derivatives clearing organization shall establish standards and procedures that are designed to protect and ensure the safety of member and participant funds and</p>	<p><u>Exhibit F</u> of Form DCO</p> <p><u>Exhibit F-1.1</u> (Euroclear Pledge Agreement)</p> <p><u>Exhibit F-1.2</u> (Single Pledgor Pledged Account Terms and Conditions; Amendment Thereto)</p> <p><u>Exhibit F-1.3</u> (PPS Bank Transfer Instruction Guide; Citibank – Lodge Securities; Citibank –</p>	<p>All payments denominated in Euros from a Clearing Member to LCH.C SA must be made via a TARGET 2 account in LCH.C SA’s name at the <i>Banque de France</i>. In addition, all non-Euro cash payments must be made into accounts in LCH.C SA’s name held at a commercial bank designated by LCH.C SA to accept payments in such currencies. A</p>

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<p>assets.</p> <p>(ii) <b>HOLDING OF FUNDS AND ASSETS.</b>—Each derivatives clearing organization shall hold member and participant funds and assets in a manner by which to minimize the risk of loss or of delay in the access by the derivatives clearing organization to the assets and funds.</p> <p>(iii) <b>PERMISSIBLE INVESTMENTS.</b>—Funds and assets invested by a derivatives clearing organization shall be held in instruments with minimal credit, market, and liquidity risks.</p>	<p>Release Securities)</p> <p><u>Exhibit F-2</u> (FCM CDS Clearing Regulations)</p> <p><u>FCM Rulebook:</u></p> <p style="padding-left: 40px;">Title III, Chapter 2 (Account Structure)</p> <p><u>FCM Clearing Regulations:</u></p> <p style="padding-left: 40px;">Regulation 2 (Depository Accounts)</p> <p style="padding-left: 40px;">Regulation 4 (Transfer)</p> <p style="padding-left: 40px;">Regulation 5 (Security Interest)</p> <p style="padding-left: 40px;">Regulation 6 (Rules Relating to FCM Cleared Swaps Client Segregated Accounts)</p>	<p>Clearing Member wishing to use Eligible Securities as collateral must deposit such Eligible Collateral with LCH.C SA, its nominated custodian or central securities depository by instruction through Euroclear Bank. LCH.C SA will only accept a security as Eligible Collateral if a market price or fair value is available from an appropriate source and LCH.C SA is able to calculate and apply an adequate haircut.</p> <p>With respect to FCM client collateral deposited in the United States, LCH.C SA will operate a direct debit system, known as the “Protected Payments System” for the transfer of cash payments between LCH.C SA and FCM Clearing Members. LCH.C SA will appoint at least two custodian banks with respect to securities and other forms of acceptable non-cash collateral posted in respect of FCM Client positions.</p> <p>LCH.C SA retains access to the assets deposited by its Clearing Members through the operation of the EU Settlement Finality Directive. LCH.C SA may invest any cash collateral and Eligible Collateral in accordance with its Treasury Investment Policy, however French law prevents LCH.C SA from using any cash collateral or Eligible Collateral received through title transfer for operational expenses. LCH.C SA retains access to collateral located in the United States pursuant to a first security interest in and a first priority and unencumbered first lien upon all such collateral granted under the New York Uniform Commercial Code.</p> <p>LCH.C SA uses prudent valuation practices to value non-cash assets posted as collateral by Clearing Members. LCH.C SA also imposes a discount rate (haircut) on cash and securities accepted as collateral. In addition, LCH.C SA retains the right to impose concentration limits on certain non-</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
		<p>cash collateral.</p> <p>LCH.C SA intends to expand its clearing services to include FCM Clients who will clear through FCM Clearing Members. LCH.C SA’s FCM CDS Clearing Regulations ensure, <i>inter alia</i>, the appropriate segregation of FCM Client funds at the FCM Clearing Member level and at the LCH.C SA level, including a prohibition on commingling FCM Client funds with proprietary funds as well as on using FCM Client funds for any purpose other than to purchase, clear and settle FCM Client CDS trades.</p> <p>Finally, any investment of FCM Client funds may only be made subject to the terms and conditions set forth in CFTC Rule 1.25 and the provisions in the CEA and CFTC rules related to transactions in the cleared swaps account class. FCM Clearing Members and LCH.C SA must also maintain appropriate books and records in respect of investments of FCM Client funds.</p>
<p>CORE PRINCIPLE G</p> <p>DEFAULT RULES AND PROCEDURES.—</p> <p>(i) IN GENERAL.—Each derivatives clearing organization shall have rules and procedures designed to allow for the efficient, fair, and safe management of events during which members or participants—</p> <p>(I) become insolvent; or</p> <p>(II) otherwise default on the obligations of the members or participants to the derivatives clearing organization.</p> <p>(ii) DEFAULT PROCEDURES.— Each derivatives clearing organization shall—</p> <p>(I) clearly state the default procedures of the derivatives</p>	<p><u>Exhibit G</u> to Form DCO</p> <p><u>Exhibit G.1</u> (CDS Default Management Guidelines)</p> <p><u>Exhibit G.2</u> (CDS Default Management Process: CDS Internal Fire Drill)</p> <p><u>Exhibit G.3</u> (DMG/DMC Member Certification)</p> <p><u>Exhibit G.4</u> (Hypothetical Default Scenario)</p> <p><u>Exhibit G.5</u> (Section 6 of the CDS Clearing Procedures)</p> <p><u>Exhibit G.6</u> (FCM CDS Default Management Process)</p> <p><u>Rulebook:</u></p> <p>Section 2.3.2 (Monitoring)</p> <p>Title IV, Chapter 3 (Events of Default)</p> <p>Title IV, Chapter 4 (CDS Default Fund)</p>	<p>LCH.C SA’s rules and procedures – including Title IV of the Rulebook and the CDS Default Management Process (“DMP”) – provide for the efficient, fair and safe management of an “Event of Default” in respect of a Clearing Member. An “Event of Default” is defined in the Rulebook to include when a Clearing Member (or its guarantor):</p> <ul style="list-style-type: none"> <li>• fails to perform under, or is in breach of, the CDS clearing documentation;</li> <li>• is declared to be in default by or is expelled from membership of another clearing house;</li> <li>• is suspended by, or expelled from membership of, a regulatory body;</li> </ul>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>clearing organization;</p> <p>(II) make publicly available the default rules of the derivatives clearing organization; and</p> <p>(III) ensure that the derivatives clearing organization may take timely action—</p> <p>(aa) to contain losses and liquidity pressures; and</p> <p>(bb) to continue meeting each obligation of the derivatives clearing organization.</p>	<p><u>FCM Rulebook:</u></p> <p>Section 2.4.2 (Monitoring)</p> <p>Title IV, Chapter 3 (Events of Default)</p> <p>Title IV, Chapter 4 (CDS Default Fund)</p> <p><u>FCM Clearing Regulations:</u></p> <p>Regulation 4 (Transfer)</p> <p>Regulation 6 (Rules Relating to FCM Cleared Swaps Client Segregated Accounts)</p>	<ul style="list-style-type: none"> <li>• fails to transfer, deliver, deposit with or pay, when due, amounts required to meet collateral or margin requirements;</li> <li>• becomes subject to, or in LCH.C SA’s opinion is likely to become subject to, insolvency proceedings (as defined in the Rulebook); or</li> <li>• is subject to an event of default in connection with any other clearing service provided by LCH.C SA to such clearing member.</li> </ul> <p>LCH.C SA may not declare an event of default unless it has attempted to notify and consult with the affected Clearing Member, obtained the approval of LCH.C SA’s CEO (or other senior personnel) and has considered the impact of such determination on the CDS clearing business and LCH.C SA’s own solvency.</p> <p>Once an event of default has been determined, LCH.C SA may, in consultation with the appropriate regulatory authorities (including the CFTC), take any measure it deems necessary in order to contain its exposure and to mitigate the overall market effects of the default.</p> <p>The DMP sets out the procedures for managing an event of default, which commence as soon as possible (ordinarily, 2 hours) after LCH.C SA issues a default notice. In taking any action pursuant to the DMP, LCH.C SA will consult with, and consider advice and guidance from, the CDS Default Management Group (the “DMG”), which will convene within one hour, or as soon as practicable after LCH.C SA issues a default notice.</p> <p>The first stage of the DMP is hedging, whereby LCH.C SA will, with the help of the DMG, reduce the market risk to LCH.C SA of the defaulter’s portfolio of cleared</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
		<p>transactions. LCH.C SA will then initiate an auction process to liquidate the portfolio. If the losses in the defaulter’s portfolio exceed the resources available to LCH.C SA, a “Loss Distribution Process” will be activated.</p> <p>LCH.C SA conducts daily risk monitoring of all positions of its clearing members. LCH.C SA may, if a clearing member’s financial status is considered sufficiently serious, take certain prophylactic measures set out in the CDS Clearing Rule Book and the FCM CDS Clearing Rule Book.</p> <p>LCH.C SA’s default rules and a description of the resources available to LCH.C SA (i.e., the “waterfall”) are contained in Chapters 3 and 4 of Title IV of the Rulebook, which are publicly available on LCH.C SA’s Website.</p> <p>The positions of FCM Clients of a defaulting FCM Clearing Member will be, to the extent possible, ported to another Clearing Member (a “Backup Clearing Member”), along with the corresponding amount of Collateral. Such Backup Clearing Member will be designated in accordance with the DMP. In the event that the positions of an FCM Client fail to port for any reason, the relevant positions will be liquidated using the auction process set out in the DMP.</p>
<p>CORE PRINCIPLE H</p> <p>RULE ENFORCEMENT.—Each derivatives clearing organization shall—</p> <p>(i) maintain adequate arrangements and resources for—</p> <p>(I) the effective monitoring and enforcement of compliance with the rules of the derivatives clearing organization; and</p> <p>(II) the resolution of disputes;</p>	<p><u>Exhibit H</u> to Form DCO</p> <p><u>Exhibit H.1</u> (Section 8 of the CDS Clearing Procedures)</p> <p><u>Exhibit H.2</u> (CDS Dispute Resolution Protocol)</p> <p><u>Exhibit H.3</u> (Section 9 of the CDS Clearing Procedures)</p> <p><u>Rulebook:</u></p> <p>Section 1.2.15 (Dispute Resolution)</p> <p>Title II, (Membership)</p> <p>Title IV, Chapter 3 (Events of</p>	<p>LCH.C SA has established dedicated arrangements for monitoring its Clearing Members, in particular with respect to ongoing compliance with membership criteria.</p> <p>Each Clearing Member is required as a condition of its clearing membership, among other things, to comply with all provisions of the CDS clearing documentation. The CDS Clearing Rule Book also sets out clear standards that LCH.C SA will apply objectively to any Clearing Member that fails to</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>(ii) have the authority and ability to discipline, limit, suspend, or terminate the activities of a member or participant due to a violation by the member or participant of any rule of the derivatives clearing organization; and</p> <p>(iii) report to the Commission regarding rule enforcement activities and sanctions imposed against members and participants as provided in clause (ii).</p>	<p>Default)</p> <p><u>FCM Rulebook:</u></p> <p>Section 1.2.15 (Dispute Resolution)</p> <p>Title II (Membership)</p> <p>Title IV, Chapter 3 (Events of Default)</p>	<p>comply with any provision of the CDS clearing documentation.</p> <p>Any failure to comply with any provision of the CDS clearing documentation may lead to the institution of disciplinary proceedings and the imposition of sanctions. The enforcement standards and procedural protections afforded to Clearing Members in the case of a disciplinary proceeding are set out in LCH.C SA's procedures. Sanctions may include limitation of access to the CDS clearing service or full or partial suspension. LCH.C SA may also determine that such Clearing Member is subject to an event of default.</p> <p>Disputes between one or more Clearing Members and LCH.C SA or between one or more Clearing Members shall be resolved in accordance with a dedicated dispute resolution protocol.</p>
<p>CORE PRINCIPLE I</p> <p>SYSTEM SAFEGUARDS.—Each derivatives clearing organization shall—</p> <p>(i) establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk through the development of appropriate controls and procedures, and automated systems, that are reliable, secure, and have adequate scalable capacity;</p> <p>(ii) establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allows for—</p> <p>(I) the timely recovery and resumption of operations of the derivatives clearing organization; and</p> <p>(II) the fulfillment of each obligation and responsibility of the derivatives clearing organization;</p>	<p><u>Exhibit I</u> to Form DCO</p> <p><u>Exhibit I.1</u> (LCH.Clearnet Group Operational Risk Management Policy)</p> <p><u>Exhibit I.2</u> (LCH.C SA CRBF Reg. 97-02 Report for 2010)</p> <p><u>Exhibit I.3</u> (LCH.C SA General Information Security Policy)</p> <p><u>Exhibit I.4</u> (Business Continuity Strategy)</p> <p><u>Exhibit I.5</u> (LCH.C SA Office Recovery Plan)</p> <p><u>Exhibit I.6</u> (LCH.C SA Disaster Recovery Plan)</p> <p><u>Exhibit I.7</u> (Step 1 Agreement)</p> <p><u>Exhibit I.8</u> (Incident Management Procedures)</p> <p><u>Exhibit I.9</u> (LCH.C SA Internal Audit Charter)</p> <p><u>Exhibit I.10</u> (General Schedule 3 of NFA 2)</p> <p><u>Exhibit I.11</u> (Group Corporate Services Agreement)</p> <p><u>Exhibit I.12</u> (Agreement with</p>	<p>LCH.C SA has arrangements in place to identify, measure, control and reduce its operational risk and to provide its management with accurate information relating to its operational risk profile. LCH.C SA maintains a control monitoring process that provides a continuous overall monitoring of LCH.C SA's entire set of internal controls and procedures to ensure that LCH.C SA meets its ongoing compliance, transaction-related and security obligations. These monitoring procedures comply with French regulations and guidance from "COSO" (the Committee of Sponsoring Organizations of the Treadway Commission) on monitoring internal controls. The operation of this internal control framework and associated control monitoring are subject to regular auditing by independent personnel as part of LCH.C SA's internal audit program. LCH.C SA also maintains an information security policy that complies with applicable international standards.</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>and</p> <p>(iii) periodically conduct tests to verify that the backup resources of the derivatives clearing organization are sufficient to ensure daily processing, clearing, and settlement.</p>	<p>COLT Technologies)</p> <p><u>Exhibit I.13</u> (Agreement with BT Radianz)</p> <p><u>Exhibit I.14</u> (CRBF Regulation 97-02)</p> <p><u>Exhibit I.15</u> (English Summary of ACP Compliance Audit)</p> <p><u>Exhibit I.16</u> (AMF Letter Regarding LCH.C SA Internal Review of Compliance with AMF General Regulations)</p> <p><u>Exhibit I.17</u> (Black Box Security Audit Report)</p> <p><u>Exhibit I.18</u> (Crisis Management User Guide)</p>	<p>LCH.C SA has outsourced to a third-party service provider responsibility for operating, supervising, administering and supporting the systems and applications used in its CDS clearing business, which covers among other things capacity and performance planning, systems operations and systems development and quality assurance. This relationship is subject to French regulations applicable to outsourcing of “essential” services and are also subject to ongoing monitoring and review to ensure that service levels are being met. LCH.C SA has also outsourced certain other communications and support services.</p> <p>LCH.C SA also undertakes an annual business impact assessment that identifies key activities, systems and persons and assesses the potential risks associated with interruptions of such activities, systems and persons. Based on these assessments, LCH.C SA’s business continuity and security department prepares and oversees the testing of appropriate business continuity procedures, including responsibility for coordinating the response to a crisis. LCH.C SA also maintains detailed procedures to resume essential tasks at secure recovery sites located around Paris. LCH.C SA’s recovery time objective (“RTO”) is two hours for its office recovery plan and four hours for its information technology backup plan, with no loss of data and no impact on clearing members. Recent tests of these recovery plans demonstrate that LCH.C SA maintains adequate resources to meet its RTO.</p> <p>LCH.C SA regularly reviews and tests its information technology infrastructure to ensure its security and reliability. The clearing system’s capacity is scalable to meet the expected needs of LCH.C SA’s CDS clearing services.</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>CORE PRINCIPLE J</p> <p>REPORTING.—Each derivatives clearing organization shall provide to the Commission all information that the Commission determines to be necessary to conduct oversight of the derivatives clearing organization.</p>	<p><u>Exhibit J</u> to Form DCO</p> <p><u>Exhibit J.1</u> (Treasury Collateral Management Implementation Guide for T+1 CDS Clearing)</p> <p><u>Exhibit J.2</u> (Trade Management Implementation Guide for T+1 CDS Clearing)</p> <p><u>Exhibit J.3</u> (Risk Management Implementation Guide for T+1 CDS Clearing)</p>	<p>LCH.C SA will provide the CFTC with all information necessary for the CFTC to conduct its oversight of LCH.C SA under the CEA with respect to its activities as a registered DCO, subject to the terms of the Memorandum of Understanding between the CFTC, the <i>Autorité des Marchés Financiers</i> and the <i>Autorité du Contrôle Prudentiel</i>. In particular, LCH.C SA undertakes to provide the CFTC with the daily, quarterly, annual and event-specific reports described in CFTC Rule 39.19(c).</p> <p>In addition, LCH.C SA is actively involved in the “Global Trade Repository” initiative of the Depository Trust &amp; Clearing Corporation to support the reporting requirements of the Dodd-Frank Act. LCH.C SA also provides a suite of daily and monthly reports to each Clearing Member, including detailed treasury reports, cleared trade management reports, risk calculation reports and billing reports.</p>
<p>CORE PRINCIPLE K</p> <p>RECORDKEEPING.—Each derivatives clearing organization shall maintain records of all activities related to the business of the derivatives clearing organization as a derivatives clearing organization—</p> <p>(i) in a form and manner that is acceptable to the Commission; and</p> <p>(ii) for a period of not less than 5 years.</p>	<p><u>Exhibit K</u> to Form DCO</p> <p><u>Exhibit K.1</u> (LCH.C SA Data Archiving Standard)</p> <p><u>Rulebook:</u></p> <p>Section 2.3.4 (Recordkeeping)</p> <p><u>FCM Rulebook:</u></p> <p>Section 2.3.4 (Recordkeeping)</p>	<p>LCH.C SA will maintain records of all activities related to its CDS clearing business as a DCO in the form and manner, and for the time periods specified, in CFTC Rule 1.31 and in accordance with the CEA and CFTC Rules.</p> <p>Clearing Members are also subject to an obligation to maintain all data relating to the CDS entered into by such Clearing Member.</p>
<p>CORE PRINCIPLE L</p> <p>PUBLIC INFORMATION.—</p> <p>(i) IN GENERAL.—Each derivatives clearing organization shall provide to market participants sufficient information to enable the market participants to identify and evaluate accurately the risks and costs associated with using the</p>	<p><u>Exhibit L</u> to Form DCO</p> <p><u>Rulebook:</u></p> <p>Section 1.2.2 (Modification)</p> <p>Section 1.2.3 (Publication)</p> <p>Title IV, Chapter 3 (Events of Default)</p> <p>Title IV, Chapter 4 (CDS Default Fund)</p>	<p>LCH.C SA must disclose on its public Website up-to-date versions of the following:</p> <ul style="list-style-type: none"> <li>• the CDS Admission Agreement;</li> <li>• the CDS Clearing Rule Book;</li> <li>• the CDS Clearing Supplement</li> </ul>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>services of the derivatives clearing organization.</p> <p>(ii) <b>AVAILABILITY OF INFORMATION.</b>—Each derivatives clearing organization shall make information concerning the rules and operating and default procedures governing the clearing and settlement systems of the derivatives clearing organization available to market participants.</p> <p>(iii) <b>PUBLIC DISCLOSURE.</b>— Each derivatives clearing organization shall disclose publicly and to the Commission information concerning—</p> <p>(I) the terms and conditions of each contract, agreement, and transaction cleared and settled by the derivatives clearing organization;</p> <p>(II) each clearing and other fee that the derivatives clearing organization charges the members and participants of the derivatives clearing organization;</p> <p>(III) the margin-setting methodology, and the size and composition, of the financial resource package of the derivatives clearing organization;</p> <p>(IV) daily settlement prices, volume, and open interest for each contract settled or cleared by the derivatives clearing organization; and</p> <p>(V) any other matter relevant to participation in the settlement and clearing activities of the derivatives clearing organization.</p>	<p><u>FCM Rulebook:</u></p> <p>Section 1.2.2 (Modification)</p> <p>Section 1.2.3 (Publication)</p> <p>Title IV, Chapter 3 (Events of Default)</p> <p>Title IV, Chapter 4 (CDS Default Fund)</p>	<p>(which documents the terms and conditions of each CDS contract that LCH.C SA has accepted for clearing);</p> <ul style="list-style-type: none"> <li>• the CDS Clearing Procedures (which set out operational, payment and settlement, disciplinary and complaint procedures);</li> <li>• all Clearing Notices, Rule Notices and Rule Proposals (each as defined and described below); and</li> <li>• all other decisions of general application to Clearing Members.</li> </ul> <p>Detailed information relating to the composition and calculation of the margin requirement for Clearing Members as well as default rules and procedures is provided in the CDS Clearing Rule Book and the CDS Clearing Procedures, each of which is available on LCH.C SA’s public Website.</p> <p>LCH.C SA also makes available on its public Website its Clearing Member application forms and a list of cash collateral and Eligible Collateral to meet margin requirements and default fund contributions.</p> <p>LCH.C SA will also publish a schedule of its clearing and other fees as well as daily settlement prices, open interest and volume information.</p>
<p><b>CORE PRINCIPLE M</b></p> <p><b>INFORMATION-SHARING.</b>— Each derivatives clearing organization shall—</p> <p>(i) enter into, and abide by the terms of, each appropriate and applicable domestic and international information- sharing</p>	<p><u>Exhibit M</u> to Form DCO</p> <p><u>Exhibit M.1</u> (EACH Best Practices for Stress Testing)</p> <p><u>Rulebook:</u></p> <p>Section 2.3.1 (Information and Financial Reporting)</p> <p><u>FCM Rulebook:</u></p>	<p>LCH.C SA has established information-sharing agreements or understandings with each of the exchanges for which it conducts clearing activities.</p> <p>In addition, LCH.C SA is a member of:</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>agreement; and</p> <p>(ii) use relevant information obtained from each agreement described in clause (i) in carrying out the risk management program of the derivatives clearing organization.</p>	<p>Section 2.4.1 (Information and Financial Reporting)</p>	<ul style="list-style-type: none"> <li>• The Risk Committee of the European Association of CCP Clearing Houses (“EACH”), which establishes guidelines for the sharing of information on pre- and post-default basis between risk managers of clearinghouses in Europe.</li> <li>• The Credit Implementation Group of the International Swaps and Derivatives Association, which is an industry forum for addressing the future development of CDS market infrastructure.</li> </ul> <p>LCH.C SA has also established procedures for contacting relevant regulators and market associations during a crisis. LCH.C SA’s regulators are also party to applicable international information-sharing agreements as further described in <u>Exhibit R</u>.</p> <p>LCH.C SA will, as appropriate, enter into any further information-sharing agreements to coordinate surveillance or to support best practices in the CDS trading and clearing space.</p>
<p>CORE PRINCIPLE N</p> <p>ANTITRUST CONSIDERATIONS.—Unless necessary or appropriate to achieve the purposes of this Act, a derivatives clearing organization shall not—</p> <p>(i) adopt any rule or take any action that results in any unreasonable restraint of trade; or</p> <p>(ii) impose any material anticompetitive burden.</p>	<p><u>Exhibit N</u> to Form DCO</p>	<p>LCH.C SA’s CDS clearing services – including but not limited to provisions relating to participant and product eligibility – have been established to avoid any unreasonable restraint on trade or the imposition of any material anti-competitive burden. In addition, there is no requirement that prospective Clearing Members acquire any equity interest in LCH.C SA.</p> <p>LCH.C SA’s CDS clearing services have been established and are currently operated in accordance with applicable European Union and French competition laws and regulations.</p>
<p>CORE PRINCIPLE O</p> <p>GOVERNANCE FITNESS</p>	<p><u>Exhibit O</u> to Form DCO</p> <p><u>Rulebook</u>:</p> <p>Article 1.2.1.3</p>	<p>LCH.C SA’s governance arrangements are well-defined, including a clear organizational structure and consistent lines of responsibility. LCH.C SA’s</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>STANDARDS.—</p> <p>(i) GOVERNANCE ARRANGEMENTS.—Each derivatives clearing organization shall establish governance arrangements that are transparent—</p> <p>(I) to fulfill public interest requirements; and</p> <p>(II) to permit the consideration of the views of owners and participants.</p> <p>(ii) FITNESS STANDARDS.— Each derivatives clearing organization shall establish and enforce appropriate fitness standards for—</p> <p>(I) directors;</p> <p>(II) members of any disciplinary committee;</p> <p>(III) members of the derivatives clearing organization;</p> <p>(IV) any other individual or entity with direct access to the settlement or clearing activities of the derivatives clearing organization; and</p> <p>(V) any party affiliated with any individual or entity described in this clause.</p>	<p>Section 1.2.2 (Modification)</p> <p>Title II (Membership)</p> <p><u>FCM Rulebook:</u></p> <p>Article 1.2.1.3</p> <p>Section 1.2.2 (Modification)</p> <p>Title II (Membership)</p>	<p>governance arrangements also permit the consideration of views of its sole shareholder, LCH.Clearnet Group Limited, and of its Clearing Members through participation in the DMP, the CDS Clearing Rule Book amendment process as well as through other governance arrangements.</p> <p>LCH.C SA currently maintains certain fitness standards required under French law and regulations, the CDS Clearing Rule Book and the CDS Clearing Procedures in respect of its Board members, certain key management personnel, its disciplinary committee members, shareholders and employees. Board members must also certify that they are not subject to a disqualification under Section 8a(2) of the CEA or CFTC Rule 1.63.</p> <p>Each Clearing Member is subject to LCH.C SA’s jurisdiction as a condition of its membership.</p>
<p>CORE PRINCIPLE P</p> <p>CONFLICTS OF INTEREST.— Each derivatives clearing organization shall—</p> <p>(i) establish and enforce rules to minimize conflicts of interest in the decision-making process of the derivatives clearing organization; and</p> <p>(ii) establish a process for resolving conflicts of interest described in clause (i).</p>	<p><u>Exhibit P</u> to Form DCO</p> <p><u>Exhibit P.1</u> (Governance Review Scope Memorandum)</p> <p><u>Exhibit P.2</u> (Governance Review Regulatory Matrix)</p> <p><u>Exhibit P.3</u> (LCH.C SA Audit Committee Terms of Reference)</p> <p><u>Exhibit P.4</u> (Overview of Board and Committee Meeting Schedule)</p> <p><u>Exhibit P.5</u> (Board Self-Assessment Questionnaire)</p> <p><u>Exhibit P.6</u> (Analysis of Responses to 2011 Board Self-Assessment Questionnaire)</p> <p><u>Exhibit P.7</u> (Excerpts from Board</p>	<p>The activities and operations of LCH.C SA are directed and overseen by the six-member LCH.C SA Board, which is chaired by an independent non-executive director and has two additional independent non-executive directors, two executive directors and one clearing member representative. The members of the LCH.C SA Board are appointed by the Chairman of the Group Board in consultation with the Chairman of the LCH.C SA Board.</p> <p>The LCH.C SA Board has two subcommittees: the Audit Committee and the Risk</p>

**EXHIBIT A-1.1**

<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
	<p>Minutes re Risk Management)</p> <p><u>Rulebook:</u></p> <p>Section 1.2.12 (Confidentiality)</p> <p>Section 1.2.15 (Dispute Resolution)</p> <p><u>FCM Rulebook:</u></p> <p>Section 1.2.12 (Confidentiality)</p> <p>Section 1.2.15 (Dispute Resolution)</p>	<p>Committee. The Audit Committee is an independent committee, with two independent representatives and one clearing member representative, and is responsible for review of financial statements, oversight of internal and external auditors, regulatory compliance and the internal control environment. The Risk Committee consists of both external members, who serve in risk management or other senior capacities for a clearing member, and internal members including LCH.C SA's Risk Management director (who serves as the Committee's secretary) and chief executive, and is chaired by an independent non-executive director. The responsibilities of the Risk Committee are described in greater detail in <u>Exhibit D</u>. Both the Audit Committee and the Risk Committee report to the LCH.C SA Board.</p> <p>LCH.C SA will ensure that all information required to be made publicly available pursuant to the CFTC's rules, including summaries of all decisions relating to open access and membership criteria as well as all determinations whether a contract is acceptable for clearing will be maintained in a current, accurate and clear format and will be made available on LCH.C SA's public Website. LCH.C SA will also publish appropriate information on its public Website indicating that the LCH.C SA Board has rejected or superseded a proposal or decision by the Risk Committee. LCH.C SA has appropriate measures in place to safeguard non-public information.</p> <p>LCH.C SA is currently undertaking a review of its corporate governance arrangements that will, among other things, ensure that the requirements in the CFTC's proposed rules implementing Core Principle P are appropriately incorporated in LCH.C SA's internal governance.</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
<p>CORE PRINCIPLE Q</p> <p>COMPOSITION OF GOVERNING BOARDS.—Each derivatives clearing organization shall ensure that the composition of the governing board or committee of the derivatives clearing organization includes market participants.</p>	<p><u>Exhibit Q</u> to Form DCO</p>	<p>LCH.C SA will bring the composition of its governing board into compliance with Core Principle Q and CFTC rules promulgated thereunder no later than the later of: (1) the effective date of the CFTC’s rules implementing Core Principle Q; or (2) the date on which LCH.C SA begins offering CDS clearing services to US customers.</p>
<p>CORE PRINCIPLE R</p> <p>LEGAL RISK.—Each derivatives clearing organization shall have a well-founded, transparent, and enforceable legal framework for each aspect of the activities of the derivatives clearing organization.</p>	<p><u>Exhibit R</u> to Form DCO</p> <p><u>Exhibit R-1</u> (Applicable Regulatory Oversight MOUs)</p> <p><u>Exhibit R-2</u> (Memorandum from French Counsel re French Insolvency Law)</p> <p><u>Exhibit R-3</u> (Form of Legal Opinion Questionnaire)</p> <p><u>Exhibit R-4.1</u> (Legal Opinion for EEA Clearing Members: French Law)</p> <p><u>Exhibit R-4.2</u> (Legal Opinion for EEA Clearing Members: UK Law)</p> <p><u>Exhibit R-4.3</u> (Legal Opinion for EEA Clearing Members: German Law)</p> <p><u>Exhibit R-5</u> (Memorandum from US Counsel)</p> <p><u>Exhibit R-6</u> (Memorandum from French Counsel)</p> <p><u>Rulebook:</u></p> <p>Article 1.2.9.2</p> <p>Article 2.2.0.1</p> <p>Article 2.2.6.1</p> <p>Section 3.1.1 (Novation Principles)</p> <p>Title III, Chapter 3 (Compression)</p> <p><u>FCM Rulebook:</u></p> <p>Article 1.2.9.2</p> <p>Article 2.2.0.1</p> <p>Article 2.2.6.1</p> <p>Section 3.1.1 (Novation Principles)</p> <p>Title III, Chapter 3</p>	<p>In France, LCH.C SA is regulated as: (1) a credit institution by the <i>Autorité de contrôle prudentiel</i> (“ACP”); (2) a clearinghouse by the <i>Autorité des marchés financiers</i> (“AMF”); (3) a securities settlement system operator by the <i>Banque de France</i> and the AMF; and (4) an investment services provider by the ACP and the AMF. In addition, because LCH.C SA has branches located in the Netherlands and Belgium and provides clearing services to exchanges located in those countries, LCH.C SA is subject to the supervision of the Dutch, Belgian and Portuguese regulatory authorities, which together have formed a Coordination Committee on Clearing (“CCC”) in June 2002 to establish joint guidelines for the supervision and oversight of LCH.C SA.</p> <p>The totality of these statutory and regulatory obligations ensures that LCH.C SA operates pursuant to a well-founded, transparent and enforceable legal framework in respect of each aspect of LCH.C SA’s activities. In particular, the legal framework applicable to LCH.C SA ensures the validity of the cleared transactions registered in LCH.C SA’s clearing system via novation; permits netting both in respect of payments as well as exposures; ensures LCH.C SA’s interest in Clearing Member collateral; and ensures the effectiveness of LCH.C SA’s default rules and procedures.</p> <p>LCH.C SA will provide its CDS clearing services from France.</p>

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<u>CORE PRINCIPLE</u>	<u>RELATED RULES/DOCUMENTS</u>	<u>APPLICANT COMMENTS</u>
	(Compression)	<p>LCH.C SA has identified certain conflict of law risks, in particular in connection with the provision of CDS clearing services to FCM Clients in the United States. LCH.C SA has mitigated the risks of these conflict of law issues in several ways, including:</p> <ul style="list-style-type: none"> <li>• ensuring a clear allocation of governing law among the constituent elements of its CDS clearing documentation;</li> <li>• ensuring the enforceability of the CDS Clearing Rule Book and the CDS Admission Agreement in the jurisdiction of each Clearing Member;</li> <li>• and establishing a separate, US and New York-law governed FCM CDS Clearing Regulations document to ensure the protection of funds and assets provided as collateral by FCM Clients.</li> </ul>