



**LCH.Clearnet SA**  
**CDS Clearing Procedures**  
**Section 1 – Membership**  
**23.12.2013**



## 1.1 APPLICATION PROCEDURE

- (a) Indicative timeline for an application
- (b) Initial review

An Applicant shall first submit an initial query to LCH.Clearnet SA's membership department or CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department, which, in turn, will request such Applicant to provide the following:

- (i) the most recent annual financial statements along with any interim statements of such Applicant; and
- (ii) details of any implicit or explicit support available from group or external entities.

Following receipt of the information and documents listed in sub-paragraphs (i) and (ii) above, LCH.Clearnet SA will carry out an initial review to assess the credit risk of the Applicant. LCH.Clearnet SA shall endeavour to review the information and documents within 5 Business Days from receipt by LCH.Clearnet SA but owes no duty or obligation to the Applicant to do so.

Following completion of the initial review, LCH.Clearnet SA will:

- (x) either confirm that the Applicant may submit the LCH.Clearnet SA's admission form relating to the CDS Clearing Service which is available on the Website (the "**CDSClear Admission Form**"). In such a case, the next steps of the application process as set out in sub-paragraphs (c) to (j) below will apply; or
- (y) refuses admission of the Applicant.

The decision of LCH.Clearnet SA shall be communicated to the Applicant by registered mail. Where an Applicant was refused admission, the decision of LCH.Clearnet SA will indicate the reasons why membership was refused.

- (c) Application process
- (d) CDSClear Admission Form

An Applicant shall complete the CDSClear Admission Form. The Applicant must complete all sections of the CDSClear Admission Form and provide all documents required to be submitted with the CDSClear Admission Form. For further information please contact the CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department by email at [cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com) or on +33 1 70376776.

LCH.Clearnet SA has the right, at its sole discretion, to amend the CDSClear Admission Form.

If an Applicant is an existing clearing member of another clearing service provided by the LCH.Clearnet Group, then LCH.Clearnet SA may waive the requirement to provide certain documents on the basis that LCH.Clearnet SA

already holds the relevant information. The CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department will notify an Applicant that is an existing clearing member as to the documents it will be required to provide.

Application fees are displayed on the Website.

(e) Due diligence and review process

An Applicant must accept that during the review process LCH.Clearnet SA:

- (i) is entitled to make enquiries of any nature about the Applicant and any person connected or associated with the Applicant;
- (ii) is entitled to ask the Applicant to supply additional information and take whatever steps are necessary to verify information;
- (iii) is entitled to provide and/or disclose information to a Competent Authority, Regulatory Body, LCH.Clearnet SA's insurers in connection with any form of insurance, or otherwise in accordance with the CDS Clearing Documentation;
- (iv) is entitled to request that operational tests are carried out to ensure that the Applicant is operationally capable of using the CDS Clearing Service; and
- (v) may disclose to a third party (for example, technology providers or settlement service providers) the name, address, registered number and details of any exchange or clearing memberships held or applied for to the extent that such disclosure is required to facilitate the Applicant's membership application.

During the review process, the Applicant must notify LCH.Clearnet SA by email to the CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department at [cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com) of changes to the:

- (i) information and any other documentation supplied (at any stage) to LCH.Clearnet SA with the CDSClear Admission Form and/or in support of the application; and
- (ii) facts and circumstances concerning the Applicant which would affect its ability to perform its obligations under the CDS Clearing Documentation and/or the orderly conduct of its activities as a Clearing Member.

LCH.Clearnet SA shall endeavour to review the information and documents in the application within one month or two months if a legal opinion is required to be issued, if applicable, from receipt by LCH.Clearnet SA (including any additional information or documents requested by LCH.Clearnet SA) but owes no duty or obligation to the Applicant to do so.

As part of the review process the Applicant may expect at least one visit to the Applicant's operations office by one or more LCH.Clearnet SA

representatives (which may include any of LCH.Clearnet SA's third party advisers). LCH.Clearnet SA will give an Applicant reasonable advance notice of any proposed visit. An Applicant may refuse access to any or all LCH.Clearnet SA representatives or third party advisers but any such refusal of access may result in the application process being delayed and/or LCH.Clearnet SA being unable to process the Applicant's application. During this visit the Applicant should be able to show the LCH.Clearnet SA representatives the following:

- (i) operational personnel – who may be questioned to identify their individual knowledge of CDS;
- (ii) computer systems; and
- (iii) on-site procedures.

The decision of LCH.Clearnet SA shall be communicated to the Applicant at the address specified in the application by registered mail.

LCH.Clearnet SA may refuse an Applicant admission to membership if the conditions set out in Article 2.2.1.1 of the CDS Clearing Rule Book have not been satisfied or if it considers that such admission may adversely affect the operation of the CDS Clearing System or the provision of the CDS Clearing Service.

Where an Applicant was refused admission the decision of LCH.Clearnet SA will indicate the reasons why membership was refused.

- (f) Fulfilment of any conditions attached to approval
- (g) The provision of CDS Client Clearing Services by a Clearing Member

Pursuant to Article 5.1.1.1 of the CDS Clearing Rule Book, a Clearing Member must, in respect of each prospective Client, provide LCH.Clearnet SA with:

- (i) a form relating to the provision of CDS Client Clearing Services (the "**Client Clearing Form**") which is available upon request to LCH.Clearnet SA's CDSClear ~~on-boarding and client services~~Client Services & Relationship Management department ([cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com), +33 1 70376776); and
- (ii) all documents required to be submitted with the Client Clearing Form.

LCH.Clearnet SA shall:

- (i) review the Client Clearing Form and the related supporting documents; and
- (ii) endeavour to confirm, within 10 Business Days from the date of their receipt, that the Client Clearing Form and the related supporting documents have been duly filled and submitted (the "**Confirmation Notice**").

The Confirmation Notice takes the form of an email sent to the person designated as the relevant contact in the Client Clearing Form.

The Clearing Member may start providing CDS Client Clearing Services to the relevant Client 5 Business Days from the receipt of the Confirmation Notice.

In respect of a Clearing Member which submits its first Client Clearing Form, the above-mentioned timeline is subject to:

- (i) the successful completion of the operational tests requested by LCH.Clearnet SA to ensure that the Clearing Member is operationally capable of using the LCH.Clearnet SA's client clearing platform; and
- (ii) the putting in place of a Power of Attorney in respect of one of its TARGET2 Accounts for the purposes of posting Collateral in respect of its Client Margin Accounts in accordance with Article 2.2.7.5 of the CDS Clearing Rule Book and Section 3 of the Procedures.

Where CDS Client Clearing Services are provided by a CCM to a CCM Individual Segregated Account Client which is, in turn, providing indirect clearing services to its CCM Indirect Clients, the CCM will request LCH.Clearnet SA to open a CCM Indirect Client Segregated Account Structure in respect of all the CCM Indirect Clients of such CCM Individual Segregated Account Structure by submitting a form which is available upon request to LCH.Clearnet SA's CDSClear on-boarding and client services Client Services & Relationship Management department ([cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com), +33 1 70376776).

LCH.Clearnet SA will confirm, within 2 Business Days from the date of their receipt, that the form has been duly filled and submitted, by sending an email to the person designated as the relevant contact in the submitted form.

The CCM Indirect Client Segregated Account Structure will be opened by LCH.Clearnet SA 5 Business Days from the receipt of the e-mail referred to in the previous paragraph.

### **Branches**

- (a) Each branch of a Clearing Member that wishes to use the CDS Clearing Service must complete a reduced CDSClear Admission Form and be approved by LCH.Clearnet SA at its sole discretion. Further details relating to the CDSClear Admission Form or the application process for branches can be obtained from the CDSClear on-boarding and client services Client Services & Relationship Management department by email at [cdsclear\\_clientservices@lchclearnet.com](mailto:cdsclear_clientservices@lchclearnet.com) or on +33 1 70376776.
- (b) Clearing codes
- (c) Participation in the CDS Clearing Service

## **1.2 SETTLEMENT FINALITY DIRECTIVE**