

	<b>N°</b>	<b>Title</b>
	<b>IV.4-3</b>	<b>BUFFERS OF THE AGENT MEMBERS</b>

*Pursuant to Articles 4.4.0.8 et seq. of the Clearing Rule Book.*

## **CHAPTER 1 SCOPE**

### **Article 1**

The provisions of this Instruction apply to Agent Members and govern the conditions under which Agent Members are required to satisfy their Agent Buffer and Agent Resource Contribution obligations.

## **CHAPTER 2 COMMON PROVISIONS**

### **Article 2**

Collateral deposited by an Agent Member in respect of its Agent Buffer or Agent Resource Contribution obligations must satisfy the conditions set out in Instruction IV.4-1 and must be paid pursuant to the provisions of Instruction IV.4-1.

## **CHAPTER 3 AGENT BUFFER**

### **Section 1 Provision of the Agent Buffer**

#### **Article 3**

LCH SA will debit or credit the Agent Buffer at least on a daily basis.

LCH SA will call the Agent Buffer from an Agent Member upon the first Sponsored Member of such Agent Member joining the Fixed Income Clearing Service.

LCH SA will further credit or debit any Agent Buffer at the same time as any Initial Margin call made by LCH SA to any of the Sponsored Member(s) of the relevant Agent Member.

### **Section 2 Sizing of the Agent Buffer**

#### **Article 4**

The Agent Buffer is calculated according to the following formula:

Max (Buffer Floor Amount; 9.5% SMIM)

Where:

- the Buffer Floor Amount is the amount set out in a Notice which will be reviewed at least once a year by LCH SA's Risk Committee
- SMIM is the sum of the Initial Margin amounts called from the Agent Member's Sponsored Members.

The first Agent Buffer provided by an Agent Member to LCH SA upon the first Sponsored Member of such Agent Member joining the Fixed Income Clearing Service shall be at least the Buffer Floor Amount

## Article 5

A call made by LCH SA to provide any Agent Buffer shall be paid by the Agent Member no later than the time applicable for payment of Initial Margin set out in a Notice.

Non-payment by an Agent Member of a call made by LCH SA to provide any Agent Buffer in accordance with this Instruction shall constitute a failure by the Agent Member to perform its obligations under the Clearing Rules in accordance with the Clearing Rule Book.

## Article 6

If the value of the Agent Buffer Collateral Balance exceeds the sum of the relevant Agent Member's liabilities to LCH SA (deducting amounts of any such additional resource requirements from the Agent Member to LCH SA in respect of which time for performance has not yet occurred) and any other amounts which such Agent Member is required to transfer to LCH SA in accordance with the Clearing Rules (such excess also being referred to in this Instruction as the "excess collateral value" (as applicable)), then that Agent Member may, in accordance with any operational process LCH SA determines, request that some or all of the Collateral comprising the Agent Buffer Collateral Balance having a value not exceeding the excess collateral value (such Collateral also being referred to in this Instruction as "excess collateral" (as applicable)) be returned or repaid by LCH SA to, or to the order of that Agent Member, in accordance with Chapter 5 of this Instruction.

For this purpose:

- **Agent Buffer Collateral Balance** means, in respect of an account of an Agent Member:  
(A) the sum of: (i) all Collateral which has been transferred by that Agent Member to LCH SA (or which would, but for the application of a payment netting provision applying in the ordinary course of business, have been transferred by that Agent Member to LCH SA) on account of any type of that Agent Member's Margin payment obligations relating to the relevant account pursuant to the Clearing Rules; (ii) the cash proceeds of any non-cash Collateral relating to the relevant account which has been sold or otherwise disposed of by LCH SA pursuant to its powers under the Clearing Rules, to the extent that those proceeds have not been applied in or towards discharge of an obligation owed by the Agent Member to LCH SA; and (iii) any Applied Collateral Excess Proceeds credited to the relevant account; less (B) any Agent Member Applied Collateral and any Agent Member Returned Collateral in relation to that account;
- **Agent Member Applied Collateral** means, in respect of an account of an Agent Member:  
  
(i) any cash Collateral in respect of which LCH SA's obligation to return such Collateral has been discharged pursuant to the Clearing Rules by means of that return obligation having been set-off against an obligation owed by that Agent Member to LCH SA, as contemplated by the Clearing Rules;  
  
(ii) any non-cash Collateral (including in the form of Securities) that has been applied or the proceeds from which have been applied in or towards discharge of the Agent Member's obligations to LCH SA; and
- **Agent Member Returned Collateral** means, in respect of an account of an Agent Member, any Collateral: (i) which LCH SA has returned to that Agent Member; or (ii) in respect of which the obligation to return such Collateral has been discharged as a result of the operation of a payment netting provision applying in the ordinary course of business.

## CHAPTER 4 AGENT RESOURCE CONTRIBUTION

### Section 1 Provision of the Agent Resource Contribution

#### Article 7

LCH SA will debit or credit the Agent Resource Contribution according to the same timing as that applicable for payment of Default Fund contributions.

## **Section 2 Sizing of the Agent Resource Contribution**

### **Article 8**

For each Agent Member, the Agent Resource Contribution will be equal to the largest two Default Fund contributions of such Agent Member in respect of the Open Positions corresponding to the Trade Legs registered in its Sponsored Members' Position Accounts.

### **Article 9**

The Agent Resource Contribution of each individual Agent Member will not fall below a floor amount set out in a Notice which will be reviewed at least once a year by LCH SA's Risk Committee ("**Agent Resource Contribution Floor Amount**").

### **Article 10**

A call made by LCH SA to provide any Agent Resource Contribution shall be paid by the Agent Member no later than the time set for payment of Default Fund contributions set out in a Notice.

Non-payment by an Agent Member of a call made by LCH SA to provide any Agent Resource Contribution in accordance with this Instruction shall constitute a failure by the Agent Member to perform its obligations under the Clearing Rules in accordance with the Clearing Rule Book.

### **Article 11**

If the value of the ARC Account exceeds the sum of the relevant Agent Member's liabilities to LCH SA (deducting amounts of any such additional resource requirements from the Agent Member to LCH SA in respect of which time for performance has not yet occurred) and any other amounts which such Agent Member is required to transfer to LCH SA in accordance with the Clearing Rules (such excess being referred to in this Instruction as the "ARC Account excess collateral value"), then that Agent Member may in accordance with any operational process LCH SA determines, request that some or all of the Collateral comprising the ARC Account having a value not exceeding the ARC Account excess collateral value (such Collateral also being referred to in this Instruction as "excess collateral" (as applicable)) be returned or repaid by LCH SA to, or to the order of that Agent Member, in accordance with Chapter 5 of this Instruction.

## **CHAPTER 5 RETURN OF EXCESS COLLATERAL**

### **Article 12**

LCH SA shall, at least once on each Clearing Day, notify each Agent Member of the value of the Agent Buffer Collateral Balance and the value of the ARC Account, and whether there is an excess collateral giving the Agent Member the right to request a return or repayment of Collateral.

### **Article 13**

If LCH SA has received a request to return excess collateral, LCH SA shall promptly take such steps as are necessary to transfer the amount of excess collateral specified in that request to or to the order of the relevant Agent Member, in respect of each account held by the Agent Member with LCH SA, provided that:

- (i) LCH SA shall only be obliged to take such steps with respect to any Collateral pursuant to this Instruction:
  - (A) to the extent that it constitutes excess collateral, and subject to application of the Agent Buffer Floor Amount and application of the Agent Resource Contribution Floor Amount as the case may be;
  - (B) if no Sponsored Member of the relevant Agent Member is a Defaulting Sponsored Member;
  - (C) if the Agent Member is not an Affected Agent Member or a Resigning Agent Member (as applicable);

- (D) to the extent LCH SA is permitted to take such steps and make such transfer under applicable law and the contractual provisions of any relevant central securities depository; and
  - (E) if there is no overnight margin and/or cash call in respect of the relevant Agent Member or Sponsored Member (as applicable) which remains outstanding;
- (ii) where the Agent Member has requested that non-cash Collateral of a particular type in respect of an account be transferred, LCH SA shall transfer such non-cash Collateral unless it determines, acting in a commercially reasonable manner, that transferring such non-cash Collateral would result in LCH SA being unable to satisfy its policies on concentration limits in respect of the various types of non-cash Collateral held by it from time to time, LCH SA shall notify the Agent Member thereof and shall not be obliged to transfer the requested non-cash Collateral; and
  - (iii) where the Agent Member has requested that cash Collateral of a particular currency in respect of an account be transferred, LCH SA shall transfer such cash Collateral unless it determines, acting in a commercially reasonable manner, that transferring such cash Collateral would result in an account not satisfying LCH SA's requirement for a minimum of cash Collateral in a particular currency to be held in, or attributed to such account, in which case LCH SA shall notify the Agent Member thereof and shall not be obliged to transfer the requested cash Collateral.