

LCH SA CDS Clearing Procedures

Section 6 - CDS Default Fund

5 October 2026

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Capitalised terms used in this CDS Default Fund Procedure and not otherwise defined herein shall have the meaning given pursuant to the remainder of the CDS Clearing Documentation, as such term is defined in the document entitled "CDS Clearing Rule Book" published by LCH SA, as amended from time to time.

6.1 SCOPE

This Section 6 of the Procedures sets out the method for calculating the size of the CDS Default Fund, the Contribution of each Clearing Member and certain related matters.

6.2 TERMS DEFINED IN THIS CDS DEFAULT FUND PROCEDURE

For the purposes of this CDS Default Fund Procedure, the following capitalised terms shall have the respective meanings set out below:

TRF Contribution Percentage: In respect of a Clearing Member (other than a TRF Initial Member), and as of each Business Day on which the CDS Default Amount and each Clearing Member's Contribution Requirement is calculated, the percentage calculated by LCH SA by dividing:

- (i) the average TRF Utilisation of the relevant Clearing Member over the last 180 consecutive calendar days (or, if there is less than 180 consecutive calendar days for the TRF Utilisation available in respect of a Clearing Member, the number of available consecutive calendar days), which average shall be calculated by adding together the peak TRF Utilisation of such Clearing Member for each relevant calendar day and then dividing such sum by 180 (or, if there is less than 180 consecutive calendar days for the TRF Utilisation available in respect of a Clearing Member, the number of available consecutive calendar days); by
- (ii) the total of such average TRF Utilisations calculated as of such Business Day of all Non-Defaulting Clearing Members other than Clearing Members which are TRF Initial Members.

6.3 TRF INITIAL MEMBER: ON THE BUSINESS DAY AS AT WHICH ANY TRF CONTRIBUTION IS TO BE CALCULATED, ANY CLEARING MEMBER FOR WHICH A TRF UTILISATION DOES NOT EXIST, OR IS NOT AVAILABLE, OVER THE LAST 90 CONSECUTIVE CALENDAR DAYS PRECEDING SUCH BUSINESS DAY. COLLATERAL PAYMENT ARRANGEMENT

A Clearing Member's Contribution must be made by way of Cash Collateral.

For further details about the transfer of Cash Collateral, please refer to Section 3 of the Procedures.

6.4 ELIGIBLE CURRENCIES

Cash Collateral transferred to satisfy a Clearing Member's Contribution Requirement must be made in an Eligible Currency.

For a list of Eligible Currencies please refer to Section 3 of the Procedures.

6.5 CALCULATION OF THE CDS DEFAULT FUND AMOUNT

The size of the CDS Default Fund is equal to the sum of the Combined Unmargined Risk and the TRF Allowance Amount.

Combined Unmargined Risk

= 1.1

* $Max_{60\ days} \left(Max_{Scenarios} \left(Max_{Member} (UR) + 2ndMax_{Member} (UR) \right) \right)$

where UR stands for the Group Member Uncovered Risk.

The Group Member Uncovered Risk is computed on a daily basis for each stress-test scenario.

The Group Member Uncovered Risk is calculated in accordance with the methodology established by LCH SA after consultation with the Risk Committee. The parameters used to calculate the Group Member Uncovered Risk and the funded Ordinary Contributions are set out in a Clearing Notice and published on the Website.

6.6 CALCULATION OF A CLEARING MEMBER'S CONTRIBUTION

A Clearing Member's Contribution shall be equal to the sum of:

(i) an amount which is the greater of:

(a) such Clearing Member's proportionate share of the CDS Default Fund Amount minus the TRF Allowance Amount, each Clearing Member's proportionate share being based on its Initial Margins calculated in respect of that Clearing Member's Account Structure over the last sixty Clearing Days (or, if there is less than sixty Clearing Days' worth of Initial Margins calculations available in respect of a Clearing Member's Account Structure, all available Clearing Days); and

(b) a minimum contribution of EUR 7,000,000

(each an "**Ordinary Contribution**"),

subject to any action taken by LCH SA in accordance with Section 8 of the Procedures, provided that for each Clearing Member where the initial calculation of this amount yields an amount greater than the minimum contribution amount set out in sub-paragraph (i) (b) above, LCH SA shall recalculate the Ordinary Contribution of such Clearing Member such that each Clearing Member's Ordinary Contribution is a proportionate share of the CDS Default Fund Calculation Amount; plus

(ii) in respect of:

(a) a Clearing Member other than a TRF Initial Member: an amount calculated by multiplying the TRF Allowance Amount by the Clearing Member's TRF Contribution Percentage, provided that: (x) where that calculation results in an amount which is less than EUR 3,000,000, the amount calculated for the relevant Clearing Member shall be EUR 3,000,000; and (y) where that calculation results in an amount which is greater than EUR 30,000,000, the amount calculated for the relevant Clearing Member shall be EUR 30,000,000; and

(b) a Clearing Member that is a TRF Initial Member: an amount of EUR 3,000,000

(each a "**TRF Contribution**"),

provided further that where, as a result of the adjustments in any TRF Contribution as described in sub-paragraph (ii) (a), the aggregate of the TRF Contributions is greater or

less than the TRF Allowance Amount, LCH SA will adjust the relevant TRF Contributions such that the aggregate of the TRF Contributions equals the TRF Allowance Amount.

6.7 ADDITIONAL CONTRIBUTION AMOUNT

This Paragraph 6.7 applies if, in accordance with Article 4.4.1.3 of the CDS Clearing Rule Book, LCH SA calls on Clearing Members to make an Additional Contribution Amount.

Each Clearing Member shall pay the Additional Contribution Amount with Euro-denominated Cash Collateral, through TARGET2.

If notified on or before 14:00, each Clearing Member shall pay the Additional Contribution Amount to LCH SA by 09:00 on the next Business Day and if notified after 14:00, at the payment window used for the purpose of the First Intraday Call on the next Business Day.

However, if Competitive Bidding has been conducted in accordance with the CDS Default Management Process and LCH SA is due to register Transfer Positions on the following calendar day, then LCH SA may, through TARGET2, request that each Clearing Member pay its Additional Contribution Amount:

- (a) where the request for an Additional Contribution Amount was sent by LCH SA on or before 14:00 – by 15:55 on the same Business Day; or
- (b) where the request for an Additional Contribution Amount was sent by LCH SA after 14:00 – by 09:00 on the next Business Day.

LCH SA will provide Clearing Members with as much notice as is reasonably practicable of its intention to call for payment of the Additional Contribution Amount. Notice will be given by publication of the AC0102E and AC0103E Treasury Reports through any reporting mechanism specified in a Clearing Notice and by telephone call to the telephone number notified to LCH SA as part of the relevant Clearing Member's admission application.

6.8 CDS DEFAULT FUND FLOOR

The floor to the CDS Default Fund is EUR 100 million.

6.9 CAPPING OF THE CDS DEFAULT FUND

The CDS Default Fund is not capped at a specific amount.

6.10 RETURN OF CASH COLLATERAL

For the conditions and timetable for the return of Cash Collateral by LCH SA please refer to Section 3 of the Procedures.