

# LCH SA Digital Asset Derivatives Clearing Rule Book

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# Title I – General provisions & legal framework

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## Chapter 1 – Definitions

For the purposes of this Digital Asset Derivatives Clearing Rule Book, the following capitalised terms shall, unless specifically provided otherwise, have the respective meanings set out below:

**Additional Margin:** Any amount calculated by LCH SA, as specified in an Instruction, to cover a specific risk which is not fully captured by the Initial Margin, in respect of an Account Structure of a Clearing Member.

**Account Structure:** The House Account Structure(s) and the Client Account Structure(s) registered in the Digital Asset Derivatives Clearing System in the name of a Clearing Member.

**ACPR:** The Autorité de contrôle prudentiel et de résolution, and any successor thereto.

**Admission Fee:** The fee that is due once, upon its admission, by the Clearing Member to LCH SA, as communicated by LCH SA.

**AMF:** The *Autorité des marchés financiers*, and any successor thereto.

**Applicant:** A legal person who wishes to be admitted as a Clearing Member.

**Approved Trade Source System (ATSS):** An entity as specified in a Notice, such as a Trading Venue, with whom:

- (i) LCH SA has entered into an agreement regarding the submission of Digital Asset Derivatives Transactions by ATSS Participants for registration and clearing by LCH SA; and
- (ii) ATSS Participants have entered into a participant agreement allowing such entity to deliver Digital Asset Derivatives Transactions details to LCH SA on behalf of the relevant ATSS Participant for the purpose of clearing such Digital Asset Derivatives Transactions by LCH SA.

**Assignment:** The process, following an Exercise, by which a Clearing Member that holds a selling Open Position in an option contract is designated to fulfil its commitments resulting from the option contract.

**ATSS Participant:** A Clearing Member, a Trading Member or an Indirect Client that is a direct participant in an Approved Trade Source System.

**Bank Recovery and Resolution Directive (BRRD):** Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as implemented under the laws of the relevant Member States and all delegated acts, regulatory technical standards or implementing technical standards adopted pursuant to Directive 2014/59/EU and published in the Official Journal of the European Union from time to time, all as amended or replaced from time to time.

**Capital:** Shareholders' equity determined by LCH SA on the basis of CRD, comprised of core capital (Tier 1) and additional core capital (Tier 1) and Tier 2 capital as defined by CRR and the amount of which is determined by LCH SA.

**Capital Requirement Directive (CRD):** Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as implemented under the laws of the relevant Member States and all delegated acts, regulatory technical standards or implementing technical standards adopted pursuant to Directive 2013/36/EU and published in the Official Journal of the European Union from time to time, all as amended or replaced from time to time.

**Capital Requirement Regulation (CRR):** Regulation (UE) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (UE) 648/2012 and all delegated acts, regulatory technical standards or implementing technical standards adopted pursuant to Regulation (UE) 575/2013 and published in the Official Journal of the European Union from time to time, all as amended or replaced from time to time.

**Clearing Day:** Any day indicated in a Notice published by LCH SA at least annually.

**Clearing Fee:** Such fee as is communicated by LCH SA from time to time.

**Clearing Member:** Either a General Clearing Member or an Individual Clearing Member, admitted as such by LCH SA, under the conditions set forth in Chapter 1 and Chapter 2 of Title II.

**Client:** Either a Non-Trading Member or a Trading Member.

**Client Account(s):** Any of:

- (i) a Client Collateral Account;
- (ii) a Client Margin Account; and/or
- (iii) a Client Position Account.

**Client Account Structure:** The following complete set of Client Accounts, which may take the form of an Individual Segregated Account Structure or an Omnibus Segregated Account Structure, opened for administrative, risk management and Collateral purposes in the name of a Clearing Member for the account of the relevant Client(s) or, as applicable, Indirect Client(s) of such Clearing Member:

- (i) one or several Client Position Account(s);
- (ii) one or several Client Margin Account(s); and
- (iii) one Client Collateral Account.

**Client Collateral Account:** An account opened by LCH SA at the request and in the name of a Clearing Member in the books of LCH SA to record Collateral provided by such Clearing Member in respect of the relevant Client Open Positions of such Clearing Member.

**Client Margin Account:** An account opened by LCH SA at the request and in the name of a Clearing Member for risk management purposes, in which the relevant Client Open Positions of such Clearing Member are registered in order to calculate the Margin requirements of such Clearing Member in respect of the relevant Client(s) or, as applicable, Indirect Client(s) of such Clearing Member.

**Client Open Position:** The net sum of the relevant Client Trade Legs determined in accordance with the Digital Asset Derivatives Clearing Rules.

**Client Position Account:** An account opened by LCH SA at the request and in the name, of a Clearing Member in order to register all the relevant Client Trade Legs or, as applicable, Client Open Positions of such Clearing Member.

**Client Trade Leg:** A payment obligation in respect of Digital Asset Derivatives owed by or to LCH SA resulting from a Digital Asset Derivatives Transaction registered by LCH SA, in the name of a Clearing Member, executed for the benefit of a Client or, as applicable, an Indirect Client of such Clearing Member.

**Collateral:** Any security or cash, as specified in an Instruction, pledged, granted or transferred outright to LCH SA, in order to secure the performance of the Clearing Member's obligations. Any surplus of security or cash registered in a Collateral Account is deemed to be Collateral.

**Collateral Account(s):** Any of:

- (i) a House Collateral Account; and/or
- (ii) a Client Collateral Account.

**Competent Authority:**

- (i) With respect to any Person other than LCH SA, any authority which:
  - (a) is recognised as such by a Person's home Member State under the terms of CRD or MiFID2; or
  - (b) has concluded a cooperation agreement with the French Competent Authorities in respect of exercising a regulatory or supervisory function under the laws of any jurisdiction to which a Person is subject; and
- (ii) with respect to LCH SA, each of the AMF, the ACPR, the Banque de France, any successor body of any of the foregoing and any other body which has concluded a cooperation agreement with the AMF, the ACPR, the Banque de France in respect of exercising a regulatory or supervisory function under the laws of any jurisdiction and designated as such by LCH SA from time to time.

**Contractual Event of Default:** Any of the following events:

- (i) the Clearing Member failing at any time to duly comply with any of its obligations under the Digital Asset Derivatives Clearing Rules; or
- (ii) the Clearing Member being likely to become unable to meet any of its obligations under the Digital Asset Derivatives Clearing Rules.

For the avoidance of doubt and according to article 68(1) of the BRRD, a Clearing Member shall not be deemed to be subject to a Contractual Event of Default on the sole ground that it is subject to a resolution procedure, within the meaning of such BRRD.

**Correction:** The modification of an original Posting within the Account Structure of the same Clearing Member or a modification of an original Posting within the Account Structure of another Clearing Member.

**Credit Institution:** Any credit institution as defined in CRR.

**CSD:** Any central securities depository in which Securities are held.

**Currency:** A currency having legal tender ("*fiat currency*"). For the avoidance of doubt, a Digital Asset is not a Currency.

**Damage:** Any damage, loss, cost or expense of whatsoever nature, including without limitation any one or more of the following: interest, exchange rate differences, purchase price.

**Defaulting Clearing Member:** A Clearing Member that is subject to an Event of Default, and in respect of which LCH SA has issued a notice of default, in accordance with Article 4.5.1.1.

**Digital Asset:** A digital representation of a value or a right that is able to be transferred and stored electronically using distributed ledger technology or similar technology and that falls within the scope of Article L.54-10-1 of the French Monetary and Financial Code.

**Digital Asset Derivative:** Any financial instrument which is either an option or a future, within the meaning of MiFID2, as implemented into the French Monetary and Financial Code, the value of which is determined by reference to prices of Digital Assets or other indices or measures relating to Digital Assets.

**Digital Asset Derivatives Admission Agreement (or Admission Agreement):** The written agreement entered into between LCH SA and a Clearing Member pursuant to Chapter 1 and Chapter 2 of Title II of this Digital Asset Derivatives Clearing Rule Book.

**Digital Asset Derivatives Clearing Agreement (or Clearing Agreement):** The agreement entered into between:

- (i) a Clearing Member and a Trading Member for the purpose of clearing eligible Digital Asset Derivatives Transactions; and
- (ii) a Clearing Member and a Client for the purpose of clearing eligible Digital Asset Derivatives Transactions.

**Digital Asset Derivatives Clearing Rule Book (or Clearing Rule Book):** This document as may be amended from time to time.

**Digital Asset Derivatives Clearing Rules (or Clearing Rules):** The rules set forth in this Digital Asset Derivatives Clearing Rule Book, including all Instructions and Notices thereto, as may be amended from time to time.

**Digital Asset Derivatives Clearing Service (or Clearing Service):** Service provided by LCH SA pursuant to Article 1.3.1.3 in relation to Digital Asset Derivatives.

**Digital Asset Derivatives Clearing System (or Clearing System):** The clearing system managed by LCH SA to clear Digital Asset Derivatives Transactions.

**Digital Asset Derivative Contract:** Any type of Digital Asset Derivatives which are:

- (i) option contracts having the same:
  - (a) underlying Digital Assets, or other indices or measures relating to Digital Assets, for the purpose of determining the value of such Digital Asset Derivatives;
  - (b) date of expiry;
  - (c) conditions of Exercise;
  - (d) strike price; and
  - (e) call or put conditions; or
- (ii) future contracts having the same:
  - (a) underlying Digital Assets, or other indices or measures relating to Digital Assets, for the purpose of determining the value of such Digital Asset Derivatives;
  - (b) date of expiry; and
  - (c) type of settlement (in cash or physical).

**Digital Asset Derivatives Default Fund (or Default Fund):** The collective system of collateralisation of commitments as set out in Chapter 3 of Title IV.



**Digital Asset Derivatives Default Management Committee (or Default Management Committee):** The committee which is set up by LCH SA in accordance with the provisions of the Digital Asset Derivatives Default Management Process in order to assist LCH SA with the development and implementation of the Digital Asset Derivatives Default Management Process.

**Digital Asset Derivatives Default Management Group (or Default Management Group):** The group which is set up by LCH SA in accordance with the provisions of the Digital Asset Derivatives Default Management Process described in an Instruction in order to assist LCH SA in circumstances where an Event of Default has been declared by LCH SA as occurring in respect of a Clearing Member, with the implementation of the Digital Asset Derivatives Default Management Process in accordance with this Digital Asset Derivatives Clearing Rule Book and an Instruction.

**Digital Asset Derivatives Default Management Process (or Default Management Process):** The process in accordance with which LCH SA and the Digital Asset Derivatives Default Management Group will manage a default of a Clearing Member, as set out in Instructions.

**Digital Asset Derivatives Default Period:** The period during which any contribution determination and any Contribution Determination Date, as defined in an Instruction, which might otherwise have occurred (except any Refill Contribution which can be requested in accordance with Article 4.3.3.1) are suspended, in the conditions set out in an Instruction.

**Digital Asset Derivatives Transaction (or Transaction):** Any purchase or sale of Digital Asset Derivatives, carried out on a Trading Venue, and the terms "*buyer*" and "*seller*" used in this Digital Asset Derivatives Clearing Rule Book shall be construed accordingly.

**Disciplinary Proceedings:** Proceedings established in an Instruction, under which LCH SA shall investigate and, where it considers appropriate, take action against a Clearing Member following any breaches or alleged breaches of the Digital Asset Derivatives Clearing Rules.

**Euro:** The Euro.

**European Market Infrastructure Regulation (EMIR):** Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories and all delegated acts, regulatory technical standards or implementing technical standards adopted pursuant to Regulation (EU) No. 648/2012 and published in the Official Journal of the European Union from time to time, all as amended or replaced from time to time.

**Event of Default:** A Contractual Event of Default or an Insolvency Event of Default with respect to a Clearing Member.

**Exercise:** The process by which a Clearing Member that holds a buying Open Position exercises its right resulting from the option contract.

**Force Majeure Event:** Any extraordinary event that cannot be foreseen or avoided even with due diligence, which is outside the control of LCH SA or the relevant Clearing Member, as applicable, and which hinders or prevents the performance in whole or in part of any of their obligations under the Digital Asset Derivatives Clearing Rules and where such obligation has not yet fallen due, such an occurrence that would hinder or prevent performance in whole or in part of any of their obligations thereunder were the occurrence or effects of the occurrence to continue until the date of performance of the relevant obligations, including but not limited to: fire, flood, storm, hurricanes, earthquakes, explosions, strokes of lightening, international conflicts, hostilities, terrorist action, civil unrest, war, embargoes, the unavailability or impairment of computer or data processing facilities, the failure of any external systems, including but not limited to any Approved Trade Source System, Trading Venue and TARGET2.

**Financial Group:** Two companies belong to the same Financial Group where one exercises a "*control*" over the other. Such control exists when one such company:

- (i) directly or indirectly holds a fraction of the share capital which confers it the majority of voting rights in the other company's shareholders' meetings;
- (ii) holds the majority of the voting rights in the other company, pursuant to an agreement with the other company's other shareholders and partners; or

- (iii) in practice takes the decisions of the other company in its shareholders' meetings, by virtue of the voting rights which it holds.

The parent company is presumed to exercise control over the other when it directly or indirectly holds more than 40 % of the voting rights and no other shareholder holds more.

**French Monetary and Financial Code:** The French *code monétaire et financier*.

**General Clearing Member:** A Clearing Member authorised to clear Digital Asset Derivatives Transactions which have been dealt for its own account or have been concluded for the account of its Non-Trading Members and/or Trading Members.

**Give-Up:** An intra-day process by which a Trade Leg or a part of it is transferred:

- (i) by a Clearing Member ("*the allocator*") to another one ("*the allocatee*") after the explicit agreement of the allocatee; or
- (ii) by a Clearing Member within its Account Structure from a Position Account to another, the two relevant Position Accounts must belong to two different Trading Members (the Clearing Member possibly being itself a Trading Member),

upon the request of a Clearing Member or a Trading Member whose Digital Asset Derivatives Transactions are cleared by a General Clearing Member.

**Gross Omnibus Segregated Account Structure (or GOSA Structure):** An Omnibus Segregated Account including several Margin Accounts and one Collateral Account.

**Home State:** The State in which a Person has its registered office, if any or, its head office or, in the case of an individual, the State in which such individual has its principal place of business.

**House Account(s):** Any of:

- (i) a House Collateral Account;
- (ii) a House Margin Account; and/or
- (iii) a House Position Account.

**House Account Structure:** The following set of House Accounts opened in the name of a Clearing Member for administrative, risk management and Collateral purposes in the name of a Clearing Member for its own account:

- (i) one or several House Position Account(s);
- (ii) one or several House Margin Account(s); and
- (iii) one House Collateral Account.

**House Collateral Account:** An account opened by LCH SA in the name of a Clearing Member in the books of LCH SA to record:

- (i) any Collateral provided by such Clearing Member in respect of the House Open Positions of such Clearing Member, and
- (ii) any contribution to the Digital Asset Derivatives Default Fund of such Clearing Member.

**House Margin Account:** An account opened by LCH SA in the name of a Clearing Member in the Digital Asset Derivatives Clearing System for risk management purposes, in which the House Open Positions of such Clearing Member are registered, in order to calculate the relevant Margin requirements of such Clearing Member for its own account.

**House Open Position:** The net sum of the House Trade Legs determined in accordance with the Digital Asset Derivatives Clearing Rules.

**House Position Account:** An account opened by LCH SA in the name, of a Clearing Member in order to register all House Trade Legs or, as applicable, House Open Positions of such Clearing Member.

**House Trade Leg:** A payment obligation in respect of Digital Asset Derivatives owed by or, as applicable, to LCH SA resulting from a Digital Asset Derivatives Transaction registered by LCH SA in the name of a Clearing Member, executed for the latter's own account.

**ICSD:** International central securities depository.

**Indirect Client:** A client of a Client.

**Individual Clearing Member:** A Clearing Member authorised to clear Digital Asset Derivatives Transactions dealt for its own account, or allocated to it or which have been concluded for the account of its Non-Trading Members.

**Individual Segregated Account Structure (or ISA Structure):** A Client Account Structure exclusively composed of Client Accounts which are subject to "*individual client segregation*" within the meaning of EMIR and which have been designated as such by a Clearing Member in relation to any of its Known Clients.

**Initial Margin:** The amount calculated by LCH SA, as specified in an Instruction, to cover the liquidation risk and resulting from a Clearing Member's Open Positions in Digital Asset Derivatives as a result of Digital Asset Derivatives Transactions registered with LCH SA in the name of such Clearing Member.

**Insolvency Event of Default:** Any of the following events:

- (i) the Clearing Member being subject to an Insolvency Proceeding; or
- (ii) on the basis of publicly available information, the Clearing Member being likely to become subject to an Insolvency Proceeding.

For the avoidance of doubt and pursuant to article 68(1) of the BRRD, a Clearing Member shall not be deemed to be subject to an Insolvency Event of Default on the sole ground that it is subject to a resolution procedure, within the meaning of such BRRD.

**Insolvency Proceeding:** Where a Clearing Member:

- (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (ii) becomes insolvent or unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (iii) makes a general assignment, arrangement or composition with, or for the benefit of, its creditors;
- (iv) institutes or has instituted against it a proceeding seeking judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or a petition is presented for its winding-up or liquidation and in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition: (a) results in a judgment of insolvency or bankruptcy, or the entry of an order for relief, or the making of an order for winding-up or liquidation; or (b) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets;
- (vii) has a secured party take possession of all or substantially all its assets, or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially

all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained in each case within thirty calendar days thereafter; or

- (viii) causes or is subject to any event with respect to it which, under any applicable law, has an analogous effect to any of the events specified in paragraphs (i) to (vii) above.

For the avoidance of doubt and pursuant to article 68(1) of the BRRD, a resolution procedure, within the meaning of such Directive, does not qualify as an Insolvency Proceeding.

**Instruction:** Any document designated as such issued as such by LCH SA, as amended from time to time, whereby the provisions of this Digital Asset Derivatives Clearing Rule Book are interpreted or implemented and which is binding upon Clearing Members generally or upon any category of Clearing Members in particular.

**Intra-day Margins:** The amount calculated by LCH SA, as specified in an Instruction, to cover risk and resulting from the revaluation in real time of prices and Clearing Member Positions.

**Investment Firm:** Any investment firm as defined in MiFID2/MiFIR.

**Known Client:** A Client of a Clearing Member, identified by the latter at Client Margin Account level, whose full legal identity has been notified in writing by the Clearing Member to LCH SA, together with any information or document that LCH SA requires to be duly filed and submitted by the Clearing Member.

**LCH Approved Delegation Beneficiary:** A person designated as such by LCH SA.

**LCH SA:** The commercial name of "*Banque Centrale de Compensation*", a clearing house as defined in Article L. 440-1 of the French Monetary and Financial Code complying with Title IV of Book V of the General Regulations (*Règlement général*) of the AMF. LCH SA is incorporated in France and licensed as a Credit Institution by the ACPR and may have branches in other countries in which it operates.

**LCH Insolvency Proceeding:** For the purpose of Chapter 4 of Title I, where a safeguard procedure (*procédure de sauvegarde*), accelerated safeguard proceeding (*procédure de sauvegarde accélérée*), judicial reorganisation procedure (*procédure de redressement judiciaire*) or winding-up procedure (*procédure de liquidation judiciaire*) is formally opened by a French court against LCH SA in accordance with French applicable law.

**Liquidity Provider:** A liquidity provider or a market maker, as defined in the appropriate Trading Rules, who has undertaken, and been authorised by an Approved Trade Source System and/or a Trading Venue, as applicable, to enhance the market liquidity of Digital Asset Derivatives in accordance with those rules.

**Mandatory Client Clearing Provisions:** Provisions, as set out in an Instruction, which must be included in any Digital Asset Derivatives Clearing Agreement.

**Margin:** Any margin (including Initial Margin, Variation Margin, Intra-day Margins, Additional Margins and any extraordinary margin relating to each Clearing Member) which is calculated by LCH SA in accordance with the Digital Asset Derivatives Clearing Rules.

**Margin Account(s):** Any of:

- (i) a House Margin Account; and/or
- (ii) a Client Margin Account.

**Member State:** Any of the Member States of the European Union and/or the European Economic Area, as applicable.

**MiFID2/MiFIR:** Directive 2014/65/EU of 15 May 2014 on markets in financial instruments, as implemented under the laws of the relevant Member States ("*MiFID2*") and Regulation (EU) no. 600/2014 of 15 May 2014 on markets in financial instruments ("*MiFIR*") and all delegated acts, regulatory technical standards or implementing technical standards adopted pursuant to MiFID2 or MiFIR and published in the Official Journal of the European Union from time to time, all as amended or replaced from time to time.

**National Regulations:** Any and all laws and regulations applicable in the jurisdiction of the relevant Trading Venue.

**Net Omnibus Segregated Account Structure (or NOSA Structure):** An Omnibus Segregated Account including one Margin Account and one Collateral Account.

**Non Bidder:** This term has the meaning ascribed to it in an Instruction.

**Non-Trading Member:** Any Person who:

- (i) has no direct access to trading and uses the services of a third party (i.e. Clearing Member or a Trading Member) to deal in Digital Asset Derivatives Transactions; and
- (ii) has entered into a Digital Asset Derivatives Clearing Agreement with a Clearing Member for the purpose of clearing such Digital Asset Derivatives Transactions.

**Notice:** Any document designated as such issued by LCH SA, as amended from time to time, informing Clearing Members generally, or a particular category of Clearing Members, of specific matters of relevance with respect to the proper functioning of the clearing of Digital Asset Derivatives Transactions and which is binding upon such Clearing Members. Unless stated otherwise in this Digital Asset Derivatives Clearing Rule Book, Notices may only cover issues of technical and operational nature, implementing the main principles laid down in this Digital Asset Derivatives Clearing Rule Book or in an Instruction.

**Omnibus Segregated Account Structure:** A Client Account Structure which is composed of one or more Client Accounts which are subject to "*omnibus client segregation*" within the meaning of EMIR.

**Open Position:** Any of:

- (i) a Client Open Position; and/or
- (ii) a House Open Position.

**Option Premium:** Amount per option contract paid by a buyer to a seller for the right to buy or sell the value of a Digital Asset Derivative under a Digital Asset Derivatives Transaction.

**Other Mutualised Contributions:** Any and all of the Refill Contribution to the Digital Asset Derivatives Default Fund, the Service Continuity Contribution and the Service Closure Payments.

**Payment Agent:** A third party who holds a TARGET2 Account and/or a cash account with a Credit Institution designated by LCH SA in an Instruction, and which a Clearing Member can use to fulfil some or all of its payment or Margin obligations towards LCH SA.

**Person:** Any individual, legal entity, corporation, partnership, association, fiduciary or entity as the context admits or requires.

**Position:** Obligations of a Clearing Member vis-à-vis its Client resulting from a Digital Asset Derivatives Transaction to pay.

**Position Account(s):** A House Position Account and/or a Client Position Account.

**Posting:** The process whereby a Clearing Member requests LCH SA to register a Trade Leg, or part of it, on a Position Account within such Clearing Member's Account Structure according to the parameterisation in the Digital Asset Derivatives Clearing System or the clearing information entered in the trading system. A Posting can be modified by the relevant Clearing Member until the end of the Clearing Day on which the Digital Asset Derivatives Transaction has been registered.

**Power of Attorney:** Authority given by a Person to another to allow the latter to act in the name of the former.

**Product Family:** Each category of Digital Asset Derivative in respect of which LCH SA accepts to provide the Digital Asset Derivatives Clearing Service to a Clearing Member.

**Registration Date:** The date on which a Digital Asset Derivatives Transaction has been registered into the Digital Asset Derivatives Clearing System, in accordance with Article 1.3.2.4.

**Settlement Agent:** A third party who is admitted as a participant of a central securities depository designated by LCH SA in an Instruction and so holds a securities account, which a Clearing Member can use to fulfil some or all of its Margin obligations towards LCH SA.

**Settlement Finality Directive (SFD):** Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems, as implemented under the laws of the relevant Member States and all delegated acts, regulatory technical standards or implementing technical standards adopted pursuant to Directive 98/26/EC and published in the Official Journal of the European Union from time to time, all as amended or replaced from time to time.

**Settlement Prices:** Benchmark prices used for the calculation of the Margins and for the valuation of Open Positions, as set out in an Instruction.

**Systems and Operations:** All parts and components of the technical system of a Clearing Member, including hardware and software that is operated and maintained by or on behalf of a Clearing Member to clear Digital Asset Derivatives Transactions, together with the procedures that are in place to operate such system, including risk management provisions.

**TARGET2 Account:** An account held by a TARGET2 participant in TARGET2 payment module with a Eurosystem Central Bank which is necessary for such TARGET2 participant to:

- (i) submit payment orders or receive payments via TARGET2; and
- (ii) settle such payments with such Eurosystem Central Bank.

**TARGET2 Settlement Day:** Any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open for the settlement of payments in Euro.

**Termination Amount:** For the purpose of Chapter 4 of Title I, each of the single, net positive or negative amounts, denominated in Euro and determined pursuant to and in accordance with Article 1.4.1.9.

**Termination Date:** For the purpose of Chapter 4 of Title I, the date determined in accordance with the provisions of Article 1.4.1.2 or Article 1.4.1.3, as applicable, upon which the Trade Legs or Open Positions in a Clearing Member's Account Structure, will be terminated and liquidated in accordance with Article 1.4.1.1 to Article 1.4.1.13.

**Total Non Bidder Fraction:** This term has the meaning ascribed to it in an Instruction.

**Trade Leg:** Any of:

- (i) a House Trade Leg; and/or
- (ii) a Client Trade Leg.

**Trade Repository:** A trade repository duly registered in accordance with EMIR, as appointed by LCH SA in a Notice, or if such trade repository is unavailable, the European Securities and Markets Authority.

**Trading Member:** Any Person who:

- (i) negotiates Digital Asset Derivatives Transactions directly on a Trading Venue in one or both capacity of broker/dealer; and
- (ii) has entered into a Digital Asset Derivatives Clearing Agreement with a General Clearing Member for the purpose of clearing such Digital Asset Derivatives Transactions.

All Trading Members must be identified by their Clearing Members as Known Clients.

**Trading Rules:** The rules set forth by an Approved Trade Source System or a Trading Venue, as applicable.

**Trading Venue:** Any of:

- (i) a regulated market, multilateral trading facility or organised trading facility operated in accordance with MiFID2; or
- (ii) any system or facility in which multiple third-party buying and selling trading interests in Digital Asset Derivatives are able to interact in the system operated in any jurisdiction with existing law and regulations and in accordance with such law and regulations.

For the avoidance of doubt, a Trading Venue does not need to be an Approved Trade Source System.

**Transfer of Open Positions:** The process available for Clearing Members by which a Clearing Member transfers:

- (i) either the Open Positions registered in one of its Position Accounts, to another Position Account within its own Account Structure;
- (ii) or the Open Positions registered in one or several Position Accounts to the Account Structure of another Clearing Member.

**US Dollar:** The United States Dollar.

**Variation Margin:** The amount calculated by LCH SA, as specified in an Instruction at such frequency as is specified in such Instruction, to cover the negotiation risk and which is based on the revaluation of the Settlement Prices of Clearing Member's Open Positions since the last calculation.

## Chapter 2 – General Provisions

### Section 1.2.1 General

#### Article 1.2.1.1

This Digital Asset Derivatives Clearing Rule Book sets out the principles and general conditions governing the organisation and operation of the clearing activities of LCH SA.

#### Article 1.2.1.2

General or specific decisions, which are provided by this Digital Asset Derivatives Clearing Rule Book, to fall within the authority of LCH SA shall be adopted in accordance with the conditions established by the board of directors of LCH SA.

#### Article 1.2.1.3

Any general or specific decisions which LCH SA is required or permitted to take pursuant to the provisions of the Digital Asset Derivatives Clearing Rules shall be taken in accordance with general principles of good faith and fair dealing, in a commercially reasonable manner, in accordance with high standards of integrity, and at an appropriate level of seniority.

### Section 1.2.2 Interpretation and References

#### Article 1.2.2.1

References to any law, regulation or European directive or regulation shall be construed as those in force from time to time.

#### Article 1.2.2.2

Chapter or Section headings in this Digital Asset Derivatives Clearing Rule Book or in the Instructions are for ease of reference only; they are not part of the content of the relevant Chapter or Section and may not in any way affect the interpretation thereof.

#### Article 1.2.2.3

Capitalised terms used in this Digital Asset Derivatives Clearing Rule Book shall be construed to be of such number as the context admits or requires.

#### Article 1.2.2.4

Capitalised terms used in this Digital Asset Derivatives Clearing Rule Book and not defined in Instructions or in other communications of LCH SA shall have the meaning as set forth in this Digital Asset Derivatives Clearing Rule Book.

#### Article 1.2.2.5

This Digital Asset Derivatives Clearing Rule Book shall be implemented and interpreted through Instructions and by Notices, issued by LCH SA and published in accordance with Section 1.2.4. Instructions and Notices shall not be used to amend the principles and general conditions set out in this Digital Asset Derivatives Clearing Rule Book.



## **Section 1.2.3 Digital Asset Derivatives Clearing Rules Modifications**

### **Article 1.2.3.1**

This Digital Asset Derivatives Clearing Rule Book may be modified from time to time by decision adopted by LCH SA.

Prior to implementing any material changes, LCH SA shall consult with all affected Clearing Members in accordance with the consultation process set-out in an Instruction.

Clearing Members will be informed with reasonable prior notice of each change in writing or by such other means as may be specified by LCH SA.

### **Article 1.2.3.2**

If any modification of the Digital Asset Derivatives Clearing Rules, other than a modification required by European Union or national law, materially adversely affects the rights or obligations of the Clearing Members generally or of any category of Clearing Members, then any Clearing Member so affected may terminate its membership by notification in writing given to LCH SA within 10 Clearing Days from the date of publication of the relevant modification.

## **Section 1.2.4 Publication and Effectiveness**

### **Article 1.2.4.1**

LCH SA shall ensure publication of this Digital Asset Derivatives Clearing Rule Book, the Instructions, Notices and other decisions of general application to its Clearing Members or to the relevant category of Clearing Members through dissemination via posting on its website, or individual notification as appropriate.

### **Article 1.2.4.2**

Except in cases of emergency, such provisions shall become effective and binding on all Clearing Members upon the Clearing Day following the day of publication or at a later date as specified in such publication.

## **Section 1.2.5 Fees**

### **Article 1.2.5.1**

Clearing Members shall pay to LCH SA applicable Admission Fees, Clearing Fees and any other fees pursuant to the fee grids available on LCH SA's website and as modified from time to time.

## **Section 1.2.6 Substitution of Currency**

### **Article 1.2.6.1**

If at any time a Currency is substituted by another Currency pursuant to existing or new legislation, the obligations of Clearing Members arising under the Digital Asset Derivatives Clearing Rules shall take place in the substitute Currency as from the effective date of such replacement.

### **Article 1.2.6.2**

If substitution of a specific Currency involves a period of transition, clearing by Clearing Members during this period of transition will take place in the Currency as specified by LCH SA in a Notice.

### **Article 1.2.6.3**

If necessary, LCH SA shall establish the rate for converting the replaced Currency to the substitute Currency as well as the applicable rounding rules, subject to the applicable laws and regulations.

## **Section 1.2.7 Time Reference**

### **Article 1.2.7.1**

Where reference is made in the Digital Asset Derivatives Clearing Rules to a time or deadline, it shall be understood to mean the Central European Time (CET).

## Chapter 3 – Legal Framework

### Section 1.3.1 Status and Activity of LCH SA

#### Article 1.3.1.1

LCH SA is a clearing house within the meaning of Article L. 440-1 of the French Monetary and Financial Code and acts as a central counterparty, between the Clearing Member of the buyer and the Clearing Member of the seller in the conditions described in the Digital Asset Derivatives Clearing Rules.

In this framework, LCH SA acts in accordance with applicable banking and financial regulations.

LCH SA is under the supervision of the Competent Authorities within the scope of their respective remit as granted by their national law.

LCH SA provides its services in accordance with recommendations from the ESCB (European System of Central Banks) and ESMA (the European Securities and Markets Authority) for central counterparties in the European Union and follows the best practices in the Digital Asset Derivatives Clearing Service.

#### Article 1.3.1.2

LCH SA has been notified to the European Commission as a system pursuant to the Settlement Finality Directive. Thus, as described in a Notice, any person with a legitimate interest can obtain information on LCH SA and its rules from its participants, upon request.

#### Article 1.3.1.3

In accordance with the Digital Asset Derivatives Clearing Rules, LCH SA registers eligible Digital Asset Derivatives Transactions, calculates Open Positions of its Clearing Members, and the associated risk, calls Margin to cover this risk, guarantees the proper settlement of positions as central counterparty, manages the Digital Asset Derivatives Default Management Process and performs all other functions specified by the Digital Asset Derivatives Clearing Rules.

### Section 1.3.2 General Clearing Principles

#### A. Eligible Digital Asset Derivatives Transactions

##### Article 1.3.2.1

Digital Asset Derivatives Transactions may give rise to novation by LCH SA provided that the following eligibility criteria are met:

- (i) the Digital Asset Derivatives Transactions are submitted for clearing to LCH SA by the relevant ATSS Participants through an Approved Trade Source System;
- (ii) the Digital Asset Derivatives are admitted for clearing under the terms of the relevant risk policy of LCH SA;
- (iii) unless otherwise agreed by LCH SA, accommodating such Digital Asset Derivatives in the Digital Asset Derivatives Clearing System does not involve additional substantial development costs;
- (iv) any adjustment on Open Positions reflecting any event occurring in respect of the underlying reference or Digital Assets determining the value of Digital Asset Derivatives, as referred to in Article 3.1.2.2, is capable of being managed by LCH SA;

- (v) all necessary information as required by LCH SA from the relevant Approved Trade Source System (including, but not limited to, all trade legs, pricing data, referential data and transaction data) in respect of the Digital Asset Derivatives Transaction, shall have been provided in the form, and by the times, prescribed by LCH SA from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by LCH SA;
- (vi) the Digital Asset Derivatives are capable of being settled in cash denominated in the relevant Currency but not by way of physical delivery of the underlying Digital Assets; and
- (vii) the relevant Digital Asset Derivative is included in the list of eligible Digital Asset Derivatives as set out in a Notice published by LCH SA.

#### **Article 1.3.2.2**

Any Digital Asset Derivatives Transaction which is submitted for clearing to LCH SA by an ATSS Participant that does not comply with all the criteria mentioned in Article 1.3.2.1 is excluded from novation by LCH SA and therefore excluded from the scope of the Digital Asset Derivatives Clearing Service globally described under Article 1.3.1.3 of this Digital Asset Derivatives Clearing Rule Book.

#### **Article 1.3.2.3**

In the event Digital Asset Derivatives Transactions submitted for clearing to LCH SA by the relevant ATSS Participants which were previously eligible for novation pursuant to Article 1.3.2.1 are declared no longer eligible, including if the risk policy is amended, a Notice will detail the eligible Digital Asset Derivatives Transactions concerned and will come into effect at least one Clearing Day after communication thereof by LCH SA to the relevant Approved Trade Source System and Clearing Members, as soon as is reasonably practicable.

Any eligible Digital Asset Derivatives Transaction novated pursuant to Article 1.3.2.1 prior to the entry into force of the amended risk policy will remain within the scope of the Digital Asset Derivatives Clearing Service provided by LCH SA until its expiry date.

LCH SA shall use its reasonable endeavours to assist the relevant Clearing Members in managing their Open Positions in such Digital Asset Derivative that is no longer eligible for clearing by LCH SA, including with the involvement of the relevant Approved Trade Source System where necessary.

### **B. Novation and Irrevocability**

#### **Article 1.3.2.4**

Eligible Digital Asset Derivatives Transactions pursuant to Article 1.3.2.1 that are submitted to LCH SA, within the clearing hours as set out in a Notice, are registered in the name of the Clearing Member pursuant to Section 3.1.1 and in the conditions specified in an Instruction, as applicable. Upon registration, novation occurs. As a result of novation, LCH SA becomes counterparty to the Clearing Member and becomes therefore subject to the rights and subject to the obligations arising from the Digital Asset Derivatives Transaction registered in the name of such Clearing Member.

#### **Article 1.3.2.5**

Any Digital Asset Derivatives Transaction received by LCH SA from a Clearing Member pursuant to Article 1.3.2.4 is deemed irrevocable in the sense of Article L. 330 1 § III of the French Monetary and Financial Code as soon as it is registered in the Digital Asset Derivatives Clearing System in accordance with Article 3.1.1.1 and within the clearing hours as set out in a Notice, without prejudice to the exception foreseen in Article 3.3.1.3.

#### **Article 1.3.2.6**

By submitting Digital Asset Derivatives Transactions complying with the criteria mentioned in Article 1.3.2.1, a Clearing Member shall irrevocably be deemed to have accepted the novation.

#### **Article 1.3.2.7**

Novation takes place on a gross basis with respect to the original Digital Asset Derivatives Transactions.

## **C. Scope of LCH SA's Obligations**

### **Article 1.3.2.8**

In accordance with Article 3 of the Settlement Finality Directive, upon registration in the Digital Asset Derivatives Clearing System, Trade Legs and netting shall be legally enforceable and shall be binding on third parties.

Upon registration and as a consequence of Article 3.1.1.1, LCH SA undertakes to fulfil its obligation to pay each Clearing Member on the basis of Open Positions registered in its name per Digital Asset Derivative.

The fulfilment of such obligation is conditional upon the timely performance by such Clearing Member of its own obligations.

### **Article 1.3.2.9**

Upon novation, the obligations that LCH SA undertakes to perform as counterparty to the relevant Clearing Members with respect to Digital Asset Derivatives Transactions and as detailed in the relevant provisions of the Digital Asset Derivatives Clearing Rules, cover:

- (i) for Digital Asset Derivatives Transactions in option contracts:
  - (a) payment of Variation Margin,
  - (b) payment of Option Premium pursuant to Digital Asset Derivatives Transactions and of cash amounts resulting from exercise and assignment,
- (ii) for Digital Asset Derivatives Transactions in futures contracts:
  - (a) payment of Variation Margin,
  - (b) payment of cash amounts upon expiry of the relevant contract.

### **Article 1.3.2.10**

Unless otherwise stated in this Digital Asset Derivatives Clearing Rule Book, the netting of Clearing Members' obligations with those of LCH SA is not permitted.

## **D. General Clearing Process**

### **Article 1.3.2.11**

Unless otherwise specified in this Digital Asset Derivatives Clearing Rule Book, at the end of the Clearing Day or at such other time as may be published in a Notice, LCH SA aggregates Digital Asset Derivatives Transactions into Open Positions.

### **Article 1.3.2.12**

For the purpose of compliance with MiFID2/MiFIR, details on the information needed by LCH SA from Approved Trade Source Systems and/or Trading Venues, as applicable, in order to clear Digital Asset Derivatives Transactions, and the format in which that information shall be provided, are described in a Notice.

## **Section 1.3.3 Liability and Force Majeure**

### **A. Liability of Clearing Members**

#### **Article 1.3.3.1**

Subject to Article 1.3.3.2 below, a Clearing Member shall be liable for any Damage incurred or suffered by LCH SA as a direct consequence of such Clearing Member's breach of any of its obligations under the Digital

Asset Derivatives Clearing Rules, the Digital Asset Derivatives Admission Agreement or the terms of a Digital Asset Derivatives Transaction cleared by LCH SA.

#### **Article 1.3.3.2**

A Clearing Member will not be held liable for any special, indirect or consequential Damage, including loss of custom, profit or revenues, or any Damage which results from abnormal or fraudulent use of the Digital Asset Derivatives Clearing System by third parties, or for any Damage resulting from acts or omissions of third parties, other than members of its Financial Group.

#### **Article 1.3.3.3**

The Clearing Member shall take all reasonable care in the selection and monitoring of any Person who is to act on its behalf.

### **B. Liability of LCH SA**

#### **Article 1.3.3.4**

LCH SA ensures the payment of cash (as shall be denominated in the relevant Currency) in accordance with this Digital Asset Derivatives Clearing Rule Book following the registration of Digital Asset Derivatives Transactions in accordance with Article 1.3.2.4 and the clearing of obligations deriving thereto as provided in Article 1.3.2.9, save in the event of a force majeure or third party action.

#### **Article 1.3.3.5**

For obligations other than the obligation to pay cash amounts as referred to in Article 1.3.3.4 above, LCH SA is only accountable for obligations of means ("*obligation de moyens*").

#### **Article 1.3.3.6**

Unless expressly stated otherwise in the Digital Asset Derivatives Clearing Rules, LCH SA will under no circumstances be liable for any Damage, including, without purporting to be exhaustive, that arises out of or in connection with any of the following:

- (i) Damage believed by the Clearing Member to be the consequence of a total or partial failure by LCH SA to perform its obligations in accordance with the Digital Asset Derivatives Clearing Rules or the Digital Asset Derivatives Admission Agreement;
- (ii) any abnormal or fraudulent use of the Digital Asset Derivatives Clearing System;
- (iii) in respect of a claim for Damages by a Clearing Member or a Client, following a total or partial failure by such Clearing Member to perform or comply with the Digital Asset Derivatives Clearing Rules;
- (iv) any act or omission of a Clearing member or other third party, including, without limitation, in circumstances set out in paragraph (x) below;
- (v) any agreement or arrangement that a Clearing Member has entered into with a third party in connection with its activities under the Digital Asset Derivatives Clearing Rules (including, without limitation, the Digital Asset Derivatives Clearing Agreement and any agreement or arrangement referred to in Section 2.2.3);
- (vi) any suspension, restriction or closure of LCH SA or its services, where required of LCH SA pursuant to applicable laws and regulations, whether for a temporary period or otherwise;
- (vii) reliance by LCH SA on any data provided to it by a Clearing Member or as may otherwise be provided to it in accordance with this Digital Asset Derivatives Rule Book, including the Settlement Prices;
- (viii) any event occurring in respect of the underlying reference or Digital Assets determining the value of Digital Asset Derivatives, including where such event has an impact on the Digital Asset Derivatives and/or the Digital Asset Derivatives Clearing Rules. Without prejudice to the generality of the foregoing,

LCH SA shall incur no liability when performing adjustments on Open Positions pursuant to Article 3.1.2.2 below;

- (ix) excepting any dispute which may relate to whether a Digital Asset Derivatives Transaction has been novated pursuant to this Digital Asset Derivatives Clearing Rule Book, any dispute arising from or in relation to any Digital Asset Derivatives Transaction; including, but not limited to, any dispute as to the validity or otherwise of the Digital Asset Derivatives Transaction, the terms of the Digital Asset Derivatives Transaction or whether any alleged agreement or arrangement constitutes an Digital Asset Derivatives Transaction;
- (x) any failure or improper registration in the Digital Asset Derivatives Clearing System of an eligible Digital Asset Derivatives Transaction because of a third party's fault or a Force Majeure Event affecting LCH SA;
- (xi) registration of Digital Asset Derivatives Transactions in a Position Account and/or allocation of such Digital Asset Derivatives Transactions in a Margin Account where it does so in accordance with the Clearing Member's instructions or on the basis of information received from Approved Trade Source Systems;
- (xii) any breach by a Clearing Member of its obligations to segregate Clients' assets from the Clearing Member's own assets, notably in securities settlement systems and central securities depositories, in accordance with applicable law and regulations. LCH SA only sends payment instructions to the Client Account or House Account indicated by the Clearing Member, irrespective of the beneficiary of such payment;
- (xiii) the quality, fitness for purpose, completeness of or accuracy of Settlement Prices or composite prices;
- (xiv) in respect of a claim for Damages by a Defaulting Clearing Member, any decision by LCH SA to proceed with a liquidation of Open Positions or the taking of any other action pursuant to Chapter 5 of Title IV;
- (xv) the exercise, or failure to exercise, by LCH SA of any discretion or right conferred upon it by the Digital Asset Derivatives Clearing Rules, including any actions taken or omitted to be taken in relation to the application of LCH SA's rights following the notification of an Event of Default in respect of a Clearing Member;
- (xvi) any statement, representation or warranty by LCH SA or any of its officers or representatives other than as expressly set out in the Digital Asset Derivatives Clearing Rules or the Digital Asset Derivatives Admission Agreement;
- (xvii) any special, indirect or consequential Damage, including loss of custom, profit or revenues;
- (xviii) rejection of any application to become a Clearing Member;
- (xix) the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any information by that Approved Trade Source System to LCH SA;
- (xx) any error within or corruption of any data sent by an Approved Trade Source System directly or indirectly to LCH SA or to a Clearing Member or any delay in or failure of the transmission of such data to LCH SA;
- (xxi) the registration of a Digital Asset Derivatives Transaction on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System;

- (xxii) any breach by a Clearing Member of its obligations, under any applicable laws and regulations or otherwise resulting from the Digital Asset Derivatives Clearing Service, *vis-à-vis* its Clients, Persons of its Financial Group or LCH SA; or
- (xxiii) any action or failure to act on the part of any Clearing Member or third party which would prevent, impair, limit, restrict or delay the transfer or porting of Digital Asset Derivatives Transactions or the conditions under which Digital Asset Derivatives Transactions may be or are transferred or ported (whether in the context of an Event of Default or otherwise).

#### **Article 1.3.3.7**

Nothing in Article 1.3.3.6 above shall be construed as LCH SA excluding or restricting its liability *vis-à-vis* any Clearing Member for:

- (i) fraud, fraudulent representation, gross negligence or an intentional omission or act on the part of LCH SA;
- (ii) personal injury or death caused by the negligence, recklessness or any intentional act or omission of LCH SA; or
- (iii) any liability which cannot be lawfully excluded under applicable laws and regulations (to the extent such liability cannot be lawfully excluded).

#### **Article 1.3.3.8**

If a Clearing Member does not comply with its material obligations, as provided for in this Digital Asset Derivatives Clearing Rule Book or in the Digital Asset Derivatives Admission Agreement, or in case of Insolvency Proceeding affecting such Clearing Member, LCH SA may immediately and without notice cease to perform all its obligations with respect to the Clearing Member in question, notwithstanding implementation of the measures provided for in Chapter 5 of Title IV of this Digital Asset Derivatives Clearing Rule Book. In particular, following an Event of Default, LCH SA will act promptly in the manner LCH SA deems most appropriate to minimise its exposure and mitigate consequences for market participants.

#### **Article 1.3.3.9**

LCH SA shall take reasonable care in the selection and monitoring of any third party who may act on its behalf.

### **C. Force Majeure Events**

#### **Article 1.3.3.10**

Neither LCH SA nor a Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the Digital Asset Derivatives Clearing Rules if and to the extent that such failure, hindrance or delay arises as a result of a Force Majeure Event affecting LCH SA or the Clearing Member (as the case may be).

#### **Article 1.3.3.11**

On the occurrence of a Force Majeure Event:

if applicable to a Clearing Member, such Clearing Member shall as soon as reasonable practicable notify LCH SA of the occurrence of the Force Majeure Event occurring in respect of it. The decision to notify LCH SA of a Force Majeure Event under this Article 1.3.3.11 will be taken by a Clearing Member at an appropriate level of seniority;

- (i) if applicable to LCH SA, LCH SA will notify, by any means, all Clearing Members of the occurrence of the Force Majeure Event occurring in respect of it;
- (ii) all Clearing Members shall comply with any reasonable directions issued by LCH SA in respect of such Digital Asset Derivatives Transactions affected by the Force Majeure Event and as are specified by LCH SA;



- (iii) each of the Clearing Members and LCH SA who are, and continue to be, affected by the Force Majeure Event shall use all reasonable endeavours to mitigate the effect of the same upon their respective ability to perform their obligations under the Digital Asset Derivatives Clearing Rules;
- (iv) each Clearing Member affected by the Force Majeure Event shall promptly notify LCH SA as soon as its ability to perform is no longer affected by the Force Majeure Event; and
- (v) LCH SA shall notify, by any means, all Clearing Members as soon as its ability to perform is no longer affected by the Force Majeure Event.

### **Section 1.3.4 Confidentiality**

#### **Article 1.3.4.1**

LCH SA, on the one hand, and each Clearing Member, on the other hand, shall during and after the arrangements contemplated by the Digital Asset Derivatives Clearing Rules and the Digital Asset Derivatives Admission Agreement have terminated:

- (i) keep confidential all information, whether in written or any other form, which has been disclosed to it by or on behalf of the other in confidence or which by its nature ought to be regarded as confidential (including, without limitation, any business information in respect of LCH SA or the relevant Clearing Member which is not directly applicable or relevant to the transactions contemplated by the Digital Asset Derivatives Clearing Rules); and
- (ii) procure that its directors, officers, employees, representatives, agents, contractors and subcontractors keep secret and treat as confidential all such documentation and information,

subject to any exception as provided for in the Digital Asset Derivatives Admission Agreement.

### **Section 1.3.5 Applicable Law**

#### **Article 1.3.5.1**

The Digital Asset Derivatives Clearing Rules shall be governed by and construed in accordance with the laws of France unless explicitly stated otherwise.

### **Section 1.3.6 Disputes**

#### **Article 1.3.6.1**

Any dispute between LCH SA and a Clearing Member that may arise under the Digital Asset Derivatives Clearing Rules shall be finally settled through the French courts in accordance with the Digital Asset Derivatives Admission Agreement, subject to the complaints resolution procedure as set out in an Instruction.

#### **Article 1.3.6.2**

A Clearing Member shall, in accordance with Article 1.3.3.4 *et seq.*, notify LCH SA of any claim within twelve (12) months from the Clearing Day on which the Clearing Member becomes aware, or should have become aware of the occurrence of any event that may result in Damages.

## Chapter 4 – LCH SA Default

### Article 1.4.1.1

An LCH SA default shall occur if at any time:

- (i) except where such failure to pay is permitted or where LCH SA is acting in accordance with Chapter 5 of Title IV, LCH SA fails to make a payment due by LCH SA to a Clearing Member (other than to a Defaulting Clearing Member) under any novated Digital Asset Derivatives Transaction, and such failure has not been cured within 30 days from the date when the obligation to pay fell due; or
- (ii) LCH SA becomes subject to LCH Insolvency Proceedings duly notified by the ACPR pursuant to Article R. 613-18 of the French Monetary and Financial Code.

### Article 1.4.1.2

In the event of an LCH SA default occurring pursuant to Article 1.4.1.1 (i), the relevant Clearing Member may notify LCH SA in writing specifying a Termination Date, which shall be the TARGET2 Settlement Day following the occurrence of such an LCH SA default, for the termination and liquidation of all Trade Legs and/or Open Positions, as relevant, registered in its Account Structure.

### Article 1.4.1.3

In the event of an LCH SA default pursuant to Article 1.4.1.1 (ii), LCH SA will release a notice on its website specifying the Termination Date, which shall be the TARGET2 Settlement Day following the occurrence of such an LCH SA default. Upon the occurrence of a Termination Date, a Clearing Member other than a Defaulting Clearing Member may exercise the right given to it under Article 1.4.1.4 *et seq.*

Where LCH SA fails to make available such notice on its website:

- (i) by 19:00 on the Clearing Day following the Clearing Day on which LCH SA becomes subject to LCH Insolvency Proceedings pursuant to Article 1.4.1.1 (ii); or
- (ii) where LCH SA becomes subject to an LCH Insolvency Proceeding pursuant to Article 1.4.1.1 (ii) after 19:00 on a Clearing Day or on a day which is not a Clearing Day, by 19:00 on the second Clearing Day following that day,

then each Clearing Member shall individually be entitled, by notice in writing to LCH SA, to designate a Termination Date.

### Article 1.4.1.4

As from the Termination Date, neither LCH SA nor any Clearing Member (other than a Defaulting Clearing Member) having exercised its rights pursuant Article 1.4.1.2 or Article 1.4.1.3 shall be obliged to make any further payment under any Trade Leg or Open Position, as the case may be, between them which would, but for this Chapter 4 of Title I, have fallen due for performance on or after the Termination Date.

Such obligations shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount.

### Article 1.4.1.5

Following an LCH SA default pursuant to the conditions of Article 1.4.1.1, the Clearing Member other than a Defaulting Clearing Member, having exercised its rights pursuant to Article 1.4.1.2 or Article 1.4.1.3, determines on the Termination Date or as soon as possible after such date (discounting if appropriate):

- (i) its total loss or total gain, as the case may be, in respect of each Trade Leg or Open Position, as relevant, (in each case expressed in Euro); and

- (ii) the value of all other amounts which it owes to LCH SA and which LCH SA owes to it, in each case whether future, liquidated or unliquidated, actual or contingent.

Pursuant to Article 1.4.1.9 below, such calculation shall be undertaken separately in respect of the Trade Legs, or Open Positions as applicable, and all other amounts owed in relation to Trade Legs, or Open Positions registered in:

- (i) the House Account Structure;
- (ii) an Individual Segregated Account Structure; or
- (iii) an Omnibus Segregated Account Structure of the Clearing Member.

#### **Article 1.4.1.6**

For the purposes of Article 1.4.1.5(i), the Clearing Member calculates (in a commercially reasonable manner) its total loss or its total gain, as the case may be, in respect of each Trade Leg or Open Position, as relevant, as a result of the termination of each payment which would otherwise have been required to be made under the relevant Trade Leg or Open Position, as relevant and including, if appropriate, any loss of bargain, any cost of funding, and/or without duplication, any loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position.

#### **Article 1.4.1.7**

For the purpose of the calculation to be made pursuant to Article 1.4.1.5(ii), the Clearing Member will determine the value of all Collateral that, as of the Termination Date, LCH SA is due to return to it in accordance with the Digital Asset Derivatives Clearing Rules without applying any haircuts to such valuation. In making such determination, the Clearing Member will not separately value and will not take into account, as an amount due to it, any Collateral:

- (i) in respect of which the value has been accounted for in determining of any profit or loss on any Trade Leg or Open Position, as applicable;
- (ii) which the Clearing Member has transferred to LCH SA other than on a full title transfer basis and which the Clearing Member will receive back in accordance with the Digital Asset Derivatives Clearing Rules; or
- (iii) which, if the Clearing Member is a Defaulting Clearing Member, has been deposited by a Defaulting Clearing Member to meet:
  - (a) its Margin requirement (other than Variation Margin) calculated in respect of its House Margin Account(s) or as a contribution to the Digital Asset Derivatives Default Fund and which LCH SA has applied or will be required to apply in order to reduce its loss in accordance with Article 4.5.2.9; or
  - (b) its Margin requirement (other than Variation Margin) calculated in respect of its Client Margin Account(s) which will be transferred to a new Clearing Member as provided in an Instruction, or, in case of liquidation, returned to the Client or Indirect Client, when applicable, as provided in an Instruction.

#### **Article 1.4.1.8**

Pursuant to the determination made under Article 1.4.1.5:

- (i) each gain by the Clearing Member and each amount which LCH SA owes to it, shall be treated as a positive amount; and
- (ii) each loss suffered by the Clearing Member and amounts which it owes to LCH SA shall be treated as a negative amount.

#### Article 1.4.1.9

The Clearing Member shall:

- (i) aggregate all positive and negative amounts related to House Trade Legs or House Open Positions to produce one net termination amount (the "**House Termination Amount**"), and
- (ii) aggregate:
  - (a) all positive and negative amounts related to Client Trade Legs or Client Open Positions registered in an Individual Segregated Account Structure to produce one net termination amount for such Individual Segregated Account Structure; and
  - (b) all positive and negative amounts related to Client Trade Legs or Client Open Positions registered in an Omnibus Segregated Account Structure to produce one net termination amount for such Omnibus Segregated Account Structure (each a "**Client Termination Amount**").

To the extent a Clearing Member is also a member of any of the other clearing services provided by LCH SA, such Clearing Member shall aggregate the House Termination Amount and the house termination amount(s) calculated in respect of a house account structure held in connection with any such clearing service(s) where LCH SA is subject to a default in accordance with the Digital Asset Derivatives Clearing Rules and the rules applicable to the relevant other service(s), in order to produce one net termination amount owed in relation to the Digital Asset Derivatives Clearing Service and any such other service(s) provided by LCH SA (the "**Global House Termination Amount**").

The Clearing Member shall notify LCH SA of the House Termination Amount or Global House Termination Amount if applicable, and, where relevant, the Client Termination Amount(s), by which party each such amount is payable, and showing in reasonable detail how they have been calculated, immediately after the calculation thereof.

If for any reason one or more Clearing Member(s) fail(s) to determine and notify the Termination Amounts to LCH SA on or before the day falling 25 Clearing Days after the Termination Date (such day being the "**Notification Limit Date**"), LCH SA shall post a notice on the Website and make its own determination of the respective Termination Amounts, in respect of each such Clearing Member(s) within the 25 Clearing Days following the Notification Limit Date, and shall notify the relevant Clearing Member(s) of the respective Termination Amounts it has determined immediately after the calculation thereof.

If the House Termination Amount or Global House Termination Amount if applicable, or the Client Termination Amount(s) calculated pursuant to this Chapter 4 is a positive amount, LCH SA shall pay it to the Clearing Member and, if any of the House Termination Amount or Global House Termination Amount if applicable, or the Client Termination Amount(s) is a negative amount, the Clearing Member shall pay it to LCH SA, in accordance with Article 1.4.1.10 below.

#### Article 1.4.1.10

The Termination Amounts in respect of each Clearing Member shall be paid by either LCH SA or the Clearing Member, as the case may be, in Euro:

- (i) in respect of the House Termination Amount (to the extent not aggregated into the Global House Termination Amount) or Client Termination Amount(s), by 17:00 on the Clearing Day following notification pursuant to Article 1.4.1.9 above; and
- (ii) in respect of the Global House Termination Amount, if applicable, by 17:00 on the 27<sup>th</sup> Clearing Day after the Termination Date, unless:
  - (a) LCH SA has received notices pursuant to Article 1.4.1.9 above from all Clearing Members setting out their respective Global House Termination Amounts, if applicable, in which case the Global Termination Amounts shall be paid at an earlier date as specified by LCH SA by no less than 2 Clearing Days' notice on the Website; or

- (b) LCH SA shall make its own determination of the respective Global House Termination Amount(s) in accordance with Article 1.4.1.9 above, in which case the Global House Termination Amount(s) shall be paid by 17:00 on:
  - (x) the second Clearing Day after the date on which the Global House Termination Amount(s) have been notified by LCH SA, in respect of all the Clearing Members; or
  - (y) provided that LCH SA fails to make such determination and notification: the 27<sup>th</sup> Clearing Day following the Notification Limit Date, in respect of all Clearing Members having duly determined and notified their Global House Termination Amount to LCH SA,

(converted as required by applicable law into any other Currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, LCH SA).

Neither LCH SA nor a Clearing Member, as the case may be, shall be permitted to effect payment netting between the House Termination Amount or Global House Termination Amount if applicable, on the one hand, and the Client Termination Amounts on the other hand.

#### **Article 1.4.1.11**

For the purposes of any calculation required to be made under this Chapter 4, the Clearing Member may convert amounts denominated in any other Currency into Euro at such rate prevailing at the time of the calculation as it shall reasonably select.

#### **Article 1.4.1.12**

The Clearing Member's rights under this Chapter 4 shall be in addition to, and not in limitation or exclusion of, any other rights which the Clearing Member may have.

#### **Article 1.4.1.13**

This Chapter 4 shall be without prejudice to the rights that LCH SA may have pursuant to the Digital Asset Derivatives Clearing Rules against any Clearing Member prior to the occurrence of the LCH SA default.

## Chapter 5 – Recovery and Resolution

### Article 1.5.1.1

Pursuant to article 9(6) of Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties, where, in order to achieve the goals of its recovery process, LCH SA proposes to:

- (a) take measures provided for in its recovery plan despite the fact that the relevant indicators have not been met; or
- (b) refrain from taking measures provided for in its recovery plan despite the fact that the relevant indicators have been met;

such proposal shall be submitted to its board of directors for approval and any decision taken by the board of directors of LCH SA in this connection and its justification shall be notified to the ACPR without delay.

## Chapter 6 – Winding Down

### Article 1.6.1.1

LCH SA shall be entitled to cease its activities in relation to the Digital Asset Derivatives Clearing Service with immediate effect, following the occurrence of:

- (i) a closing down of all of the Digital Asset Derivatives Clearing Service, following one or several Event(s) of Default; or
- (ii) a decision by the ACPR or a court decision which forces LCH SA to cease its activities (in this latter case, LCH SA may apply close out to its Digital Asset Derivatives Clearing Service pursuant to the applicable service closure process and as described in an Instruction).

# Title II – Membership

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## Article 2.0.0.1

Clearing Members shall at all times comply with the requirements set out in this Chapter and any additional conditions and limitations imposed upon admission as Clearing Member, and with any provision of the Digital Asset Derivatives Clearing Rules.

## Chapter 1 – General Provisions

### Section 2.1.1 Clearing Members

#### Article 2.1.1.1

As a securities settlement system within the meaning of the Settlement Finality Directive, LCH SA has only direct participants, being the Clearing Members. It does not have indirect participants.

#### Article 2.1.1.2

The following entities are eligible to become a Clearing Member, pursuant to Article L. 440-2 of the French Monetary and Financial Code:

- (i) Credit Institutions and Investment Firms, which have their head office in France, as well as French branches of Credit Institutions having their head office, or in the absence of head office, their effective direction of the business, in a State which is not a Member State;
- (ii) Credit Institutions and Investment Firms which have their head office or, in the absence of head office, their effective direction of the business, in a Member State other than France;
- (iii) legal persons whose members or shareholders have unlimited joint and several liability for their debts and obligations, provided that such members or shareholders are institutions or firms mentioned under 1 and/or 2 above;
- (iv) legal persons having their head office in metropolitan France or in French overseas departments or in the department of Mayotte or Saint-Barthelemy or Saint Martin and whose principal or sole purpose is the clearing of financial instruments;
- (v) subject to conditions set out in the General Regulations (*Règlement général*) of the AMF, Credit Institutions and Investment Firms other than those mentioned in 1 and 2 above and legal persons whose principal or sole purpose is the clearing of financial instruments, that are not established in metropolitan France or in French overseas departments or in the department of Mayotte or Saint-Barthelemy or Saint-Martin;
- (vi) international financial organisations or bodies, other public authorities and publicly guaranteed undertakings, which are not mentioned in paragraphs 1 to 5 above and designated in a decree of the Minister of Economy on an individual basis or by category, and central banks.

#### Article 2.1.1.3

A Clearing Member is a legal person or undertaking admitted as such by LCH SA and authorised, subject to the Digital Asset Derivatives Clearing Rules, to submit Digital Asset Derivatives Transactions for registration, pursuant to a Digital Asset Derivatives Admission Agreement between LCH SA and itself.

#### **Article 2.1.1.4**

A Clearing Member can operate with such status as:

- (i) an Individual Clearing Member; or
- (ii) a General Clearing Member.

### **Section 2.1.2 Application Procedure**

#### **Article 2.1.2.1**

Subject to completion of the procedure published on LCH SA's website, the Applicant shall complete LCH SA's application file which is available on LCH SA's website and shall provide all documents listed in the application file as well as other documentation or information required by LCH SA.

In the event that incomplete or unsatisfactory information is contained in the application file, additional information and/or documents may be requested by LCH SA from the Applicant.

The application file specifies, *inter alia*, the one or several Product Family(ies) and the membership category (General Clearing Member or Individual Clearing Member) the Applicant is applying for.

Whilst the application is pending, the Applicant must notify LCH SA in writing of any changes relating to:

- (i) the items to be included in the application file;
- (ii) information contained in the application file; and
- (iii) any facts and circumstances concerning the Applicant which may be relevant in the context of its ability to perform its obligations under the Digital Asset Derivatives Clearing Rules.

#### **Article 2.1.2.2**

LCH SA shall examine the information in the application file within two months from the date of receipt of the complete application file, including any additional information required by LCH SA.

LCH SA shall notify the Applicant of its admission decision.

#### **Article 2.1.2.3**

In approving an application, LCH SA may impose additional conditions and/or limitations on the exercise of certain rights under the Digital Asset Derivatives Clearing Rules provided that such conditions and/or limitations are imposed without discrimination and only to the extent that its objective is to control the risk for the clearing house.

Membership approval is granted for one or several Product Family(ies) and a membership category (Individual Clearing Member or General Clearing Member).

#### **Article 2.1.2.4**

LCH SA may refuse an admission to membership if it considers that such admission may adversely affect the operation of the clearing and settlement system, or where the Applicant does not comply with its obligations resulting from its admission to another clearing house or central securities depository or where the Applicant does not satisfy a minimum internal credit score which is determined by LCH SA as set out in Article 2.3.1.1 below.

LCH SA shall provide justification for its decision not to admit an Applicant to membership within one month following receipt of a request for justification from the relevant Applicant.



#### **Article 2.1.2.5**

If an Applicant has been approved as a Clearing Member, it shall before commencing operations:

- (i) provide LCH SA with any outstanding documents and/or information as notified in the approval letter; and
- (ii) comply with the specific requirements, as set-out in this Title II and in an Instruction.

#### **Article 2.1.2.6**

Upon approval and execution of the Digital Asset Derivatives Admission Agreement the Clearing Member shall at all times comply with the provisions of the Digital Asset Derivatives Clearing Rules.

In particular, the Clearing Member shall, among other things:

- (i) pay any fees due by itself;
- (ii) make contributions as set-out in Chapter 3 of Title IV;
- (iii) bear the risk of any instructions which are incorrect or provided late to LCH SA;
- (iv) comply with the continuing obligations described hereunder;
- (v) be liable for the accuracy of all information provided to LCH SA, especially information relating to the Clearing Member's Account Structure as described in Chapter 2 of Title III of this Digital Asset Derivatives Clearing Rule Book.

#### **Article 2.1.2.7**

The Applicant shall confirm its acceptance of the Digital Asset Derivatives Clearing Rules by returning the Digital Asset Derivatives Admission Agreement executed by a duly authorised signatory.

The Digital Asset Derivatives Admission Agreement is concluded on the basis of the identity (*intuitu personae*) of the relevant Clearing Member and cannot therefore be assigned or transferred without LCH SA's prior written approval.

Clearing Members shall not create any security interest or over or otherwise transfer by way of security all or part of their rights vis-à-vis LCH SA to third parties unless expressly provided otherwise in the Digital Asset Derivatives Clearing Rules.

#### **Article 2.1.2.8**

A Clearing Member must begin clearing operations within six months after LCH SA notifies its admission, unless, subject to a prior request from the Clearing Member, LCH SA agrees to extend such time limit. Failing this, the admission decision shall be automatically revoked and any new admission will require compliance with the provisions of Chapter 1 and Chapter 2 of Title II.

## Chapter 2 – Legal Obligations

### Section 2.2.1 Regulatory Framework

#### Article 2.2.1.1

Any Applicant wishing to be admitted by LCH SA as a Clearing Member should satisfy the following conditions:

- (i) be duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
- (ii) undertake to accept the Digital Asset Derivatives Clearing Rules by executing the Digital Asset Derivatives Admission Agreement;
- (iii) undertake to comply with all applicable laws and regulations relating to its status as a Clearing Member and the performance of its obligations pursuant to the Digital Asset Derivatives Clearing Rules;
- (iv) be supervised by its Competent Authorities, or other comparable supervision in its home jurisdiction;
- (v) undertake to execute the agreement governing technical access to LCH SA's Digital Asset Derivatives Clearing System;
- (vi) meet the financial requirements as determined by LCH SA from time to time and as specified in Chapter 3 of this Title II and in addition meet any further requirements with respect to liquidity and/or solvency as may be set-out by LCH SA;
- (vii) meet the quality requirements as specified in an Instruction;
- (viii) satisfy LCH SA that it has sufficient expertise in relation to clearing activities, that its technical systems and related organisational structure are operationally reliable and that its risk management policy is adequate;
- (ix) ensure that the Persons who represent the Applicant and who are competent to take decisions will be accessible to LCH SA during working hours of every Clearing Day;
- (x) submit evidence and details of duly existing cash accounts (including, at least, one TARGET2 Account and one cash account in US Dollar) for the purposes of payment of cash amounts, as well as evidence that a Power of Attorney has been issued in favour of LCH SA to allow the debiting or crediting of such accounts for the performance of cash payment obligations and the provision of cash Collateral, in the conditions defined in an Instruction;
- (xi) irrevocably authorise such Persons as may be specified by LCH SA pursuant to the conditions set out in Article 2.4.2.2 to inspect its facilities, interview its staff, audit its Systems and Operations, check the proposed procedures (as recorded in writing) and inspect its books, papers and other data, for the purpose of determining whether the Digital Asset Derivatives Clearing Rules are being properly complied with;
- (xii) have at its disposal the technical environment to be connected to the Digital Asset Derivatives Clearing System;
- (xiii) participate, or demonstrate that it has at least one LCH Approved Delegation Beneficiary that can successfully participate in the implementation of the Digital Asset Derivatives Default Management Process, and participate in (and satisfy LCH SA's requirements with respect to the carrying of) regular fire drills run by LCH SA from time to time, in accordance with this Digital Asset Derivatives Clearing Rule Book; and
- (xiv) satisfy such other requirements as may be imposed by LCH SA generally or with respect to a category of Clearing Member.

#### **Article 2.2.1.2**

Applicants that wish to be admitted as Clearing Members and are established in a country which is not a Member State, or any other country that may be specified by LCH SA, are obliged to provide LCH SA, upon its reasonable request, with all relevant information on rules and regulations that are in force in their Home State, which deal with clearing activities, and especially those rules and regulations that concern the registration of Digital Asset Derivatives Transactions and the resolution of fails to pay between Clearing Members and their Clients, where applicable.

### **Section 2.2.2 Corporate Organisation**

#### **Article 2.2.2.1**

Subject to the exceptions set out in the second paragraph of Article 2.4.2.2 below, a Clearing Member may locate the necessary human and technical resources required to carry on its clearing and back office activities wherever it chooses, provided that it can satisfy LCH SA that such activities are carried out in a country in which on-site inspections by, or on behalf of, LCH SA, are practicable and permitted by applicable laws and regulations. In any case, the head office and the registered office of the Clearing Member must be located in the same State.

#### **Article 2.2.2.2**

A Clearing Member may outsource all or part of its clearing activities to another Clearing Member or to a legal entity that the Clearing Member controls, or by which the Clearing Member is controlled, within the meaning of Article L. 233-3 of the French Commercial Code, or, more generally, to any other third-party legal entity, under the conditions set out in Articles 2.2.2.3 to 2.2.2.5 hereinafter.

For the purposes of these Articles 2.2.2.2 to 2.2.2.5, the outsourcing of clearing operations refers to the outsourcing to a third party, by a Clearing Member, on a long-term and regular basis, of the performance of services or other operational tasks which contribute directly to the fulfilment of the Clearing Member's obligations referred to in the Digital Asset Derivatives Clearing Rules.

#### **Article 2.2.2.3**

The outsourcing of clearing operations as defined in Article 2.2.2.2 above is subject to the prior authorisation of LCH SA.

The request for authorisation must give all appropriate details as to the clearing activities to be outsourced and as to the means of control and supervision available to the outsourcing Clearing Member.

The Clearing Member must, before any outsourcing to a subcontractor other than a Clearing Member, ensure that the risk incurred has been assessed, that a written agreement has been entered into with the subcontractor, that a formalised policy for the control of third-party providers and an outsourcing register kept up to date have been put in place.

On the basis of the information provided by the Clearing Member, LCH SA may decline to approve such an outsourcing or withdraw its authorisation if the conditions of or a failure in such arrangement could be such as to threaten or no longer ensure the proper compliance by the Clearing Member with its obligations pursuant to the Digital Asset Derivatives Clearing Rules.

#### **Article 2.2.2.4**

A Clearing Member that outsources all or part of the clearing operations shall not under any circumstances be relieved of its liability vis-à-vis any third parties with regard to the outsourced activities. The outsourcing of clearing operations may not result in any delegation of the responsibility of the effective managers (*dirigeants effectifs*) of the Clearing Member, or modify the relationship of the Clearing Member with its Clients or its obligations towards the latter.

#### Article 2.2.2.5

The prior authorisation mentioned in article 2.2.2.3 shall be subject to the Clearing Member, together with its subcontractor, signing a letter of undertakings pursuant to the terms of a template provided by LCH SA (the "**Letter of Outsourcing**").

The relevant Clearing Member shall:

- (i) ensure that, in its relationship with the subcontractor, the latter accepts, that the ACPR, the AMF, or any other equivalent foreign authority within the meaning of articles L. 632-7, L. 632-12, L. 632-13 et L. 632-16 of the French Monetary and Financial Code, have access, including on site, to information regarding outsourced activities as necessary for the fulfilment of their mission; and
- (ii) where the subcontractor is not a Clearing Member:
  - (a) ensure that the subcontractor to whom the clearing operations are outsourced has the capacity and authorisation to carry out such functions;
  - (b) ensure that its systems and control framework include the outsourced operations;
  - (c) ensure that it retains the expertise necessary to effectively supervise and control the execution of the outsourced operations in compliance with the Digital Asset Derivatives Clearing Rules, and to manage the risks associated with such outsourcing, and exercises such supervision and control and manages such risks;
  - (d) ensure that the subcontractor commits to a service quality compatible with the normal functioning of the service;
  - (e) ensure that back-up mechanisms are implemented in case of serious difficulty affecting the continuity of the outsourced services;
  - (f) ensure that the service provided cannot be substantially modified without its prior approval;
  - (g) ensure that the subcontractor complies with procedures set out by the Clearing Member concerning the organisation and implementation of controls over the services being provided;
  - (h) ensure that the subcontractor keeps it informed of any event which may have a material impact on its capacity to carry out the outsourced operations efficiently and in compliance with applicable regulations;
  - (i) ensure that it has effective access to the data related to the outsourced activities and to the business premises of outsourcee and is able to provide such access to LCH SA as would apply to the Clearing Member under the Digital Asset Derivatives Clearing Rules;
  - (j) ensure that the outsourced operations may, if needed, be interrupted without the continuity or the quality of the clearing services provided to Clients being affected; and
  - (k) ensure that the sub-contractor protects the confidentiality of information relating to the Clearing Member, its Clients, and LCH SA.

## **Section 2.2.3 Third Party Contractual Obligations**

### **A. Relationship with Settlement Agents and Payment Agents**

#### **A.1. Common Provisions**

##### **Article 2.2.3.1**

A Clearing Member that wishes to use a Settlement Agent and/or a Payment Agent must guarantee that the agreement(s) by which the Settlement Agent and/or the Payment Agent agrees to pay cash amounts to LCH SA on behalf of the Clearing Member complies with the LCH SA requirements.

The provisions which are required to be included in such agreement(s) are outlined in a declaration of compliance, the template of which is provided by LCH SA upon request of the Clearing Member. Such declaration of compliance must be duly completed and signed by the Clearing Member (and, if applicable, the relevant Settlement Agent and/or Payment Agent) and returned to LCH SA.

Any amendment made to the agreement entered into between the Clearing Member and a Settlement Agent or a Payment Agent shall be in accordance with the principles set out in the declaration of compliance.

Notwithstanding the above, such an agreement(s) shall not relieve the Clearing Member from its obligations under the Digital Asset Derivatives Clearing Rules.

##### **Article 2.2.3.2**

With respect to execution of the obligations set-out in Article 2.2.3.4 and Article 2.2.3.6, LCH SA must be provided with the relevant Powers of Attorney enabling it to debit directly the account(s) of the Clearing Member or the Settlement Agent as referred to in Article 2.2.3.7, or of the Payment Agent as referred to in Article 2.2.3.5, to meet the Clearing Member's payment obligations vis-à-vis LCH SA.

Where Powers of Attorney are not accepted under the rules of the relevant central banks and/or commercial banks mentioned in Article 2.2.3.4, the Clearing Member shall be obliged to credit directly, on a daily basis, the account(s) of LCH SA in the conditions set out in an Instruction. Failure to comply with this obligation will be considered as a breach of the Digital Asset Derivatives Clearing Rules, and LCH SA may then take any appropriate remedy measures in accordance with Article 2.5.1.1, Article 2.5.1.2 and Article 2.5.1.3.

##### **Article 2.2.3.3**

A Clearing Member may use the services of one Settlement Agent per CSD and/or ICSD, as applicable, and of one Payment Agent per central bank or Credit Institution

#### **A.2. Provisions related to Payment Agents**

##### **Article 2.2.3.4**

Clearing Members must ensure that they are able to:

- (i) comply with their cash payments obligations; and
- (ii) if relevant, provide Collateral in cash,

in respect of Euro, through TARGET2 and, in respect of US Dollar, through their cash account(s) in US Dollar, in each case as provided in an Instruction.

To that end, each Clearing Member shall have entered into appropriate arrangements with the relevant central banks and/or commercial banks as the case may be, as described in an Instruction.

#### **Article 2.2.3.5**

When the obligations set out in Article 2.2.3.4 regarding the obligations to comply with cash payments are performed indirectly through a Payment Agent, the Clearing Member shall have entered into an appropriate agreement with the Payment Agent.

### **A.3. Provisions Related to Settlement Agents**

#### **Article 2.2.3.6**

Clearing Members must ensure that they are able to, if relevant, provide Securities as Collateral.

To that end, each Clearing Member shall comply with the provisions of an Instruction.

#### **Article 2.2.3.7**

When the obligations set out in Article 2.2.3.6 regarding the provision of Securities as Collateral are performed indirectly through a Settlement Agent, the Clearing Member shall sign an agreement with the Settlement Agent.

### **B. Relationship with Clients**

#### **Article 2.2.3.8**

A Clearing Member that wishes to clear Digital Asset Derivatives Transactions for one or more Client(s) must have entered into a Digital Asset Derivatives Clearing Agreement containing the Mandatory Client Clearing Provisions with each of such Client(s).

LCH SA shall not be liable for any Damages arising from any Digital Asset Derivatives Clearing Agreement, whether sustained by the Clearing Member or by a third party. The Clearing Member shall comply with the Digital Asset Derivatives Clearing Agreement.

Any amendment made to the Digital Asset Derivatives Clearing Agreement shall be in accordance with the principles set out in an Instruction.

The Clearing Member must ensure that it complies in all relevant jurisdictions with all applicable legislations and regulations requiring client assessment and/or sanctions screening, and upon request from LCH SA, will be required to evidence the same.

## **Section 2.2.4 Record Keeping**

#### **Article 2.2.4.1**

Clearing Members must keep accurate and complete accounting records of all Digital Asset Derivatives Transactions they have entered into for the account of the Trading Member or the Clients. Such accounting records should, where applicable, disclose at least the following particulars:

- (i) the Trading Member on the relevant Trading Venue with which a Digital Asset Derivatives Clearing Agreement has been entered into;
- (ii) in respect of each Trading Member on the relevant Trading Venue with which a Digital Asset Derivatives Clearing Agreement has been entered into, all rights and obligations arising from the Digital Asset Derivatives Transactions entered into by a General Clearing Member for the account of the Trading Member concerned; and
- (iii) any further requirements as may be specified by LCH SA.

#### **Article 2.2.4.2**

The Clearing Member is required to keep all data relating to its clearing activity with LCH SA, pursuant to the Digital Asset Derivatives Clearing Rules, for at least five years and must make the data available to LCH SA upon request throughout that period.

### **Section 2.2.5 Test Processing**

#### **Article 2.2.5.1**

Clearing Members must comply with LCH SA's request for technical and operational tests. Such tests may be required either prior to the implementation of a project or prior to the execution of specific and individual operations.

## Chapter 3 – Capital and other Financial Requirements

### Article 2.3.1.1

The Clearing Member must, at all times, satisfy the credit risk assessment minimum requirements. LCH SA assesses the credit risk of the Clearing Member in accordance with its internal credit score based on a range of quantitative and qualitative data. These include financial analysis, external market data as well as consideration of any implicit or explicit support available to the Clearing Member, and operational capability. The analysis is performed on the basis of a predetermined methodology applicable to any Clearing Member of the same category.

### Article 2.3.1.2

A Clearing Member whose Capital, and/or whose Financial Group's Capital, at any point falls below the required amount is obliged to immediately ensure it is brought back up to the minimum requirement, without prejudice to the powers of LCH SA specified in Chapter 5 of this Title II.

### Article 2.3.1.3

LCH SA shall, on a daily basis, compare the market risk associated with each Clearing Member's level of business with its level of Capital, and/or the level of Capital of the Financial Group of each Clearing Member, as reported to LCH SA in order to ascertain whether, in LCH SA's opinion, such Clearing Member and its Financial Group are sufficiently capitalised to support the level of risk associated with such Clearing Member. In determining whether a Clearing Member and its Financial Group are sufficiently capitalised, LCH SA may also consider:

- (i) the Clearing Member's aggregate exposure to other clearing houses and other entities; and/or
- (ii) the total amount of Collateral deposited with, transferred to or otherwise delivered to LCH SA by the Clearing Member.

In the event that LCH SA considers that a Clearing Member and/or its Financial Group is not sufficiently capitalised to support the level of risk associated with the Clearing Member's Open Positions, LCH SA may take any measures it considers necessary to contain the Clearing Member's exposure, including, *inter alia*, a request for Additional Margin, reduction in exposures, and/or increase in net capital.

### Article 2.3.1.4

Individual Clearing Members and their Financial Group must at all times maintain an amount of Capital specified in a Notice.

### Article 2.3.1.5

General Clearing Members and their Financial Group must at all times maintain an amount of Capital specified in a Notice.



## Chapter 4 – Information Obligations and Audit

### Section 2.4.1 Information

#### Article 2.4.1.1

The obligation of Clearing Members to provide information also covers information about their Clients (including, where relevant, physical persons and Known Clients) concerning the identity, trading activities and Positions of Clients. LCH SA shall have the right to furnish this information to the same persons as mentioned in Article 1.3.4.1 and on the same terms. LCH SA may give further details as to the application of these provisions in an Instruction.

Each Clearing Member must notify LCH SA of any change in the information provided to LCH SA pursuant to this Article 2.4.1.1 and LCH SA shall be entitled to rely on the latest documentation and information received from the Clearing Member.

#### A. Information upon Request

##### Article 2.4.1.2

The Clearing Member shall respond, within a reasonable period of time, to all requests for information from LCH SA concerning its clearing activities, with LCH SA exposure to general and financial risks in the context of its clearing activities with LCH SA, or any requests made under the terms and conditions set out in an Instruction.

#### B. Mandatory Information

##### Article 2.4.1.3

Clearing Members must send the following information to LCH SA:

- (i) annually:
  - (a) audited financial statements – balance sheet, profit and loss accounts, and notes to the annual financial statements;
  - (b) audited consolidated financial statements – balance sheet, profit and loss accounts, and notes to the financial statements;
  - (c) in addition, LCH SA may at its discretion require the provision of the audited financial statements for any company belonging to the same Financial Group as the Clearing Member, as the case may be; and
- (ii) where required by the Clearing Member's Competent Authority or the regulations of its Home State, and at the relevant intervals set by such Competent Authority or regulations or at other less frequent intervals accepted by LCH SA:
  - (a) interim balance sheet;
  - (b) interim profit and loss account;
  - (c) documents concerning prudential supervision of market risks, prepared on a consolidated or unconsolidated basis; and
  - (d) statements concerning core capital (tier 1) and supplementary capital (tier 2) as defined by the said authority or regulations.

##### Article 2.4.1.4

The Clearing Members must ensure that they comply with the standards and principles of applicable laws, rules and regulations in relation to the prevention and detection of money-laundering, combating the financing of terrorism and international sanctions in all relevant jurisdictions and upon request from LCH SA, will be required to evidence the same.

#### **Article 2.4.1.5**

A Clearing Member must notify LCH SA in advance in writing of every change in the data supplied in its application for admission and of any facts and circumstances concerning the Clearing Member which may significantly affect the exercise of its duties or the orderly conduct of its activities as a Clearing Member. Such developments include in particular, without limitation:

- (i) developments which could, or are likely to, result in the Clearing Member no longer being able to comply with its obligations under the Digital Asset Derivatives Clearing Rules;
- (ii) any significant change in its financial situation, in particular where shareholders' equity have declined by more than 10% compared with the amounts previously reported or if shareholders' equity falls below the amount specified in Chapter 3 of Title II of this Digital Asset Derivatives Clearing Rule Book;
- (iii) any other change which has, or could have, a significant impact on its financial position, reliability or operations;
- (iv) any change in its legal status or structure, including change of address, office or object under its articles of association;
- (v) changes in the power of control (shareholders) over its business with respect to the appointment and dismissal of its personnel, changes in the composition of its management or executive bodies, in its accounting system or organisation, in the holders of a qualified participating interest in its business, in the participating interests it holds or the joint ventures or alliances it has entered into; and/or
- (vi) any event occurring between the reporting dates set out in Article 2.4.1.3 that would significantly reduce the Clearing Member's or its Financial Group's Capital.

The obligation to notify becomes effective at the time the Clearing Member anticipates or becomes aware of the events, or, if earlier, at the time at which the Clearing Member ought reasonably to have anticipated or become so aware.

#### **Article 2.4.1.6**

Clearing Members shall send LCH SA a copy of all injunctions, formal notifications or sanctions imposed on them by any Competent Authority in respect of any event that could be relevant for LCH SA.

#### **Article 2.4.1.7**

Clearing Members must inform LCH SA immediately of any instances of default they detect among their Clients and/or Indirect Clients.

### **Section 2.4.2 Audit and Inspection**

#### **Article 2.4.2.1**

Clearing Members authorise LCH SA to request all relevant information regarding their payment commitments in their payment systems used by LCH SA, either directly or through another organisation.

#### **Article 2.4.2.2**

Clearing Members agree to submit their clearing activity to inspections by LCH SA, whether on the latter's initiative or at the request of a national Competent Authority, and to respond to all requests by LCH SA for information on a regular or exceptional basis, in the terms and conditions set forth in an Instruction.

Clearing Members will only decline to submit their clearing activity to inspections and/or to provide the required information where they are prevented from doing so by an applicable provision of law or regulation.

#### **Article 2.4.2.3**

Subject to the exception set out in Article 2.4.2.2, Clearing Members authorise LCH SA, or any person or entity that has been duly designated, to carry-out an audit of their Systems and Operations. Further, they undertake to provide all information needed to complete such an audit. LCH SA reserves the right, upon completion of the audit, to require any changes that may prove necessary. Clearing Members hereby agree to implement such modifications as soon as possible.

#### **Article 2.4.2.4**

For the purpose of this Digital Asset Derivatives Clearing Rule Book, LCH SA may delegate its investigation powers to any appropriate and professional entity which it considers fit.

Where there is any such delegation, LCH SA will ensure the confidentiality of any information provided by Clearing Members.

Clearing Members shall have the possibility to deny the attendance of certain LCH SA representatives, experts or other Persons, if the relevant Clearing Member is able to prove that it is affected by conflicts of interest.

#### **Article 2.4.2.5**

Clearing Members shall be available during clearing hours as set out in a Notice.

## Chapter 5 – Suspension and Termination of Membership

### Section 2.5.1 Common and General Provisions

#### Article 2.5.1.1

Without prejudice to the possible applicability of the provisions set out in Chapter 5 of Title IV, if LCH SA is of the opinion that some events could, or are likely to, result in a situation in which a Clearing Member is no longer able to satisfy one or more of the requirements set out in Chapter 2 and Chapter 3 of Title II or endangers the proper functioning of the Digital Asset Derivatives Clearing System, or can no longer comply with its obligations under the Digital Asset Derivatives Clearing Rules, LCH SA may:

- (i) institute Disciplinary Proceedings in respect of the Clearing Member;
- (ii) suspend its membership;
- (iii) terminate the Clearing Member's membership as stated in the Digital Asset Derivatives Admission Agreement;
- (iv) refuse to register Digital Asset Derivatives Transactions; and/or
- (v) subject registration of Digital Asset Derivatives Transactions to specific conditions, or impose additional conditions which LCH SA deems appropriate in the circumstances and notifies in writing to the Clearing Member.

#### Article 2.5.1.2

Before exercising any such power, however, LCH SA may, enter into consultations with the Clearing Member which may result in LCH SA specifying the latest date and time limit within which the Clearing Member must have remedied the situation.

#### Article 2.5.1.3

In the event a Clearing Member breaches or no longer complies with any of the requirements set out in this Title II, LCH SA shall consult with the relevant Competent Authority to determine whether such breach shall be publicly disclosed in accordance with EMIR, in which case the suspension or termination of such membership shall be promptly notified to:

- (i) the Clearing Members by means of publication in a Notice; and
- (ii) the relevant Approved Trade Source System and/or Trading Venue, as applicable.

### Section 2.5.2 Suspension

#### Article 2.5.2.1

In any event and at any time, LCH SA may decide to temporarily suspend a Clearing Member's activities subject to the conditions set out in the Digital Asset Derivatives Admission Agreement. The Clearing Member shall inform its Clients accordingly.

Such Clearing Member is informed in writing of the reasons for suspension.

#### Article 2.5.2.2

When a Clearing Member's membership is suspended, LCH SA shall suspend the registration of any new Digital Asset Derivatives Transactions in the Clearing Member's name. However, LCH SA may decide, in view of the particular circumstances to only suspend the registration of a new Digital Asset Derivatives Transaction

increasing the Clearing Member's Open Position. The Clearing Member will continue to be required to provide Collateral and settle Open Positions as they fall due.

### **Section 2.5.3 Membership Termination**

#### **Article 2.5.3.1**

A Clearing Member shall have the right at all times to terminate its membership as a Clearing Member, as specified in the Digital Asset Derivatives Admission Agreement.

#### **Article 2.5.3.2**

Without prejudice to Article 2.5.1.1 above, LCH SA may at any time decide to terminate a Clearing Member's membership subject to and in accordance with the conditions set out in the Digital Asset Derivatives Admission Agreement. The Clearing Member shall inform its Clients accordingly.

Such Clearing Member is informed in writing of the reasons for termination.

The termination is subject to a period of notice set out in the Digital Asset Derivatives Admission Agreement.

#### **Article 2.5.3.3**

When a Clearing Member's membership is terminated, LCH SA shall discontinue registration of any new Digital Asset Derivatives Transactions in the Clearing Member's name and transfer to another Clearing Member and/or liquidate the Clearing Member's Open Position(s).

# Title III – Clearing Operations

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## Chapter 1 – Registration

### Section 3.1.1 Registration of eligible Digital Asset Derivatives Transactions

#### Article 3.1.1.1

Digital Asset Derivatives Transactions eligible for novation pursuant to Article 1.3.2.1 shall be registered by LCH SA in the Digital Asset Derivatives Clearing System in the Account Structure of the relevant Clearing Members.

#### Article 3.1.1.2

The Digital Asset Derivatives Clearing System monitors Digital Asset Derivatives Transactions on a real time basis.

#### Article 3.1.1.3

On each Clearing Day, LCH SA registers in real time the Trade legs of all Clearing Members concerning the Digital Asset Derivatives and the related rights and obligations in an Account Structure which LCH SA opens in its books in the name of each Clearing Member.

LCH SA informs each Clearing Member of the Trade Legs registered in its name.

### Section 3.1.2 Registration of Open Positions in the Digital Asset Derivatives Clearing System

#### Article 3.1.2.1

On the basis of the registered Digital Asset Derivatives Transactions, LCH SA calculates an Open Position per Clearing Member and per Digital Asset Derivative Contract.

#### Article 3.1.2.2

LCH SA may perform adjustments on Open Positions reflecting any event occurring in respect of the underlying reference or Digital Assets determining the value of Digital Asset Derivatives (including, for example, and without purporting to be exhaustive, where the relevant underlying reference or Digital Asset ceases to exist), in compliance with market practice and/or the information of the relevant Approved Trade Source System and/or Trading Venue, as applicable, with a view to attempt to mitigate, to the extent reasonably possible, any market effects. Any decision made on the basis of this provision will be duly notified by LCH SA to the relevant Clearing Members.

## Chapter 2 – Account Structure

### Article 3.2.0.1

LCH SA opens in the Digital Asset Derivatives Clearing System an Account Structure in the name of each Clearing Member.

The said Account Structure is created by LCH SA in accordance with the Clearing Member's instructions pursuant to this Chapter 2 and provided it does not adversely affect, or is not likely to adversely affect, the proper functioning of the Digital Asset Derivatives Clearing System.

### Article 3.2.0.2

The Clearing Member may request the opening of several Individual Segregated Account Structure(s) and Omnibus Segregated Account Structure(s) for the account of its Clients and/or several Omnibus Segregated Account Structure(s) for the account of its Indirect Clients provided that the opening of such Client Account Structure(s) does not adversely affect, or is not likely to adversely affect, the proper functioning of the Digital Asset Derivatives Clearing System.

## Section 3.2.1 Trade Legs Registration

### A. Position Accounts

#### Article 3.2.1.1

Registration of Trade Legs in the Clearing Member's books shall be identical to the Posting performed in its Position Accounts in the Digital Asset Derivatives Clearing System, as described in an Instruction.

#### Article 3.2.1.2

For each Clearing Member, LCH SA shall open at least:

- (i) one House Position Account in the House Account Structure of such Clearing Member; and
- (ii) one Client Position Account in each Client Account Structure of such Clearing Member, where relevant.

Without prejudice to the above principles, the Clearing Member may request to open as many additional Position Accounts as needed. Such additional Position Account(s) is (are) opened at the Clearing Member's sole discretion.

The Clearing Member registers each Trade Leg in the relevant Position Account, such registration being the sole responsibility of the Clearing Member.

Therefore, all the Trade Legs registered in the Position Accounts of a Clearing Member are deemed to have been posted in the correct Position Accounts.

### B. Liquidity Provider's Position Accounts

#### Article 3.2.1.3

In addition to the Position Accounts mentioned in Article 3.2.1.1, LCH SA will open one or more Liquidity Provider Position Accounts upon the request of each Clearing Member to register the Trade Legs related to:

- (i) such Clearing Member's own trading activity as Liquidity Provider; and/or
- (ii) such Clearing Member's Trading Members which carry out an activity as Liquidity Provider in accordance with a Liquidity Provider agreement entered into with the relevant Approved Trade Source System and/or Trading Venue, as applicable.

Checking the existence of such Liquidity Provider agreement is the sole responsibility of the relevant Clearing Member.

Such Liquidity Provider's Position Accounts are managed on a net basis.

#### **Article 3.2.1.4**

The Liquidity Provider's Position Account registers exclusively all Digital Asset Derivatives Transactions executed by:

- (i) the Clearing Member in its capacity as a Liquidity Provider; or
- (ii) as applicable, a Trading Member in its capacity as Liquidity Provider.

### **Section 3.2.2 Risk management**

#### **A. Margin Accounts**

##### **Article 3.2.2.1**

Within each Margin Account of each Clearing Member, LCH SA nets, for the purpose of risk calculation, as described in Title IV, the Trade Legs registered in the Position Account(s) which are attached to such Margin Account, per Digital Asset Derivative.

##### **Article 3.2.2.2**

For each Clearing Member, LCH SA shall open at least:

- (i) one House Margin Account in the House Account Structure of such Clearing Member; and
- (ii) one Client Margin Account in each Client Account Structure of such Clearing Member.

Without prejudice to the above principles, the Clearing Member may request to open as many additional Margin Accounts as needed. Such additional Margin Account(s) is (are) opened at the Clearing Member's sole discretion.

##### **Article 3.2.2.3**

A Client Margin Account may be linked to one or more Client Position Account(s) depending on the level of position segregation requested by the relevant Client(s).

##### **Article 3.2.2.4**

A Clearing Member shall register:

- (i) House Open Positions resulting from its own Digital Asset Derivatives Transactions, including those negotiated by such Clearing Member in its capacity as Liquidity Provider, in one of its House Margin Accounts; and
- (ii) Client Open Positions resulting from Digital Asset Derivatives Transactions registered for the account of its Clients or Indirect Clients, as the case may be, including those negotiated by its Trading Members which have entered into a Liquidity Provider agreement with the relevant Approved Trade Source System and/or Trading Venue, as applicable, in one of its Client Margin Accounts.



## **B. Collateral Accounts**

### **Article 3.2.2.5**

For each Clearing Member, LCH SA shall open at least:

- (i) one House Collateral Account in the House Account Structure of such Clearing Member; and
- (ii) one Client Collateral Account in each Client Account Structure of such Clearing Member.

Without prejudice to the above principles, the Clearing Member may request to open as many Client Collateral Accounts as it needs. Such additional Collateral Account(s) is (are) opened at the Clearing Member's sole discretion.

### **Article 3.2.2.6**

A Client Collateral Account may be linked to one or more Client Margin Account(s) depending on the level of segregation requested by the relevant Clearing Member.

## **Section 3.2.3 Client Account Structure of Indirect Clients**

### **Article 3.2.3.1**

A Clearing Member shall open, in respect of its Indirect Clients, one or several dedicated Client Account Structures which will be composed of Client Accounts pursuant to Section 3.2.1 and Section 3.2.2.

### **Article 3.2.3.2**

A Clearing Member may request the opening of the following Client Account Structure(s) for Indirect Client(s) exclusively, provided that the relevant direct Client has opted for an Individual Segregated Account Structure:

- (i) one or several Gross Omnibus Segregated Account Structures, where Indirect Client(s) relate to a single Known Client only;
- (ii) one or several Net Omnibus Segregated Account Structures, where Indirect Client(s) relate(s) to different Clients.

The opening of the above Client Account Structure(s) for Indirect Client(s) by LCH SA shall be made upon the request, and under the sole responsibility, of the Clearing Member.

## Chapter 3 – Operational Management

### Section 3.3.1 General Provisions

#### A. Give-up

##### Article 3.3.1.1

Give-Up is performed by use of the specific functions available to Clearing Members in the Digital Asset Derivatives Clearing System.

Terms and conditions for Give-Ups are set out in an Instruction.

##### Article 3.3.1.2

A Give-Up function may involve a sending Clearing Member ("*the allocator*") and a receiving Clearing Member ("*the allocatee*").

In such case, the receiving Clearing Member must accept, by a take-up, the Give-Up. It must confirm the recording of the Digital Asset Derivatives Transaction in its books by the appropriate Posting.

#### B. Digital Asset Derivatives Transaction Cancellation

##### Article 3.3.1.3

The cancellation of a Digital Asset Derivatives Transaction is possible only upon the request of the relevant Trading Venue, subject to the conditions set forth in an Instruction.

Where all conditions related to a cancellation request are met, such request will result in the cancellation of the two corresponding Trade Legs in the Digital Asset Derivatives Clearing System. Therefore, the related payment obligations shall be revoked and the parties shall be reinstated as though their respective obligations had never existed.

#### C. Correction

##### Article 3.3.1.4

Terms and conditions for Corrections are set out in an Instruction.

#### D. Transfer of Open Positions

##### Article 3.3.1.5

The Transfer of Open Positions shall have no consequences on the segregation principles set out in Chapter 2 of Title III.

Transfers of Open Positions may be carried out until the expiry of the relevant Open Positions.

The Transfer of an Open Position is performed by LCH SA upon the explicit request of the Clearing Members pursuant to the conditions set out in an Instruction.

## Chapter 4 – Cash settlement of Digital Asset Derivatives Transactions at expiry

### Article 3.4.1.1

With respect to futures contracts, the expiry of the relevant Digital Asset Derivatives is settled by way of a cash payment made in accordance with the conditions set out in an Instruction.

### Article 3.4.1.2

With respect to option contracts, the Exercise/Assignment of the relevant option relating to Digital Asset Derivatives is settled by way of a cash payment made in accordance with the conditions set out in an Instruction.

An Instruction specifies how Assignment takes place for each option contract upon Exercise.

## Chapter 5 – Registration in a Trade Repository

### Article 3.5.1.1

LCH SA shall report for itself the details of each Trade Leg and each Open Position resulting from Digital Asset Derivatives Transactions and any modification or termination of such Trade Leg or Open Position to a Trade Repository no later than the working day following the conclusion, modification or termination of such Trade Leg or Open Position, in accordance with the requirements of EMIR.

For the avoidance of doubt, LCH SA does not report to the Trade Repository any Digital Asset Derivatives Transaction entered into between a Clearing Member and/or any of its Clients.

# Title IV – Risk Management

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## Chapter 1 – General Provisions

### Article 4.1.1.1

The risk calculations described in this Title IV are based on the Open Positions registered in the Clearing Members' Margin Accounts as described in Section 3.2.2.

### Article 4.1.1.2

At LCH SA's request, Clearing Members shall communicate to LCH SA all information concerning the identity, the Positions, and the solvency of their Clients as the case may be.

Clearing Members will only decline to provide the required information where they are prevented from doing so by a mandatory provision of national statute or regulation.

### Article 4.1.1.3

LCH SA can request information daily from the Clearing Member in order to continuously monitor the risk management as performed by the Clearing Member.

### Article 4.1.1.4

LCH SA requires Clearing Members to open Position Accounts, in order to record separately the Positions of the Clearing Member's Clients under the conditions set out in an Instruction.

### Article 4.1.1.5

LCH SA may define Open Position limits and limits on risk exposure applicable to Clearing Members. Such limits are set out in an Instruction.

### Article 4.1.1.6

When these limits are reached, LCH SA can increase the Margin requirements in respect of a Clearing Member's Open Positions after having informed the relevant Approved Trade Source Systems.

### Article 4.1.1.7

In addition, LCH SA may order a Clearing Member to reduce its Open Positions within a defined time limit. If the size of the Open Positions is not reduced within the time limit, LCH SA can automatically liquidate the Open Positions that exceed the authorised limits. Moreover, LCH SA can also establish a market position limit and may require that, from a specified date onwards, only closing orders will be accepted.

## Chapter 2 – Margin Requirements

### Article 4.2.1.1

Variation Margin, Initial Margin and Additional Margins are debited or credited by LCH SA on each Clearing Day, at such frequency as shall be set-out in an Instruction.

### Article 4.2.1.2

The Variation Margin, Initial Margin and Additional Margins amounts become immediately payable in the conditions set forth in Article 4.2.1.5 below without further notice upon such Margins being called by LCH SA.

### Article 4.2.1.3

Intra-day Margin is called and debited by LCH SA pursuant to the terms and conditions described in an Instruction and in a Notice.

### Article 4.2.1.4

LCH SA shall, in its sole discretion, at all times, at any time, on any day and as many times during the day, be entitled to impose upon a Clearing Member an extraordinary Margin as it reasonably deems useful or necessary to manage its risk exposure, in the conditions set out in an Instruction. This can be done either on an individual basis or based on the nature of the Digital Asset Derivatives to which the relevant Open Positions relate. Any decision made on the basis of these provisions will be duly notified to the Clearing Members in the conditions set out in an Instruction.

### Article 4.2.1.5

Unless otherwise indicated by LCH SA, the Clearing Member(s) in question shall be obliged to ensure that the amount of Collateral corresponding to any Margin requirement is transferred in the terms and conditions set forth in an Instruction and no later than such time set by LCH SA in such Instruction.

### Article 4.2.1.6

LCH SA shall publish Instructions setting out the following:

- (i) the method used to calculate Margin requirements;
- (ii) Collateral accepted to meet Margin calls; and
- (iii) Margin requirements.

LCH SA shall publish a Notice setting out the following:

- (i) parameters used to calculate Initial Margin;
- (ii) any discount ("*haircut*") to be applied to the market value of Collateral, depending on the nature and maturity of the assets provided as Collateral; and
- (iii) Intra-day Margin detailed terms and conditions and notably thresholds and frequency.

## Chapter 3 – Digital Asset Derivatives Default Fund

### Article 4.3.0.1

A Digital Asset Derivatives Default Fund is established by LCH SA pursuant to this Digital Asset Derivatives Clearing Rule Book.

The Digital Asset Derivatives Default Fund is established for the Digital Asset Derivatives Clearing Service only and is a default fund solely for Digital Asset Derivatives Transactions and separate from the default funds for LCH SA's other clearing services.

### Section 4.3.1 Contribution to the Digital Asset Derivatives Default Fund

#### Article 4.3.1.1

Clearing Members are obliged to contribute to the Digital Asset Derivatives Default Fund by transferring Collateral in cash to LCH SA according to the terms and conditions set out in an Instruction.

#### Article 4.3.1.2

A Clearing Member's initial contribution to the Digital Asset Derivatives Default Fund shall be made on the Clearing Day preceding the day of the submission by a Clearing Member of its first Digital Asset Derivatives Transaction for clearing at the latest.

#### Article 4.3.1.3

The amount to be contributed by a Clearing Member to the Digital Asset Derivatives Default Fund shall be determined taking into account the risk associated with the Open Positions of such Clearing Member and the Collateral of such Clearing Member.

#### Article 4.3.1.4

LCH SA shall determine the size of the Digital Asset Derivatives Default Fund and the level of the contribution of each Clearing Member at such frequency as is specified in an Instruction. The method of calculation of such contribution, together with the level of any applicable minimum contribution and call frequency, is specified in an Instruction.

### Section 4.3.2 Use of the Digital Asset Derivatives Default Fund

#### Article 4.3.2.1

LCH SA may use the Digital Asset Derivatives Default Fund following an Event of Default, in accordance with the provisions of Article 4.5.2.9 (for the avoidance of doubt, following an Event of Default, LCH SA is allowed to draw partial amounts from the Digital Asset Derivatives Default Fund as many times as needed to cover the estimated losses incurred as a result of, following, or in connection with, an Event of Default).

#### Article 4.3.2.2

The use of the Digital Asset Derivatives Default Fund shall be made for the purpose of performing LCH SA's obligations under Section 1.3.2 and covering the repayment of any related loans, expenses, damages, interest charges and/or other expenditure.

#### Article 4.3.2.3

Should there be any surplus after such performance, or profits earned from the performance of its obligations, then such amounts shall be repaid by LCH SA to the contributors in proportion to their respective contributions.

### **Section 4.3.3 Refilling of the Digital Asset Derivatives Default Fund and Service Continuity**

#### **A. Refill Contributions to the Digital Asset Derivatives Default Fund**

##### **Article 4.3.3.1**

If:

- (i) an Event of Default in relation to a Clearing Member is declared under the Digital Asset Derivatives Clearing Rules and LCH SA has used the Digital Asset Derivatives Default Fund; and
- (ii) LCH SA determines that a certain percentage thereof (to be set out in an Instruction) has been used,

then LCH SA may, by notice in writing, require each non-Defaulting Clearing Member contributing to the Digital Asset Derivatives Default Fund to deposit and maintain with LCH SA an additional contribution amount (each a "**Refill Contribution**") in accordance with the provisions set out in an Instruction (for the avoidance of doubt, Refill Contributions will be considered unfunded as long as LCH SA has not issued such a notice).

#### **B. Service Continuity**

##### **Article 4.3.3.2**

Where, after an Event of Default of a Defaulting Clearing Member, LCH SA determines that the losses resulting from such Event of Default will exceed the amounts to be applied to it under Article 4.5.2.9(i) to (v)(a), LCH SA may implement the loss distribution process set out in an Instruction (the "**Digital Asset Derivatives Loss Distribution Process**"), pursuant to which the non-Defaulting Clearing Members will be required to contribute individually to such losses in an amount which may not exceed 100% of each non-Defaulting Clearing Member's contribution to the Digital Asset Derivatives Default Fund immediately prior to the occurrence of such Event of Default (the "**Service Continuity Contribution**"). The Service Continuity Contribution shall be in addition to the contributions and Refill Contributions of each non-Defaulting Clearing Member to the Digital Asset Derivatives Default Fund.

#### **C. Service Closure**

##### **Article 4.3.3.3**

Where, following the conclusion of the Digital Asset Derivatives Loss Distribution Process, LCH SA determines that it would not in the future have sufficient resources to meet its contractual obligations towards non-defaulting Clearing Members in connection with the Digital Asset Derivatives Clearing Service, LCH SA shall first invite non-defaulting Clearing Members to make voluntary payments and, if such voluntary payments are not sufficient, may then implement the service closure process set out in an Instruction.

#### **D. Effect on Termination of Clearing Members' Membership**

##### **Article 4.3.3.4**

As long as there remains a Digital Asset Derivatives Default Management Process (as contemplated by Article 4.5.2.8) outstanding in relation to any Event of Default and until the expiry of the Digital Asset Derivatives Default Period, as set out in an Instruction, no termination of a Clearing Member's membership will become effective and all non-Defaulting Clearing Members (Clearing Members whose Clearing Member status is to be terminated for whatever reason) shall remain liable for all the obligations contained in Article 4.3.3.1 to Article 4.3.3.3 above and the related Instructions, in relation to any Event of Default which has occurred before the expiry of such Digital Asset Derivatives Default Period.

## **Section 4.3.4 Other Provisions**

### **Article 4.3.4.1**

Payment of any amount referred to in this Chapter shall not discharge the Defaulting Clearing Member from its obligation to perform properly its obligations and pay compensation for any damage caused by its Event of Default.

### **Article 4.3.4.2**

LCH SA will promptly report to the Clearing Members on, and account for, any withdrawals made from the Digital Asset Derivatives Default Fund.

Upon the effective day of termination of the membership of a Clearing Member, and subject to such Clearing Member having fully discharged all its obligations vis-à-vis LCH SA pursuant to the Digital Asset Derivatives Clearing Rules or the Digital Asset Derivatives Admission Agreement, LCH SA shall repay to such ex-Clearing Member any of its contributions which have not been used.



## Chapter 4 – Collateral

### Article 4.4.1.1

When the amount of Collateral deposited by a Clearing Member to meet its Margin and Default Fund contribution obligations is more than needed for such purposes, the related surplus of assets shall be irrevocably deemed governed by the same legal provisions as Collateral.

### Article 4.4.1.2

A Clearing Member shall provide sufficient Collateral to LCH SA as necessary for the performance of the obligations of the Clearing Member. The amount of Collateral is determined by LCH SA.

### Article 4.4.1.3

Any Collateral required to be provided by a Clearing Member must be provided not later than the time set by LCH SA in an Instruction.

### Article 4.4.1.4

Where Collateral is due to LCH SA, LCH SA reserves the right to exclude certain types of collateral on the grounds, *inter alia*, of illiquidity or insufficient outstandings, and may accept other assets on the terms specified by LCH SA in a Notice.

### Article 4.4.1.5

Collateral posted with LCH SA in a Client Collateral Account with respect to Client Open Positions registered in one or several Client Margin Account(s) linked to the said Client Collateral Account shall not be used to cover:

- (i) the House Open Positions; or
- (ii) any Client Open Positions registered in other Client Account Structures of such Clearing Member

### Article 4.4.1.6

The registration of Collateral in the Clearing Members' books must be established in such a way as to make possible at any moment the distinction between:

- (i) the assets deposited as a guarantee and the movements related to its House Open Positions; and
- (ii) the assets deposited as a guarantee and the movements related to the Client Open Positions registered in each of its Client Margin Accounts.

The Clearing Member must indicate to LCH SA to which Collateral Account the Collateral must be allocated, within the conditions specified in a Notice.

## Chapter 5 – Event of Default

### Section 4.5.1 Notification of an Event of Default

#### Article 4.5.1.1

The occurrence of an Event of Default shall be notified by any means by LCH SA to the Defaulting Clearing Member.

#### Article 4.5.1.2

If an event or circumstance which would otherwise constitute or give rise to a Contractual Event of Default also constitutes an Insolvency Event of Default, it will be treated as an Insolvency Event of Default.

### Section 4.5.2 Measures in case of an Event of Default

#### Article 4.5.2.1

Upon the occurrence of an Event of Default, LCH SA may, in co-ordination with the relevant Competent Authority, as the case may be, take any measure it deems necessary in order to contain its exposure and to mitigate overall market effects, whether or not these measures are set out in the Digital Asset Derivatives Clearing Rules.

#### Article 4.5.2.2

LCH SA shall manage the impact of an Event of Default on Clearing Members and the Digital Asset Derivatives Clearing Service in accordance with the Digital Asset Derivatives Default Management Process and LCH SA, in taking any action pursuant to that process, shall consult with and consider guidance and advice from the Digital Asset Derivatives Default Management Group. The Digital Asset Derivatives Default Management Process and any procedures issued thereunder will be agreed by LCH SA in consultation with the Digital Asset Derivatives Default Management Committee.

#### Article 4.5.2.3

Upon the occurrence of an Event of Default, LCH SA may discretionarily take any of the following measures or any other measures that it deems necessary or useful in respect of the Defaulting Clearing Member, taking into account the Event of Default which has occurred, the need to act promptly in the manner LCH SA thinks best to contain its exposure and mitigate resulting effects over market participants and the actions to be taken in accordance with the Digital Asset Derivatives Default Management Process:

- (i) to request the relevant Trading Venue and/or Approved Trade Source System to suspend any trading activity of the Defaulting Clearing Member;
- (ii) to institute Disciplinary Proceedings in respect of the Defaulting Clearing Member;
- (iii) to terminate or suspend the Digital Asset Derivatives Admission Agreement entered into between LCH SA and the Defaulting Clearing Member;
- (iv) to port some or all of the Client Open Positions and some or all of the associated Collateral or proceeds from the realisation thereof to a new Clearing Member in accordance with the Digital Asset Derivatives Default Management Process;
- (v) to liquidate part or all of the Open Positions of the Defaulting Clearing Member (and any hedging transactions executed in accordance with paragraph (x) below) in accordance with the Digital Asset Derivatives Default Management Process;

- (vi) to obtain any advice or assistance from the Defaulting Clearing Member and/or any third party, as LCH SA may deem necessary, for any matter arising out of or, in connection with, an Event of Default and at the expense of the Defaulting Clearing Member;
- (vii) to impose further Margin requirements and corresponding Collateral deposits to secure the performance by the Defaulting Clearing Member of its obligations under the Digital Asset Derivatives Clearing Rules;
- (viii) to call for Collateral equal to the value of any shortfall in the Defaulting Clearing Member's contributions to the Digital Asset Derivatives Default Fund, arising from the Event of Default, to be transferred to LCH SA;
- (ix) to realise the Collateral posted by the Defaulting Clearing Member in the conditions set forth in an Instruction to ensure the performance by the Defaulting Clearing Member of its obligations under the Digital Asset Derivatives Clearing Rules;
- (x) to act in lieu of the Defaulting Clearing Member for performing its payment obligations under Digital Asset Derivatives Transactions;
- (xi) execute, for LCH SA's own account, hedging transactions including, without limitation, the purchase, exercise, sale or grant of Digital Asset Derivatives Transactions;
- (xii) to allow the Defaulting Clearing Member to submit Digital Asset Derivatives Transactions for clearing that LCH SA considers as contributing to reducing the risks of the Defaulting Clearing Member;
- (xiii) to impose upon the Defaulting Clearing Member a penalty for late payment, in the circumstances and at a rate set out in an Instruction; and/or
- (xiv) to claim from the Defaulting Clearing Member damages and costs incurred in relation to the occurrence of an Event of Default or the processing of the Event of Default.

For the avoidance of doubt, termination or suspension of the Digital Asset Derivatives Admission Agreement entered into between LCH SA and the Defaulting Clearing Member shall not release the Defaulting Clearing Member from any of its obligations under the Digital Asset Derivatives Clearing Rules.

#### **Article 4.5.2.4**

Measures taken by LCH SA upon the occurrence of an Event of Default shall be notified by LCH SA to the Defaulting Clearing Member and to any appropriate third party as LCH SA may deem necessary.

#### **Article 4.5.2.5**

The Defaulting Clearing Member shall respond to any requests as LCH SA may deem necessary for any matter arising out of, or in connection with, an Event of Default, and shall cooperate with LCH SA in order to process the Event of Default.

#### **Article 4.5.2.6**

If the Clearing Member appears to LCH SA to be unable, or to be likely to become unable, to meet its obligations in respect of one or more Digital Asset Derivatives Transactions or otherwise under the Digital Asset Derivatives Clearing Rules, LCH SA may, within its reasonable judgement, declare such event as a Contractual Event of Default.

LCH SA may take the view that a Contractual Event of Default has happened in light of the occurrence of, *inter*

*alia*, any of the following events:

- (i) failure to pay any or all balances, fees or assets owed to LCH SA by the Defaulting Clearing Member in respect of the Digital Asset Derivatives Clearing Service, within the stipulated deadlines;
- (ii) failure to pay any Margin imposed by LCH SA or failure to make a required contribution to the Digital Asset Derivatives Default Fund, within the stipulated time limits;
- (iii) the Clearing Member is suspended or expelled from membership by any Competent Authority; and/or
- (iv) the Clearing Member is subject to an event of default in connection with any other clearing service provided to such Clearing Member by LCH SA.

Upon the occurrence of a Contractual Event of Default, and without prejudice to the provisions of Article 4.5.2.3, LCH SA and the Defaulting Clearing Member shall cooperate to try to reach a mutually satisfactory agreement in order to resolve the Contractual Event of Default.

If such an agreement is not reached or the Contractual Event of Default has not been resolved before the date and time limit set by LCH SA, LCH SA may, in its sole discretion, if it estimates that such measures are necessary as regards the need to act promptly, in accordance with French law and the provisions of an Instruction:

- (i) with respect to a Defaulting Clearing Member, transfer to another Clearing Member all or part of the Client Open Positions registered in the name of the Defaulting Clearing Member subject to receiving a formal transfer request, in accordance with the conditions set out in a Notice, within four hours after LCH SA have published on its website a notice relating to the occurrence of an Event of Default concerning the Defaulting Clearing Member or any extended deadline announced by LCH SA on its website; and/or
- (ii) liquidate all or part of the Open Positions registered in the name of the Defaulting Clearing Member.

#### **Article 4.5.2.7**

Upon the occurrence of an Insolvency Event of Default, and without prejudice to the provisions of Article 4.5.2.3, LCH SA may in accordance with French law and the provisions of an Instruction:

- (i) transfer to another Clearing Member all or part of the Client Open Positions registered in the name of the Defaulting Clearing Member subject to receiving a formal transfer request, in accordance with the conditions set out in a Notice, within four hours after LCH SA have published on its website a notice relating to the occurrence of an Event of Default concerning the Defaulting Clearing Member or any extended deadline announced by LCH SA on its website; and/or
- (ii) liquidate all or part of the Open Positions registered in the name of the Defaulting Clearing Member.

Upon the occurrence of an Insolvency Event of Default, the rights and obligations of the Defaulting Clearing Member arising from or in connection with its participation to the Digital Asset Derivatives Clearing System shall be governed exclusively by French law, and the law of the State where insolvency proceedings are initiated against the Defaulting Clearing Member will not interfere in this respect.

#### **Article 4.5.2.8**

The Digital Asset Derivatives Default Management Process is set out in an Instruction.

Clearing Members are required to provide their Clients, at the beginning of their relationship, with information regarding: (i) their Account Structure; and (ii) the consequences of such Account Structure in case of the

implementation of the Digital Asset Derivatives Default Management Process, as described in Instructions.

#### Article 4.5.2.9

In order to perform its obligations pursuant to the Digital Asset Derivatives Clearing Rules, LCH SA will make use of the resources available to it in the following descending priority:

- (i)
  - (a) any Collateral deposited by the Defaulting Clearing Member to meet its Margin requirements in respect of the Digital Asset Derivatives Clearing Service;
  - (b) any collateral, transferred or granted by the Defaulting Clearing Member to LCH SA to meet its margin requirements in connection with any other clearing service(s) provided by LCH SA to such Defaulting Clearing Member (to the extent such collateral is not applied in the context of such other clearing service(s) in accordance with the rules applicable to such other clearing service(s));

provided in each case that in no circumstances will Collateral transferred by the Defaulting Clearing Member in respect of obligations arising in a Client Account Structure be applied by LCH SA pursuant to this paragraph (i) in respect of any loss attributable to any other Account Structure of the Defaulting Clearing Member;

- (ii) if applicable, any other Collateral or any surplus assets deposited by the Defaulting Clearing Member, provided that in no circumstances will Collateral or surplus assets transferred by the Defaulting Clearing Member in respect of obligations arising in a Client Account Structure be applied by LCH SA pursuant to this paragraph (ii) in respect of any loss attributable to any other Account Structure of the Defaulting Clearing Member;
- (iii) the contribution to the Digital Asset Derivatives Default Fund of the Defaulting Clearing Member (where applicable, any excess will be used to cover losses resulting from other clearing services, pro rata to the amount of the losses resulting respectively from such other clearing services), and, if applicable any Collateral transferred or granted by the Defaulting Clearing Member to LCH SA as a contribution to the relevant default fund relating to any other clearing service(s) (to the extent such Collateral is not applied in the context of such other clearing service(s) in accordance with the rules applicable to such other clearing service(s));
- (iv) LCH SA's dedicated own resources, constituted in accordance with Article 45.4 of EMIR and Article 35 of Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012 with regard to regulatory technical standards on requirements for central counterparties, as determined from time to time by LCH SA, up to the amount of such dedicated own resources allocated to the Digital Asset Derivatives Default Fund in proportion to the size of such default fund (the "**First Capped Amount**"). In the case of an Event of Default occurring after a previous Event of Default but before LCH SA has reinstated such dedicated own resources in accordance with Article 35 of Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012, the Capped Amount corresponds to the residual amount of such dedicated own resources allocated to the Digital Asset Derivatives Default Fund; and
- (v) a percentage of the Collateral deposited by each Non Bidder as a contribution to the Digital Asset Derivatives Default Fund equal to its Total Non Bidder Fraction pro rata each such Non Bidder's proportion of the resources available under this sub-paragraph (v);
- (vi) *pro rata*:

- (a) the Collateral deposited by each Non Bidder as a contribution to the Digital Asset Derivatives Default Fund to the extent this has not been applied in accordance with sub-paragraph (v) above; and
  - (b) any Collateral deposited by each other Clearing Member (other than Non Bidders) as a contribution to the Digital Asset Derivatives Default Fund;
- (vii) payment from LCH SA's additional dedicated own resources in accordance with Article 9(14) of Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and Article 1 of the Commission Delegated Regulation related to regulatory technical standards on the methodology for calculation and maintenance of the additional amount of pre-funded dedicated own resources, as determined from time to time, of an amount up to the amount of such dedicated own resources allocated to the relevant default fund (including each of the Default Funds and any other default fund set- up by LCH in relation any other clearing activity) in proportion to the size of such default fund (the "**Second Capped Amount**"). In the case of an Event of Default occurring after a previous Event of Default, but before LCH SA has reinstated such dedicated own resources in accordance with Article 3(2) of the relevant Commission Delegated Regulation, an amount up to the residual amount of such dedicated own resources in the relevant Default Fund;
- (viii) *pro rata* the Collateral deposited by each non-defaulting Clearing Member as a Refill Contribution (to the extent called, including where called from another Defaulting Clearing Member);
- (ix) the Service Continuity Contributions made by non-Defaulting Clearing Members pursuant to Article 4.3.3.2;
- (x) any voluntary payments made by non-Defaulting Clearing Members pursuant to Article 4.3.3.2; and
- (xi) the Service Closure Payments to be made pursuant to an Instruction.

If LCH SA's dedicated own resources mentioned in paragraph (iv) above and/or Collateral deposited by non-Defaulting Clearing Members to contribute to the Digital Asset Derivatives Default Fund are used, the relevant amount will represent a claim of LCH SA against the Defaulting Clearing Member.

#### Article 4.5.2.10

Following the liquidation of Client Open Positions at the Margin Account level and of Client Collateral at the Collateral Account level, as a result of the Event of Default of a Clearing Member, LCH SA shall deduct from the proceeds resulting from the liquidation of such Client Collateral any losses realised following such liquidation, and shall determine a final net balance in relation to each Client or Client Account Structure, as applicable.

Such Client final net balance shall be deemed positive where LCH SA owes monies to the Defaulting Clearing Member and negative where the Defaulting Clearing Member owes monies to LCH SA.

Any positive Client net balance calculated by LCH SA in accordance with the above provisions shall be remitted to:

- (i) the Client if such Client is a Known Client, is the sole holder of the relevant Position Account(s), and if such Position Account(s) is/are the sole Position Account(s) linked to the relevant Margin Account; and
- (ii) in all other cases, to the Defaulting Clearing Member for the account of such Client(s).

Any negative Client net balance calculated by LCH SA in accordance with the above provisions shall be considered a debt of the Defaulting Clearing Member towards LCH SA and shall be discharged using the resources available pursuant to Article 4.5.2.9, in the order mentioned therein.

Following:

- (a) the completion of the Digital Asset Derivatives Default Management Process; and
- (b) the extinction of any exposures relating to the Defaulting Clearing Member, and taking into account:
  - (x) any monies that may be owed by the Defaulting Clearing Member to LCH SA pursuant to the Digital Asset Derivatives Clearing Rules and the Digital Asset Derivatives Admission Agreement (including for the avoidance of doubt, any losses, costs and expenses of whatsoever nature incurred by LCH SA in connection with the Event of Default and any Client negative net balance determined pursuant to the provisions above); and
  - (y) any monies that may be owed by LCH SA to the Defaulting Clearing Member pursuant to the Digital Asset Derivatives Clearing Rules and Digital Asset Derivatives Admission Agreement (with the exception of any Client positive net balance owed by LCH SA to the Defaulting Clearing Member pursuant to the provisions above),

LCH SA shall determine a Defaulting Clearing Member final net balance, which shall be deemed positive where LCH SA owes monies to the Defaulting Clearing Member and negative where the Defaulting Clearing Member owes monies to LCH SA.

If positive, such Defaulting Clearing Member final net balance shall be remitted by LCH SA to the Defaulting Clearing Member and, if negative, shall be claimed by LCH SA from the Defaulting Clearing Member (subject to the application of any time bar requiring the filing of a provisional claim in the case of an Insolvency Event of Default). Any amounts recovered by LCH SA following such claim will be refunded to the non-Defaulting Clearing Members pro rata to their respective contribution to the losses incurred in connection with the Digital Asset Derivatives Default Management Process, and if there is any surplus following such refund, will be applied towards the reimbursement or discharge of any monies paid or costs incurred by LCH SA in connection with the Event of Default.

#### **Article 4.5.2.11**

The Clearing Member shall retain the failing Client's collateral. All expenses incurred by the Clearing Member to liquidate all or part of the failing Client's Positions are charged against such failing Client's collateral. The remaining balance of the Initial Margin is refunded to the Client after the Clearing Member has discharged its obligations.

## Chapter 6 – Cessation of Clearing Services in exceptional circumstances

### Section 4.6.1 Organised and gradual cessation of Clearing Services

#### Article 4.6.1.1

In the event of exceptional circumstances, other than the ones mentioned in Article 1.6.1.1, Article 4.3.3.3 and Article 4.6.2.1, which significantly impair the ability of LCH SA to continue to operate the Clearing System and/or to provide the Clearing Service and manage the risks associated therewith in a viable and timely manner, LCH SA may decide to cease acting as a clearing house in respect of Digital Asset Derivatives or in relation to a particular Trading Venue or ATSS (each referred to as the “**Discontinued Platform**”). In such case, LCH SA will notify its Competent Authorities and the relevant Clearing Member(s) (the “**Withdrawn Clearing Member(s)**”) of such event (the “**Withdrawal Event**”) as soon as possible, and in any event no later than one Clearing Day following LCH SA’s decision in respect of the Withdrawal Event, and announce the date on which its Clearing Services will be effectively terminated (the “**Withdrawal Date**”).

#### Article 4.6.1.2

From the notification of the Withdrawal Event until the end of the clearing hours session on the fifth Clearing Day prior to the Withdrawal Date, each Clearing Member will be responsible for unwinding all the Open Positions registered in its Account Structure(s) and impacted by the Withdrawal Event, whether by offsetting the relevant Open Positions or effecting any other form of close-out approved by LCH SA in relation to such Open Positions.

Notwithstanding the foregoing, LCH SA reserves the right to reject any new Transaction submitted for novation after the notification of the Withdrawal Event and which LCH SA deems that it increases the risk exposure of such Withdrawn Clearing Member.

#### Article 4.6.1.3

As of the fourth Clearing Day before the Withdrawal Date, LCH SA will stop accepting any new Transaction submitted for novation in connection with the Discontinued Platform.

#### Article 4.6.1.4

If any Open Position impacted by the Withdrawal Event remains outstanding in the Digital Asset Derivatives Clearing System on the fourth Clearing Day before the Withdrawal Date, LCH SA may decide to terminate such Open Positions (together referred to as the “**Torn-Up Positions**”) at the fair price communicated by the Discontinued Platform to LCH SA or, where such data is not available, at the price used by LCH SA to calculate the last Margin call for the corresponding Torn-Up Positions (each of these prices being referred to as the “**Torn-Up Price**”).

#### Article 4.6.1.5

Where LCH SA decides to terminate the Torn-Up Positions as described in Article 4.6.1.4 above, LCH SA will determine as soon as practicable, and for each Withdrawn Clearing Member, a final and single net balance amount that must be paid by either LCH SA or the Withdrawn Clearing Member in order to satisfy all the rights and obligations with regard to such Withdrawn Clearing Member, whether generally or only in relation to the Torn-Up Positions, as applicable (the “**Final Withdrawal Payment**”).



Accordingly, the Final Withdrawal Payment will be equal to the net balance between:

- (i) the amounts owed from the Withdrawn Clearing Member to LCH SA and the ones owed from LCH SA to the Withdrawn Clearing Member in relation to the Torn-Up Positions, as calculated by LCH SA on the basis of the Torn-Up Price (including, *inter alia*, payments or returns of Variation Margin, but excluding the payment or return of any Initial Margin or Additional Margin); and
- (ii) where the Withdrawn Clearing Member does not have other outstanding Trade Legs or Open Positions registered in its Account Structure(s) in connection with a non-discontinued Trading Venue or ATSS, any other amount that may be owed from or to the Withdrawn Clearing Member in respect of the Digital Asset Derivatives Clearing Service (but excluding the payment or return of any contribution to the Digital Asset Derivatives Default Fund).

For the avoidance of doubt, the sum of all amounts owed by either LCH SA or the Withdrawn Clearing Member to the other pursuant to (i) and (ii) of this Article 4.6.1.5 shall be set-off against each other and only the balance will constitute the Final Withdrawal Payment.

#### **Article 4.6.1.6**

As soon as the Final Withdrawal Payment is determined for each Withdrawn Clearing Member, LCH SA will inform the Withdrawn Clearing Member(s) (the “**Tear-Up Notification**”).

The Tear-Up Notification shall specify the name of the Discontinued Platform(s), the amount of the Final Withdrawal Payment to be paid by either LCH SA or the Withdrawn Clearing Member, and the deadline for settling such Final Withdrawal Payment, which shall never be later than two Clearing Days before the scheduled Withdrawal Date.

#### **Article 4.6.1.7**

Once the tear-up of all relevant Open Positions is finalized, LCH SA will liquidate any related Securities Collateral registered in the Collateral Account(s) of the Withdrawn Clearing Member(s) and, where applicable, the proceeds of such liquidation will be returned to the corresponding Withdrawn Clearing Member as soon as practicable, along with any related cash Collateral (together referred to as the “**Withdrawal Collateral Return**”).

#### **Article 4.6.1.8**

Notwithstanding the foregoing, LCH SA shall be entitled to deduct from the Withdrawal Collateral Return any amount that remains due by the relevant Withdrawn Clearing Member to LCH SA pursuant to these Clearing Rules and the Admission Agreement (including, *inter alia*, any payment of the Final Withdrawal Payment that remains unsettled by the Withdrawn Clearing Member after the deadline set forth in the Tear-Up Notification, and any losses, costs, and expenses incurred by LCH SA in connection with the management of the Withdrawn Clearing Member's Digital Asset Derivatives Transactions). Such deduction will be applied before payment of the Withdrawal Collateral Return to the Withdrawn Clearing Member.

Following payment of the Withdrawal Collateral Return, LCH SA may notify the Withdrawn Clearing Member of the termination of its membership if the latter does not have any other Open Positions registered in its Account Structure(s) in relation to a non-discontinued Trading Venue or ATSS.

The termination of the Withdrawn Clearing Member's membership shall take effect on the next Clearing Day following delivery of such notice, in accordance with the provisions of the Admission Agreement.

## Section 4.6.2 Sudden and immediate cessation of Clearing Services

### Article 4.6.2.1

If:

- (i) in the event of stressed market conditions or other sudden exceptional circumstances (for the avoidance of doubt, other than the ones mentioned in Article 1.6.1.1 and Article 4.3.3.3) which significantly impair the ability of LCH SA to continue to operate the Clearing System and/or to provide the Clearing Service and manage the risks associated therewith in a viable and timely manner, LCH SA is compelled to swiftly cease acting as a clearing house in respect of Digital Asset Derivatives; or
- (ii) a particular Trading Venue or ATSS suddenly closes or ceases its activity (the **“Impacted Platform”**),  
(each, an **“Immediate Withdrawal Event”**),

LCH SA will notify the cessation of the provision of Clearing Services in respect of Digital Asset Derivatives in general or in respect of an Impacted Platform only to its Competent Authorities and the Clearing Members impacted by the Immediate Withdrawal Event (the **“Impacted Clearing Members”**) as soon as possible, and in any event no later than one Clearing Day following LCH SA’s cessation decision. Immediately upon such notification, LCH SA will stop accepting any new Digital Asset Derivatives Transactions submitted for novation by the Impacted Clearing Members.

### Article 4.6.2.2

As soon as LCH SA is aware of an Immediate Withdrawal Event, LCH SA may in co-ordination with the relevant Competent Authorities, take any measure it deems necessary in order to contain its exposure and to mitigate overall market effects.

### Article 4.6.2.3

Following the occurrence of an Immediate Withdrawal Event, and without prejudice to the possible applicability of the provisions set out in Chapter 5, Title IV of the Digital Asset Derivatives Clearing Rule Book in case of occurrence of an Event of Default, LCH SA may terminate all outstanding Open Positions of the Impacted Clearing Members, which are already registered in the Digital Asset Derivatives Clearing System and affected by the Immediate Withdrawal Event (the **“Immediately Torn-Up Positions”**). Such termination will be performed at the fair price communicated by the Impacted Platform to LCH SA or, where such data is not available, at the price used by LCH SA to calculate the last Margin call for the corresponding Immediately Torn-Up Positions (each of these prices being referred to as the **“Immediate Torn-Up Price”**).

### Article 4.6.2.4

If LCH SA decides to terminate the Immediately Torn-Up Positions as described in Article 4.6.2.3 above, LCH SA will, determine as soon as practicable, and for each Impacted Clearing Member, a final and single net balance amount that must be paid by either LCH SA or the Impacted Clearing Member in order to satisfy all the rights and obligations with regard to such Impacted Clearing Member, whether generally or only in relation to the Immediately Torn-Up Positions, as applicable (the **“Final Immediate Payment”**).

Accordingly, the Final Immediate Payment will be equal to the net balance between:

- (i) the amounts owed from the Impacted Clearing Member to LCH SA and the ones owed from LCH SA to the Impacted Clearing Member in relation to the Immediately Torn-Up Positions, as calculated by LCH SA on the basis of the Immediate Torn-Up Price (including, *inter alia*, payments or returns of Variation Margin, but excluding the payment or return of any Initial Margin or Additional Margin); and
- (ii) where the Impacted Clearing Member does not have any other outstanding Trade Legs or Open Positions registered in its Account Structure(s) in connection with a non-discontinued Trading Venue or ATSS, any other amount that may be owed from or to the Impacted Clearing Member in respect of the Digital Asset Derivatives Clearing Service (but excluding the payment or return of any contribution to the Digital Asset Derivatives Default Fund).

For the avoidance of doubt, the sum of all amounts owed by either LCH SA or the Impacted Clearing Member to the other pursuant to (i) and (ii) of this Article 4.6.2.4 shall be set-off against each other and only the balance will constitute the Final Immediate Payment.

#### **Article 4.6.2.5**

As soon as the Final Immediate Payment is determined for each Impacted Clearing Member, LCH SA will inform the relevant Impacted Clearing Member(s) (“the **Immediate Tear-Up Notification**”).

The Immediate Tear-Up Notification shall specify the name of the Impacted Platform(s), the amount of the Final Immediate Payment to be paid by either LCH SA or the Impacted Clearing Member, and the specific deadline for settling such Final Immediate Payment.

#### **Article 4.6.2.6**

Once all the Immediately Torn-Up Positions are duly terminated, LCH SA will liquidate any related Securities Collateral registered in the Collateral Account(s) of the Impacted Clearing Member(s) and, where applicable, the proceeds of such liquidation will be returned to the corresponding Impacted Clearing Member as soon as practicable, along with any related cash Collateral (together referred to as the “**Impacted Collateral Return**”).

Notwithstanding the foregoing, LCH SA shall be entitled to deduct from the Impacted Collateral Return any amount that remains due by the relevant Impacted Clearing Member to LCH SA pursuant to these Clearing Rules and the Admission Agreement (including, *inter alia*, any payment of the Final Immediate Payment that remains unsettled by the Impacted Clearing Member after the deadline set forth in the Immediate Tear-Up Notification, and any losses, costs, and expenses incurred by LCH SA in connection with the management of the Impacted Clearing Member’s Digital Asset Derivatives Transactions). Such deduction will be applied before the payment of the Impacted Collateral Return to the Impacted Clearing Member.

#### **Article 4.6.2.7**

Following payment of the Impacted Collateral Return, LCH SA may notify the Impacted Clearing Member of the termination of its membership if the latter does not have any Open Positions registered in its Account Structure(s) in relation to another Trading Venue or ATSS that is not an Impacted Platform. The termination of the Withdrawn Clearing Member’s membership shall take effect on the next Clearing Day following delivery of such notice, in accordance with the provisions of the Admission Agreement.