

RULES AND REGULATION - LCH.Clearnet SA

7 April 2014

Notice 2014-019

Buy-in procedure – Tender price, Delivery timing & Calculations of cash compensation and penalty for failure to deliver

This Notice supersedes Notice 2012-116 and Notice 2009-025

Publication Date April 7th 2014Enforcement Date April 8th 2014

Markets Cash markets

1/ Calculation of “the tender price”:

Pursuant to Article 7 of Instruction III.4-2, for any type of Security the tender price is deemed to be a maximum amount above which no offer of buy-in will be made. It is defined as follows :

120% of the adjusted closing price of the Clearing Day immediately prior to the day of the buy-in. In case of unavailability of the above mentioned price, LCH.Clearnet SA will take into account the last known adjusted closing price at the moment of the buy-in.

2/ Delivery timing :

The timing within which a Security provider or a Clearing Member must deliver the Securities pursuant to Articles 9 and followings of the Instruction III.4-2 is set-out hereinafter.

During the fifth Clearing Day following the intended Settlement Date (intended Settlement Date +5) or on the day set out in Article 20 §1 to 2 of Instruction III.4-2 where subject to an early buy-in procedure, the Securities provider or the selling Clearing Member, shall notify LCH.Clearnet SA by fax or by electronic mail, using exclusively LCH.Clearnet SA standard document as available on the website, within the timeframe set out below, that they can deliver part or all of the Securities.

The timing within which the Securities provider or the Clearing Member shall deliver the Securities depends on the settlement cycles of the Securities settlement system and/or central Securities depository.

Market	Euronext, BondMatch Galaxy; Equiduct		Bourse de Luxembourg
Segment	Belgium / France / Netherlands	Portugal	Luxembourg
LCH.Clearnet SA Account to be delivered	ESES : 598 Euroclear Bank : 23789	Interbolsa : 002005012007	Euroclear Bank 13406
Notification timeframe	Before 12:00 (noon)		
Delivery timeframe if requested by LCH.Clearnet SA	Before 03:00 p.m.		Before 02:00 p.m.

Pursuant to Article 1.2.7.1 of the Clearing Rule Book, the deadline shall be understood to mean the Central European Time (CET).

3/ Calculation methodology of the cash compensation:

Pursuant to Article 25 of Instruction III.4-2, for any type of Security, the cash compensation is equal to 120% of the adjusted closing price of the Clearing Day immediately prior to the day of the buy-in. In case of unavailability of the above mentioned price, LCH.Clearnet SA will take into account the last known adjusted closing price at the moment of the buy-in.

By exception to the above paragraph and without prejudice to the indemnity amount (if any) mentioned in the issuer notice, for warrants which have expired at the date of cash compensation, the cash compensation is equal to 120% of the value of the buying Net Failed Open Position at expiry date.

For exchange traded funds multi-listed in different currencies ("ETF multicurrency"), without prejudice to the cash compensation amount due to the buying Clearing Member as defined above, any additional costs which may be, *inter alia*, related to the application of an exchange rate shall entirely be supported by the selling Clearing Member. In such case, the retained exchange rate is the official exchange rate as displayed by Banque de France¹ on the Clearing Day immediately prior to the day of the buy-in.

The cash compensation amount derived by applying the relevant formula is not capped.

4/ Calculation methodology of the penalty due for failure to deliver following a notification of delivery:


The notification of delivery sent to LCH.Clearnet SA, mentioned in Article 10 of Instruction III.4-2, by the Securities provider and/or the selling Clearing Member, is a unilateral promise of delivery. In case of failure to execute fully this obligation to deliver, under the conditions set out in Instruction III.4-2, a penalty is applicable which is calculated as follows:

10% of the Securities' "tender price" × quantity of undelivered Securities.

If you have any questions and/or remarks,
Please contact: lchclearnetsa_legal@lchclearnet.com

Email: lchclearnetsa_legal@lchclearnet.com

Website: www.lchclearnet.com

 Follow @LCH_Clearnet

¹ The exchange rate is available from the following webpage : <https://www.banque-france.fr/nc/economie-et-statistiques/changes-et-taux/les-taux-de-change-salle-des-marches/parites-quotidiennes.html>