

Onboarding quick-start guide

Non-deliverable FX

This quick-start guide provides a high-level view of what is required in order to start clearing OTC non-deliverable forwards (NDFs) and non-deliverable options (NDOs) with ForexClear, whether you are looking to join as a ForexClear Clearing Member (FXCCM), with the ability to offer client clearing under the International Clearing Model (ICM), a Futures Commission Merchant (FCM), or a client.

Why ForexClear?

ForexClear is LCH's market leading FX clearing service. ForexClear clears over 95% of the cleared NDF market, which includes the most actively traded currencies in the marketplace.

01.

Award-winning, market-leading FX clearing service

02.

Global offering including 25 NDF CCY pairs (11 Emerging Market and 14 G20 pairs) and 9 NDO CCY pairs (4 EM and 5 G10) with 24-hour/5.5-days-a-week service



03.

Real-time liability vs. collateral position

04.

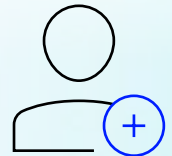
Margin segregation between house and client accounts

05.

Full suite of reporting and service MIS to support customer audit and reconciliation requirements

Getting started

Onboarding onto ForexClear is an expected three-month cycle. This is dependent upon the level of independent testing you wish to conduct as well as meeting each of the below key principles that this document will discuss.



Go-live timeline – FXCCM, ICM or FCM

Weeks 1–8		Weeks 8–10	Weeks 10–12
LCH membership, documentation and approval	Connectivity and build	Scripted BAU and default management testing	Go-live



01.

Clearing choices

Whether you wish to clear your own interbank business, clear on behalf of clients or act as a client yourself, there are membership options available:

A. ForexClear FX Clearing Member (FXCCM)

Clearing your own house business.

B. ForexClear Dealer (FXD)

Clear as affiliate or branch entity via a clearing member (FXCCM)

C. ForexClear Client

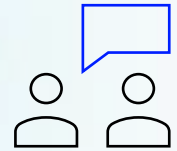
Clearing as a client through a ForexClear Clearing Member (ICM or FCM)

D. ForexClear Clearing Member (LSOC)

Clearing client business on behalf of clients under the LSOC structure

E. ForexClear FX Clearing Member (ICM)

Clearing client business on behalf of clients under the EMIR account structure (ISA, OSA Net/Gross)



02a.

Documentation – clearing member

Depending on membership type, some of the main legal and operational documents you may expect to complete as part of the ForexClear onboarding process are listed.

A. Clearing approval letter

Application to clear FX trades at ForexClear

B. ForexClear legal opinion

Independent legal opinion provided by an external legal advisor practicing in the relevant jurisdiction

C. NDF master confirmation agreement

Master agreement for NDF FX transactions between LCH and the member

D. Banking arrangements

Requirements for setting up Protected Payments System (PPS) bank accounts in the UK and US

E. Clearing member static data form

Details of Member BIC and regulatory reporting identifiers

F. ISDA master agreement and schedule

G. Contacts form

Details of operational contacts

H. Super user form

For access to the LCH portal

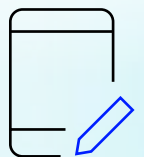


02b.

Documentation – client

Clearing broker to complete an application to onboard a client. Application templates are available on the LCH Portal:

- ForexClear - Onboarding - FCM
- ForexClear - Onboarding - ICM



03.

Connectivity

Connectivity is integral to using ForexClear. To get started, you will need to decide on your chosen method of connectivity.

A. Decide

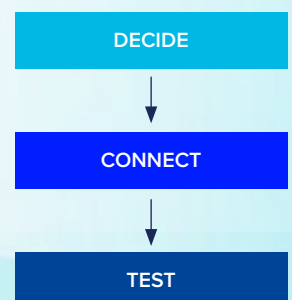
Connectivity via middleware providers and SEFs for trade submission and clearing broker take-up/give-up

B. Connect

Direct connectivity to ForexClear via Clearlink for clearing broker notification/ take-up/give-up

C. Test

Clearlink technical specification available on the LCH portal: Clearlink specification



04.

Reporting

ForexClear provides extensive intraday and overnight reporting to enable your operations, risk and treasury staff to fully reconcile all trade, liability and accounting positions. Our reports are accessed via SFTP and a web-based GUI.

A. SFTP

Connectivity via Internet or CMC will be required to SFTP our suite of reports

B. Portal

- Users can access our service documentation
- In this web-based GUI, users can log in and physically download reports and access real-time margin simulation tool as needed

LCH REPORTS PORTAL TOOL

- ✓ Access to ForexClear market data reporting
- ✓ All reporting available at account, client and fund level
- ✓ Direct client reporting available on request

Report type	Description
Risk and margin reports	Margin liabilities detailed at account, client and fund level
Trade reports	Member trading events and positions at individual trade level
Trade fixing and settlement reports	Fixed trades and settlement amounts, along with VM paid/received to date at trade, account and fund level
Collateral usage information	Real-time information on member liability vs. total collateral
Market data reports	Regularly scheduled market data reports detailing market data shifts for each historic scenario
Banking (treasury) reports	Treasury reports detailing cash postings, account movements and collateral

05.

Testing

Once connectivity is fully established, our dedicated testing team will guide you through each stage of the testing process. This includes scripted “business as usual” and scripted default management testing to ensure you are ready to begin clearing your OTC FX derivatives with ForexClear.

Testing outline

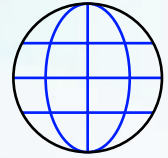
- Fully scripted texts provided to every member
- All BAU scenarios covered
- Member reporting validation
- Client portability
- Full default management initiation, auction and bid valuation



06.

Go-live

- Several go-live checks are completed within ForexClear to ensure you are fully set up and familiar with the service, and have submitted your default fund (DF) contribution.
- In depth training is available across all of our global locations, ensuring all operational and risk management staff are able to manage ForexClear at all levels.



Training outline

Operations	Risk management and margining
Clearing functioning and matching	Margin types
24-hour operating model	Margining methodology (VaR)
Trade lifecycle events	Risk reports
Future developments	Default management process
Treasury operations and banking reports	Collateral lodgement and withdrawal procedures
The role of LCH collateral operations	Acceptable collateral
Protected payment system (PPS) process	Regulation
Banking reports	Collateral management system
	Collateral reports



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