

LCH

CustodialSeg

A higher level of protection

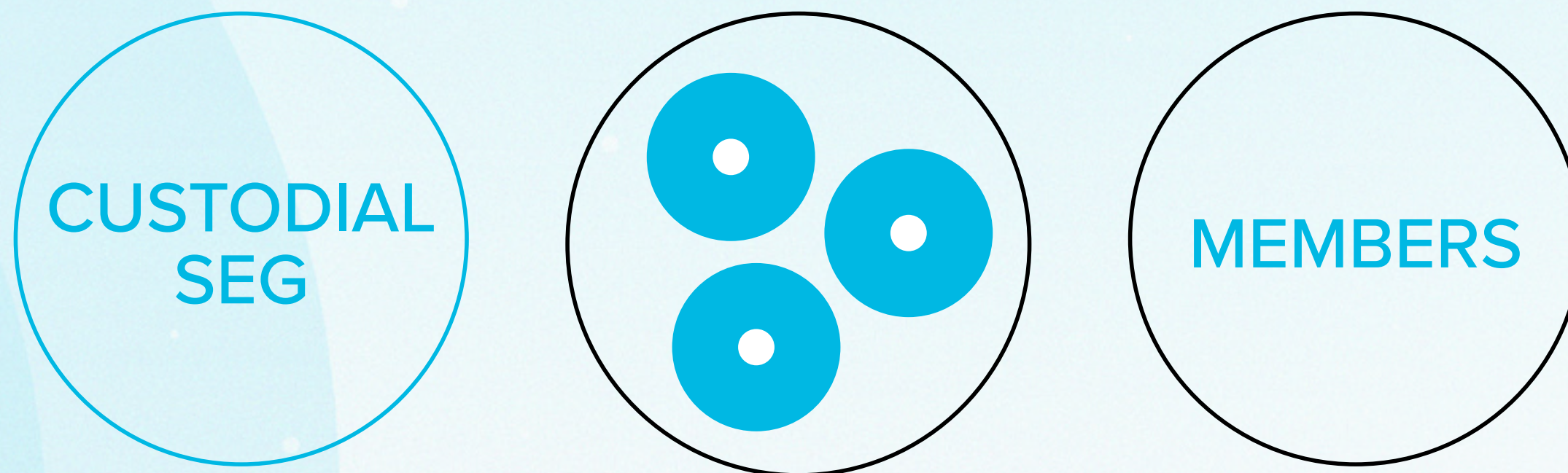
If you're looking for greater operational efficiency,
CustodialSeg is the natural choice.



LSEG POST
TRADE

A safer, more efficient alternative

While mandatory clearing of certain derivatives in Europe has created new obligations, it also presents an array of choices for how best to protect your assets and positions in the new regulatory landscape. At LCH SwapClear, we've created a range of customer-protection options to address this opportunity. Of these, CustodialSeg provides the greatest operational simplicity and efficiency.



CustodialSeg ring-fences your assets and positions and enables you to leverage your custodial relationships to more efficiently manage and control collateral. It achieves this while removing the transit risk associated with the delivery of non-cash collateral via the clearing member in the traditional workflow.

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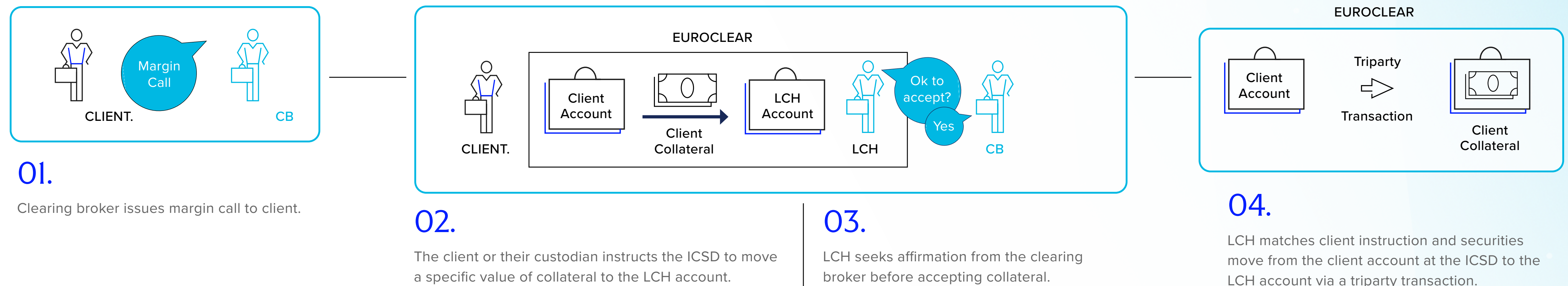
How does CustodialSeg help you?

The CustodialSeg model offers our highest level of customer protection and control, enabling you to directly manage the delivery of collateral to the clearing house.

With CustodialSeg, you get to choose how your account is set up. It's simple to get started. Either you or your custodian need to open an account within an International Central Securities Depository (ICSD). EuroClear will be the first of these to be available, via its Collateral Highway. Once that's done, the triparty process to transfer securities collateral to LCH can be initiated by either party.

KEY BENEFITS

- 01. Segregates your assets and positions from those of other clients
- 02. Lets you deliver non-cash collateral directly to LCH, removing transit risk associated with delivery via your clearing broker
- 03. Enables you to continue to deliver securities post clearing broker default
- 04. Protects your collateral from liquidation during the porting window
- 05. Protects your excess non-cash collateral that you have provided directly to LCH from liquidation
- 06. Provides the flexibility to perform collateral substitutions without direct involvement of LCH or your clearing broker
- 07. Potentially enables you to reduce your risk-weighted capital requirements
- 08. You retain beneficial title to the securities
- 09. Streamlines operational processes

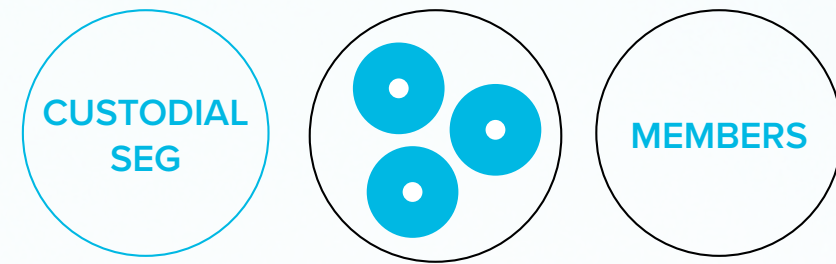


Your protection options



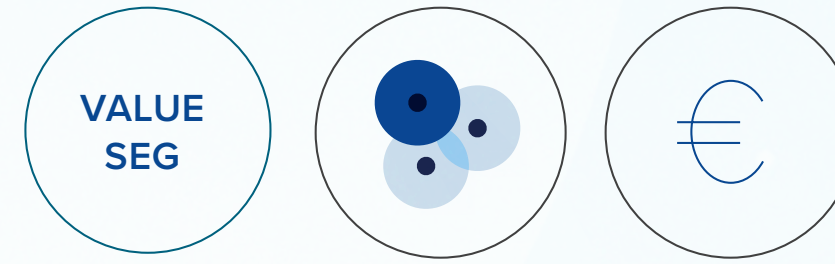
AssetSeg

The AssetSeg account segregates your positions and collateral assets from those of all other clients. In a clearing-broker default, LCH SwapClear treats your collateral value collectively, drawing on the value attributed to the account to meet all amounts owing on the account. Importantly, we identify, and can therefore potentially preserve, your specified assets, which may port with your positions to the clearing broker of your choice. Where LCH determines that your positions and collateral will not port, it will close out the positions and apply the collateral to any amounts owing on the account.



CustodialSeg

The CustodialSeg account segregates your positions from those of all other clients, as well as segregating the assets you allocate for collateral. CustodialSeg removes transit risk associated with moving securities to and from LCH SwapClear via your clearing member and ensures that they remain identifiably yours. In a clearing-broker default, we cannot draw on your allocated assets to meet amounts owing on accounts relating to any other clients. Your positions and collateral may port to another clearing broker of your choice.



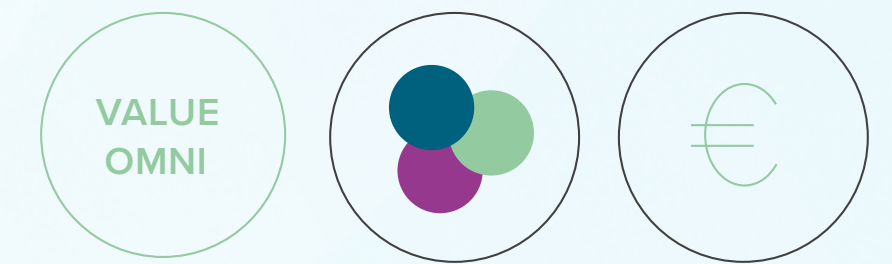
ValueSeg

The ValueSeg account segregates your positions from those of all other clients. Your positions may port to the clearing broker of your choice, along with the collateral value associated with your positions.



AssetOmni

The AssetOmni account commingles your positions in a pool with those of other clients that you select. This mitigates fellow-customer risk while giving you a controlled netting benefit. LCH SwapClear can identify and potentially preserve the specified assets recorded in the pooled account.



ValueOmni

The ValueOmni account commingles your positions with those of other clients within the ValueOmni, exposing you to some fellow-customer risk; however, you can select the other participants within the pool. This gives you a controlled netting benefit.

LCH. The Markets' Partner.

LCH builds strong relationships with commodity, credit, equity, fixed income, foreign exchange (FX) and rates market participants to help drive superior performance and deliver best-in-class risk management.

As a member or client, partnering with us helps you increase capital and operational efficiency, while adhering to an expanding and complex set of cross-border regulations, thanks to our experience and expertise.

Working closely with our stakeholders, we have helped the market transition to central clearing and continue to introduce innovative enhancements. Choose from a variety of solutions such as compression, sponsored clearing, credit index options clearing, contracts for differences clearing and LCH SwapAgent for managing uncleared swaps. Our focus on innovation and our uncompromising commitment to service delivery make LCH, an LSEG business, the natural choice of the world's leading market participants globally.

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