LCH

EquityClear
Retail Pricing Scheme

From October 1st, 2024

LSEG POST TRADE

This document provides details of the pricing scheme applicable to clearing members of LCH Ltd ("LCH") for the clearing and settlement of transactions identified as originating from "Retail Investors" (see definitions below) which were executed on the order books of Recognised Investment Exchanges (RIEs) and Multilateral Trading Facilities (MTFs) authorised to submit trades to LCH for central clearing.

What is 'Retail'?

"**Retail Investor**" means an investor that:

1. is in the UK and does not carry out a regulated activity within the meaning of the Financial Services and Markets Act 2000; or
2. is not in the UK (including the Republic of Ireland) and is not required to be regulated or supervised by a body concerned with regulation or supervision of investment or financial services; and
3. is not currently registered or qualified as a professional securities trader or investment adviser with any trading venue, regulatory authority, professional association or recognised professional body; and
4. does not currently act in any capacity as an investment adviser, whether or not they have at some time been qualified to do so; and
5. is trading solely in relation to the management of his/her personal funds and not as a trader to the public or for the investment of corporate funds.[1]

"**Retail Investor Order**" means an order submitted by a Member Firm (or equivalent) of a trading venue, where:

1. the order is for the purchase or sale of securities that are available to Retail Investors on the order books of RIEs and MTFs (authorised to submit trades to LCH for clearing)
2. the order has originated from a Retail Investor or an intermediary on behalf of a Retail Investor;.
3. it does not result in a contract for difference, or other products or interests derived from securities

Both together are defined as "**Retail Flow**".

How will LCH risk manage and settle Retail Flow?

LCH will risk manage and settle Retail Flow in the same way as non-Retail Flow. Members have the same risk and settlement segregation options for Retail Flow as for non-Retail Flow. Members can choose how they segregate or combine/net their Retail Flow from/with their non-Retail Flow.

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[1] For the avoidance of doubt, trade sides qualifying for the Retail Pricing Scheme would not include orders transmitted through a private wealth management firm, family office or other investment advisory service.
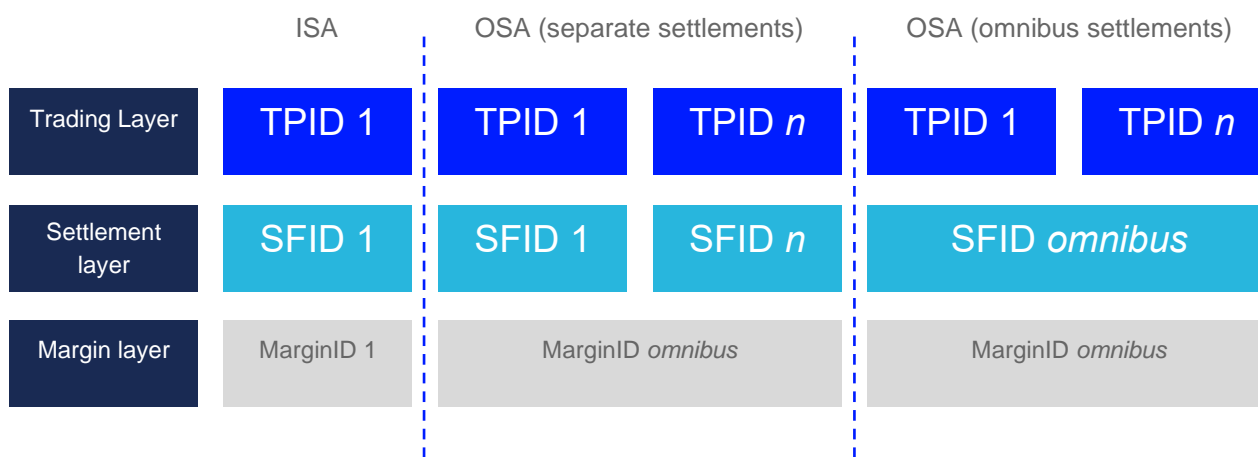
How will Retail Flow be identified?

Trades will only be identified as Retail trades if they are submitted via a Trade Participant ID (TPID) that is solely used for Retail business.

Retail Flow pricing discounts will only apply to segregated Retail Flow at the relevant level. Clearing fee discounts will be applied at a Trade Participant ID (TPID) level, whilst settlement discounts will be applied at a Settlement Firm ID (SFID) level.

Segregation of Retail trades from non-Retail trades at the trading, settlement and risk management (margin) level have pros and cons. Members can choose the options which best suit their business.

The segregation options are shown in the diagram below. '1' represents Retail Flow and *n* represent additional segregated groups of trades which can be Retail only, non-Retail only, or a mixture of both.

	ISA	OSA (separate settlements)		OSA (omnibus settlements)	
Trading Layer	TPID 1	TPID 1	TPID *n*	TPID 1	TPID *n*
Settlement layer	SFID 1	SFID 1	SFID *n*	SFID *omnibus*	
Margin layer	MarginID 1	MarginID *omnibus*		MarginID *omnibus*	

A Retail broker, submitting only Retail Flow and self-clearing as a member of LCH, can use any of these options.

A clearing member clearing a mixture of Retail and non-Retail Flow can use these options with the associated pros and cons:

- ISA:
    - ✓ Fully segregated flow from trading through to margin layer.
    - ✓ Allows Retail broker protection from GCM default through porting positions to another GCM[2].
    - ✓ Benefit of all Retail price discounts.
    - ✗ Lose benefits of margin netting and settlement netting with GCM's other business.

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[2] Porting of ISA accounts would need to complete within 24 hours and so would require backup GCM arrangements to be in place.

- OSA (separate settlements):
  - ✓ Netting is achieved at the margin layer
  - ✓ Benefit from Retail discounts on Retail-only ETP settlements (where rebate not achieved by the GCM across its non-Retail business).
  - ✗ Porting option is lost.
  - ✗ Lose settlement cost benefits of settlement netting with GCM's other business.
- OSA (omnibus settlements):
  - ✓ Netting cost benefits achieved at both settlement and margin layers.
  - ✗ Lose Retail discounts on Retail-only ETP settlements (where rebate not achieved by the GCM across its non-Retail business).

Retail Pricing Scheme details

For all flows designated as stemming solely from Retail Investors and Retail Investor Orders ("Retail Flow"), as defined above, the following discounts apply:

– **Clearing** will be charged at £0.00 per cleared trade side.
  – This applies to trade sides originating from the order books of RIEs and MTFs which are submitted to LCH via a dedicated Retail Trading Participant ID (TPID).
  – Trade sides qualifying for the Retail Pricing Scheme will not be included in the Clearing Member ADV used for the purposes of determining the clearing fee band for the monthly billing cycle.

– **The Minimum Activity Charge (MAC) will be** discounted by 50% if the Clearing Member is a "Direct" clearing member and designated as Retail-only.
  – If the Clearing Member is non-Retail and a client of the Clearing Member is Retail-only, the MAC will be charged, as usual, at the Clearing Member level.

– **Settlement fees** for settlement activity, ring-fenced via a dedicated Settlement Firm ID (SFID), will benefit from a discount on International CSD (ICSD) ETP (including ETF, ETN and ETC products) settlement fees which will be charged at an effective rate of €2.00 per settlement.
  – Settlements eligible for this Retail-specific discount will not be counted towards a Clearing Member's settlement fee rebate criteria (i) on ETF, ETN and ETC products, details of which can be found in the settlement fees section of https://www.lch.com/services/equityclear/equityclear-ltd/fees.
  – Non-ETP flow within ICSDs will be charged at the standard Euroclear Bank settlement rate.
  – Settlement fees for all other CSDs are charged at EquityClear's standard rates.

– **Client account fees** as described on https://www.lch.com/services/equityclear/equityclear-ltd/fees will not be levied for those client accounts designated as Retail.

Retail Pricing Scheme shall apply to client accounts, TPIDs and SFIDs listed in the Retail Pricing Scheme Form, provided by the Clearing Member to LCH Limited. Please contact securitiesclientserviceltd@lch.com for this form.

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