

LCH

RepoClear

Sponsored Clearing – unlock capacity, drive efficiencies



LSEG POST
TRADE

Sponsored Clearing provides direct LCH membership to the buy-side community.

Opening up opportunities

Sponsored Clearing extends the benefits of direct CCP membership to the buy-side community. By inviting member banks to sponsor direct access to the buy side, LCH provides an innovative way to enhance existing clearing relationships while generating operational efficiencies for all participants.

What is a Sponsored Member?

Sponsored Members join under a new membership category that allows buy-side firms to enjoy the full benefits of clearing through LCH. This new model creates a direct transactional relationship between LCH and the Sponsored Member, making LCH the counterparty to each cleared trade. Sponsored Members are supported by an Agent Member (sponsoring bank) that facilitates margin payments and provides default fund contributions for each sponsored transaction.

How does it work?

The expansion of LCH membership increases multilateral netting opportunities, generating superior balance sheet, settlement and risk reductions for our membership. This in turn frees up capacity, providing Sponsored Members with broader access to bank liquidity. These enhanced netting opportunities are available in the UK government bond and Term £GC markets cleared through RepoClear at LCH Ltd, and in 13 Euro debt markets and €GCPlus at LCH SA.

Sponsored Members are not restricted to only trading with agent members: Sponsored Members are eligible to trade with the full population of RepoClear members.

Benefits for all

By maximising netting opportunities through LCH, Sponsored Clearing helps optimise resources through margin efficiencies and bank balance sheet netting, unlocking additional capacity for Sponsored Member activity.

The potential benefits for both Agent Members and Sponsored Members are numerous, including:

For agent members (sponsoring banks)

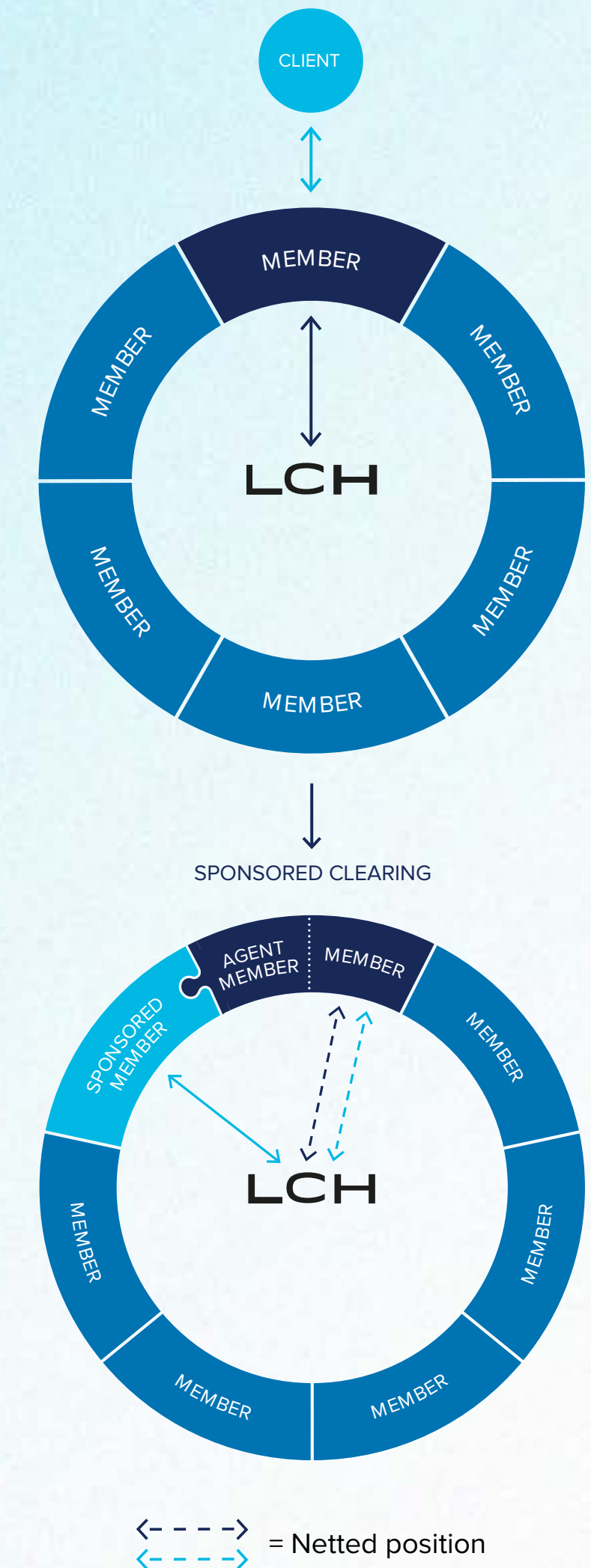
- 01.** Increased balance sheet optimisation and capital efficiencies
- 02.** Opportunities for enhanced customer relationships through the provision of agent services
- 03.** Reduced liquidity risks

For Sponsored Members

- 01.** Increased bank capacity for Sponsored Member activity resulting from capital savings
- 02.** Reduced bilateral credit risk and default exposures
- 03.** Increased operational efficiencies, with settlement netting leading to a reduction in intra-day liquidity requirements
- 04.** World-class risk management

Balance sheet netting

Balance sheet netting has four main requirements: same settlement location, same currency, same end date and — importantly in the context of Sponsored Clearing — same counterparty. Bank intermediaries are now able to optimise netting of their customer activity, as Sponsored Members' trades are cleared directly with LCH.



Roles and responsibilities

Agent Members play an important role in supporting their Sponsored Members' cleared transactions through the provision of default fund contributions and by facilitating the payment of Sponsored Members' margins in a paying agent capacity. They also contribute to risk reduction by providing a buffer for margin cover and an additional layer to their Sponsored Members' default waterfall, benefitting the wider membership.

A key feature of the new service is the Sponsored Members' role as direct counterparty to LCH for each cleared trade. Sponsored Members settle directly with LCH, continuing to operate their own settlement accounts (or using a custodian), and are responsible for margin payments to the CCP (which can be facilitated by their Agent Member).

Who can join?

Sponsored membership is open to pension funds, regulated investment funds*, insurance companies, government entities and credit institutions, subject to jurisdictional eligibility. The Sponsored Clearing model may be extended to other entities, subject to internal governance requirements and regulatory approvals.

*Available for Ltd only

SPONSORED MEMBER RESPONSIBILITIES	AGENT MEMBER RESPONSIBILITIES
<p>LCH Relationship Act as the direct counterparty of LCH for each cleared trade</p>	<p>Default Fund Contributions / Waterfall Provide Default Fund Contributions</p>
<p>Trade Settlement Settle directly with LCH, or through their custodian/ settlement agent; the Agent Member does not guarantee performance</p>	<p>Agent Resources Deliver an additional resource to the Sponsored Member's default waterfall and a buffer for margin cover</p>
<p>Margin Liability Post margin payments to the CCP, facilitated by their Agent Member</p>	<p>Margin Management Facilitate the payment of the Sponsored Member's margins in a paying agent capacity via its PPS account</p>



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.

Contact us

To find out how to become a Sponsored Member, contact us today at lchsales@lseg.com or visit, lch.com/services/repoclear



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