


Sponsored Clearing

Unlock Capacity, Drive Efficiencies

LCH The Markets' Partner

RepoClear





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

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.

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.

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 initially available across all 11 government markets cleared by RepoClear Ltd., with LCH SA-cleared markets to follow in 2018.¹

¹Subject to necessary internal governance requirements and regulatory approval.

Benefits For All

By maximizing netting opportunities through LCH, Sponsored Clearing helps optimize 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)

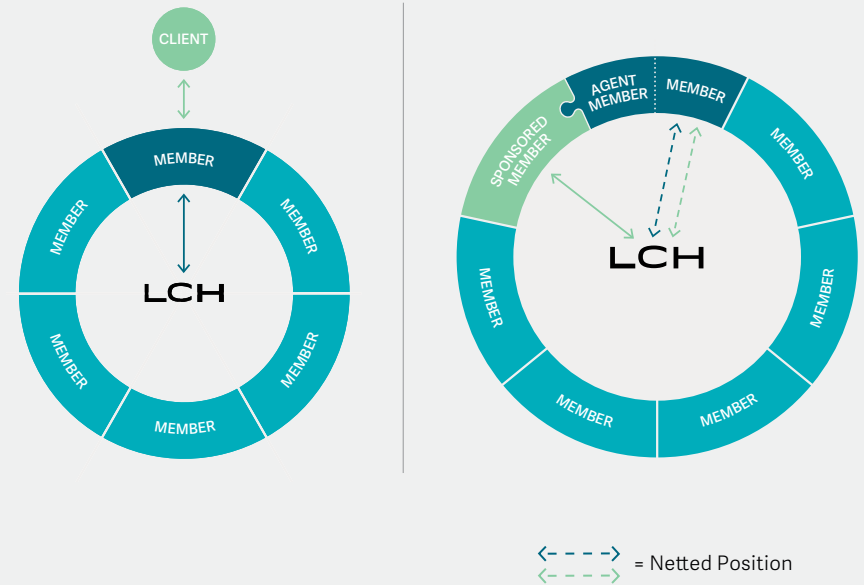
01. Increased balance sheet optimization and capital efficiencies
02. Opportunities for enhanced customer relationships through the provision of agent services
03. Reduced liquidity risks

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 — the same counterparty. Bank intermediaries are now able to optimize netting of their customer activity as Sponsored Members' trades are cleared directly with LCH.



Note: The Agent Member role is not restricted to the executing counterparty of the original trade.

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 pre-funded 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).

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

Who Can Join?

Initially, sponsored membership is open to pension funds, insurance companies, and government entities, but the model will be extended to other funds and institutions soon after launch.

To find out how to become a Sponsored Member, contact us today at repoclearmembershipsales@lch.com.

ABOUT REPOCLEAR

RepoClear is the leading provider of repo clearing, helping participants better manage risk and capacity across bilateral or anonymous trading. With more than 80 members across 13 government bond and repo markets, it provides unmatched opportunities for superior balance sheet and settlement risk offsets. In 2014, RepoClear introduced €GCPlus, LCH's triparty basket repo clearing service, to provide even more advanced liquidity management. Established in partnership with major banks in 1999, RepoClear is available through both LCH-Ltd and LCH-SA.

DISCLAIMER

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Thank you for making us No. 1. Again.
