

LCH launches new client account type

- CustodialSeg account provides premium level of collateral protection for clients, with assets segregated at custodian level
- J.P. Morgan is the first clearing member to use the new account
- Aviva Investors is the first buy-side client to use the new account
- Euroclear Bank acting as International Central Securities Depository at launch

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LCH Limited, a leading global clearing house, announced today that it has introduced a new type of client account within its SwapClear service. The account allows buy-side clients to deliver collateral directly to the clearing house and to retain beneficial title to it. Segregation at an International Central Securities Depository (ICSD) ensures that such securities collateral remains client-specific. This increases operational efficiency and also eliminates the transit risk arising where a client delivers collateral to the clearing house via its clearing member. J.P. Morgan is the first clearing member, and Aviva Investors is the first buy-side client, to use this new account type. BNP Paribas and HSBC have also confirmed their readiness to support the new account structure.

To enable a client to transfer collateral directly from its account to LCH Limited, the client or its custodian must open a segregated account with an ICSD. Euroclear Bank is the first ICSD to provide this service for the CustodialSeg account.

Michael Davie, Global Head of Rates, LCH Limited, said: "As we see a growing number of clients onboarding and actively clearing at LCH, there's increased focus on efficient collateral management. We're pleased to bring CustodialSeg to market as part of our ongoing efforts to find innovative ways of supporting the buy and sell side. The new account structure offers enhanced collateral protection for European clients and simplifies the way they lodge collateral with us."

Barry Hadingham, Head of Derivatives & Counterparty Risk, Aviva Investors, said: "Being able to lodge collateral direct with LCH is a positive step as it allows us to manage our collateral delivery more effectively and to ensure our assets remain identifiable as ours, while lodged at the CCP. We're proud to be the first client to use this new account type and look forward to continuing this work with LCH."

Nick Rustad, Managing Director, Head of Global Clearing J.P. Morgan, said: "Innovations such as CustodialSeg aim to increase efficiency and reduce risk within the clearing system. J.P. Morgan is committed to remaining at the forefront of industry initiatives that further these aims and therefore is pleased to be among the first clearing brokers and custodians to partner with LCH in the development of this service for our clients."

Raphaël Masgnaux, Global Head of Prime Solutions & Financing, BNP Paribas said: "The launch of CustodialSeg is a key development for the industry, providing buy-side firms with further options of how to protect their assets, a major point of concern for many firms. Any solutions that enable clients to seek increased protection of their assets providing them with flexibility to partner with their custodians to efficiently manage their collateral are encouraged. BNP Paribas is pleased to have

supported LCH through this initiative, as we continue to offer our client franchise the fullest suite of services that meet their requirements."

Danny Foster, EMEA Derivatives Clearing Sales and Coverage, HSBC, said: "The protection of a client's assets at a CCP is a key priority in our approach to clearing. Being able to offer our clients an account at LCH with the highest levels of collateral segregation is therefore a logical next step. Furthermore, as clients increasingly post non-cash collateral to cover their IM requirements, the flexibility of this new account structure will enable them to better manage and substitute their collateral on an intraday basis."

Olivier Grimonpont, Global Head of Collateral Management and Securities Lending, Euroclear said: "We are very proud to be part of this industry milestone, being the first International Central Securities Depository to support a model where buy-side firms and their custodians are able to deliver collateral directly to the clearing house. This complements our service offering for both cleared and non-cleared collateral requirements on derivatives for both buy-side and sell-side firms. Furthermore, it ensures risk reduction and streamlined operational processes whilst maintaining the highest level of client protection and control through our Collateral Highway."

The CustodialSeg account is available for eligible SwapClear clients in England, Ireland, Scotland and the Netherlands who are accessing clearing via a SwapClear clearing member.

For further information

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About LCH

LCH is a group of leading multi-asset clearing houses that provides proven risk management capabilities across a range of asset classes. As demand for robust clearing services continues to grow, LCH is committed to maintaining the highest standards of risk management across all our services.

As the markets' partner, LCH operates an open access model, offering clearing services for a range of execution venues, delivering unprecedented choice and efficiencies to the marketplace.

LCH operates clearing houses around the world, with clearing houses incorporated in the UK, France and the United States with additional offices in the Asia Pacific region. It offers clearing services across asset classes including OTC and listed rates derivatives; CDS; FX derivatives; fixed income; commodities; cash equities and equity derivatives.

LCH is majority owned by London Stock Exchange Group (LSE.L), an international markets infrastructure business that sits at the heart of the world's financial community.

Further information on LCH can be found at www.lch.com