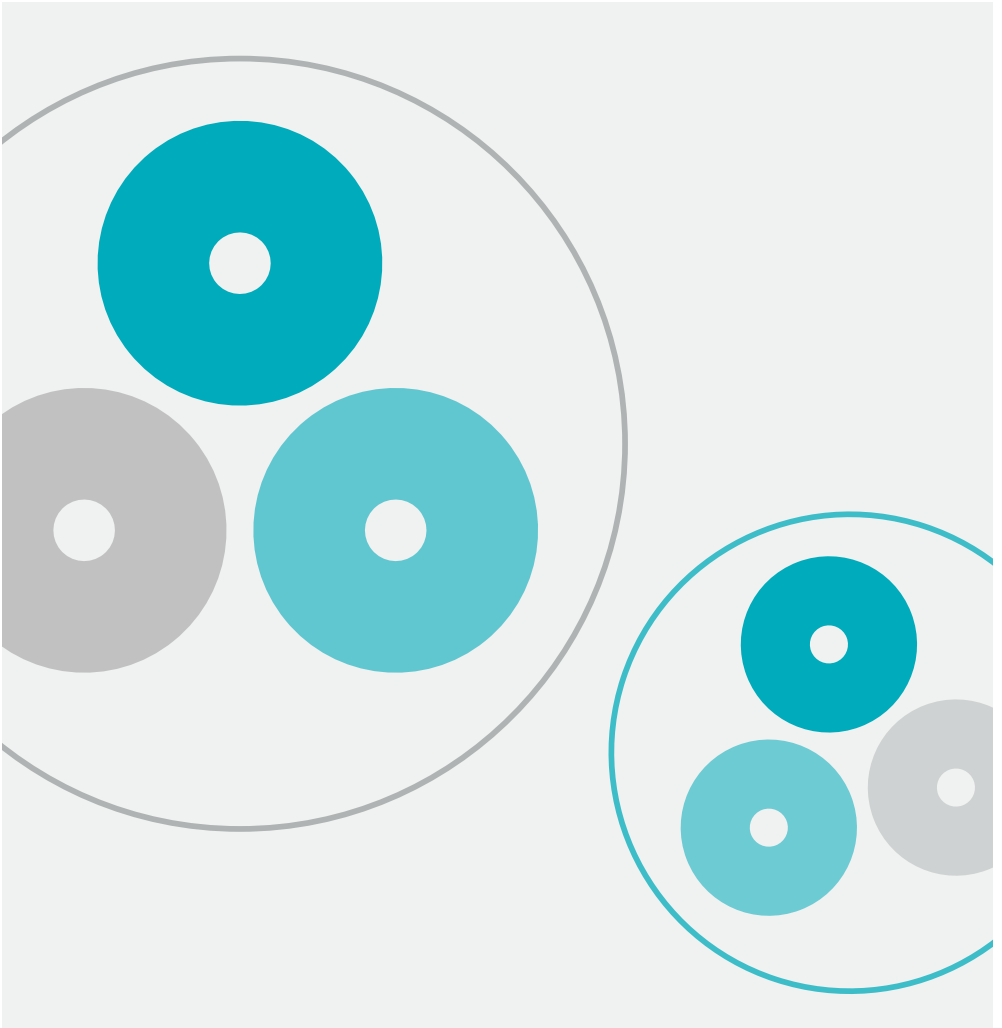
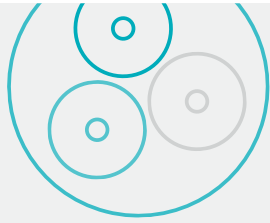


CustodialSeg

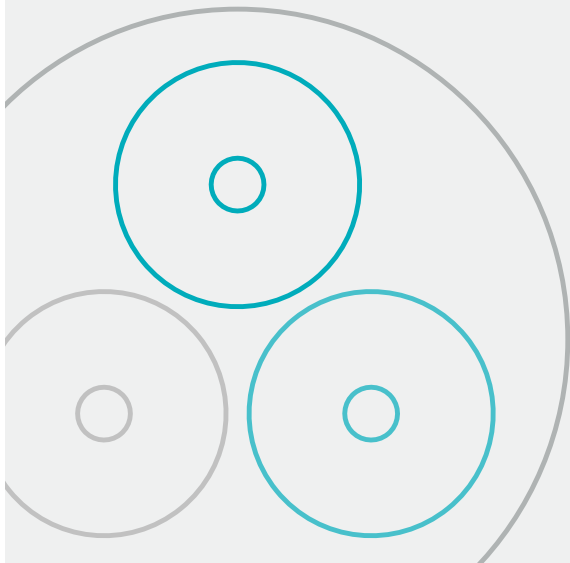
A Higher Level of Protection

LCH The Markets'
Partner

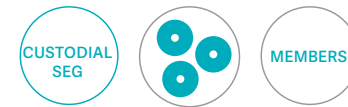




If you're looking for greater operational efficiency, CustodialSeg is the natural choice.



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 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.

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

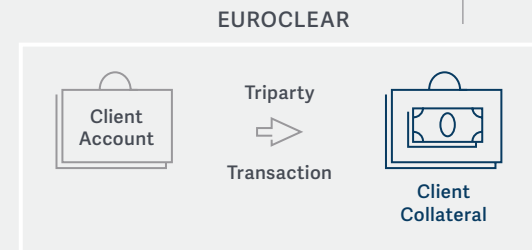
01.

Clearing broker issues margin call to client.



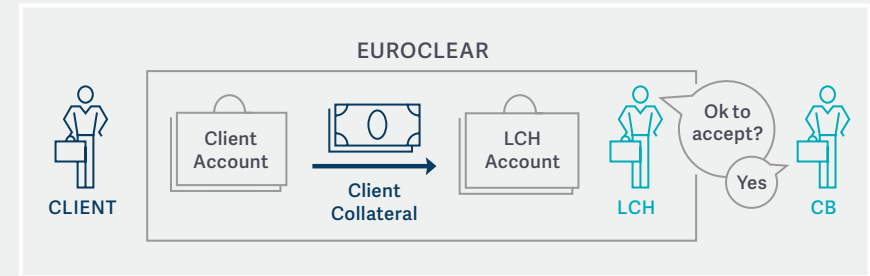
02.

The client or their custodian instructs the ICSD to move a specific value of collateral to the LCH account.



03.

LCH seeks affirmation from the clearing broker before accepting collateral.



04.

LCH matches client instruction and securities move from the client account at the ICSD to the LCH account via a triparty transaction.

Your Protection Options



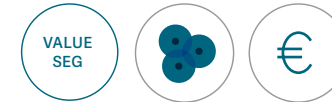
AssetSeg

The AssetSeg account segregates your positions and collateral assets from those of all other clients. In a clearing-broker default, 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 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. 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.

ABOUT LCH AND SWAPCLEAR

LCH has always built strong partnerships across the global markets to deliver best-in-class risk management. With our accumulated experience and expertise, we are uniquely positioned to help participants increase capital and operational efficiency, while adhering to an expanding and complex set of cross-border regulations. SwapClear is the world's leading OTC interest rate derivatives clearing service, and provides access to the deepest pool of dealer liquidity. Trusted for more than two decades by our members, it is now the clearing service of choice for many of the world's leading buy-side participants. Working together with our stakeholders, SwapClear and the other LCH services have helped the market transition to central clearing by introducing an array of innovative enhancements. These include solo compression with blended rate, an expanded set of customer protection options, and LCH Spider — our portfolio margining tool. When combined with an uncompromising commitment to service delivery, it is no surprise that LCH is the natural choice of the world's leading market participants. LCH works across a range of execution venues and is majority-owned by the London Stock Exchange Group (LSEG), a diversified international exchange group that sits at the heart of the world's financial community.

CONTACT US

For more information on SwapClear, please contact your sales team representative, email lchsales@lseg.com, or visit lch.com.

DISCLAIMER

This document has been provided to you for informational purposes only and is intended as an overview of certain aspects of or proposed changes to the SwapClear, ForexClear, Listed Interest Rates, SwapAgent and/or any other service provided by LCH Group Holdings Limited ("LCH Group") or any of its group undertakings (group undertakings shall be construed in accordance with section 1161 of the Companies Act 2006; each an "LCH Group Company"). LCH Limited is supervised by the Bank of England within the UK regulatory framework, registered as a derivatives clearing organisation with the U.S. Commodity Futures Trading Commission ("CFTC") and recognised as a third-country CCP under Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("EMIR"). LCH SA is regulated and supervised in France by the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the Banque de France, authorised as an E.U. CCP under EMIR, registered as a derivatives clearing organisation with the CFTC and as a clearing agency with the U.S. Securities and Exchange Commission. LCH Limited and LCH SA also hold licenses in other jurisdictions in which they offer their services. More information is available at www.lch.com. The relationship of an LCH Group Company with its members is governed solely by its rulebook and certain other ancillary documentation, as applicable. This document does not, and does not purport to, contain a detailed description of any aspect of a service provided by an LCH Group Company or any other topics discussed in this document, and it has not been prepared for any specific person. This document does not, and does not seek to, constitute advice of any nature. You may not rely upon the contents of this document under any circumstance and should seek your own independent legal, investment, tax and other advice. The information and any opinion contained in this document does not constitute a recommendation or offer with respect to any derivative contract, financial instrument, security or service. No LCH Group Company makes any representation, warranty, condition or guarantee (whether express or implied) that the contents of this document are accurate, complete or up-to-date, and makes no commitment to offer any particular product or service. No LCH Group Company shall have any liability for any losses, claims, demands, actions, proceedings, damages, costs or expenses arising out of, or in any way connected with, the information contained in this document, except that each LCH Group Company accepts liability that cannot be excluded by applicable law. Copyright © LCH Limited 2022. All rights reserved. SwapClear, ForexClear and SwapAgent are registered trademarks of LCH. The information contained in this document is confidential. By reading this document, each recipient agrees to treat it in a confidential manner and will not, directly or indirectly, disclose or permit the disclosure of any information in this document to any other person (other than its regulators or professional advisers who have been informed of the confidential nature of the information) without the prior written consent of LCH Group Company.