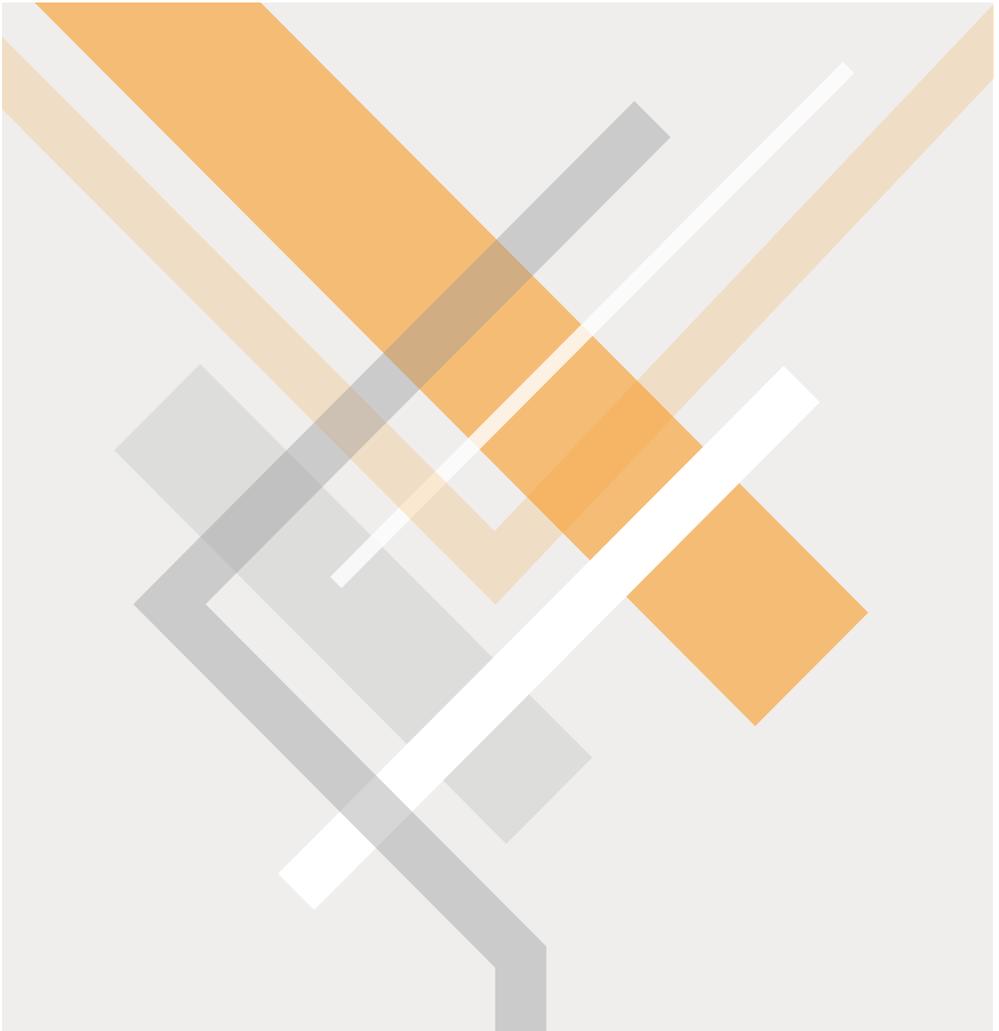


# Sponsored Clearing

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

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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 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)

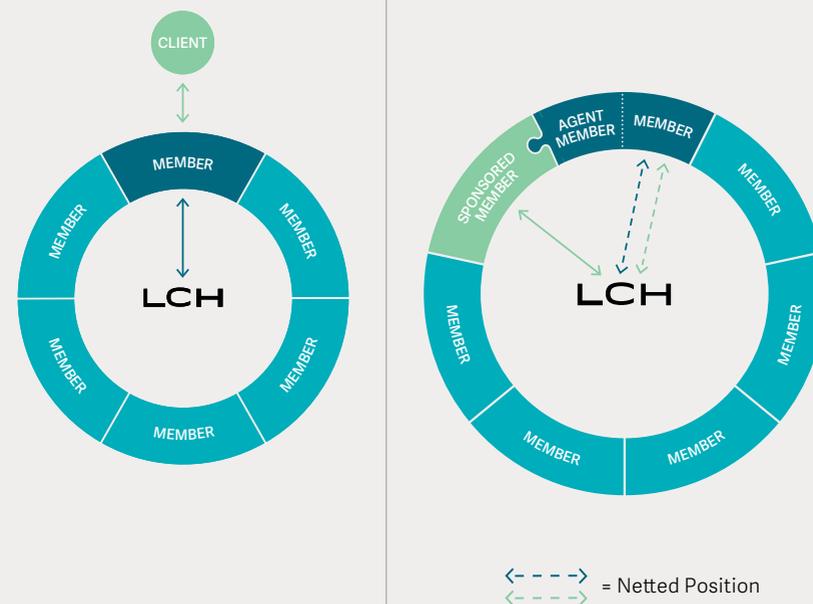
- 01. Increased balance sheet optimisation and capital efficiencies
- 02. Opportunities for enhanced customer relationships through the provision of agent services
- 03. Reduced liquidity risks

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

## WHO CAN JOIN?

Sponsored membership is open to pension funds, regulated investment funds\*, insurance companies, government entities, regulated UCITS\* 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.

To find out how to become a Sponsored Member, contact us today at [lchsales@lseg.com](mailto:lchsales@lseg.com).

## ABOUT REPOCLEAR

LCH RepoClear is the leading provider of repo and cash bond clearing in the European and UK markets, helping participants better manage risk and capacity across bilateral or anonymous trading. RepoClear has more than 100 dealer members accessing 14 government bond markets, in addition to the general collateral products Term £GC and €GCPlus. The service provides unmatched opportunities for superior balance sheet and settlement netting, and has a growing number of buy-side participants through sponsored clearing, now available for both European and Sterling government bond clearing. Established in partnership with major banks in 1999, RepoClear is a service of LCH Group, an LSEG business.

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