

# LCH Billing, Invoicing and Reporting

Clearing Member Impact

# Contents

---

1. Introduction	3
2. Clearing Member Impact: Interest	4 - 6
3. Clearing Member Impact: Accommodation Charge/Non-Cash Collateral Fee	7
4. Clearing Member Impact: PPS Recharge Fees	8
5. Clearing Member Impact: Clearing Service Fees	9
6. New Reports	10
7. New Reports Specification	11
8. Impact to Existing Banking Reports	12 -16
9. Testing	17
10. Summary	18
11. Contacts	19
12. Disclaimer	20

# Introduction

---

- The proposed changes will simplify LCH procedures for billing and settlement of collateral fees and improve invoices and reports issued to members.
- Key enhancements are in the segregation of cash flows and the level of detail for reporting and invoicing, with other processes also being addressed.
- The initial impact to members will be from 1<sup>st</sup> September 2016, with enhancements to some daily reporting, and the first billing cycle effected on 5<sup>th</sup> October 2016.

# Clearing Member Impact – Interest 1

Interest will be broken out into two separate calculations and entries – interest accrued against the respective currency base rate (SONIA/EONIA/FED rate etc) and interest accrued against the respective spread applied by LCH. Detailed below are the current and future states.

Current	Future
The amount paid to / received from members on cash collateral placed with LCH is determined using the respective currency base rate, which is reduced by a predefined spread amount. Spread values vary by service line.	Two separate calculations and postings: 1. Interest accrued against the respective currency base rate (SONIA/EONIA/FED Rate) will be calculated, posted and reported separately as <b>'Interest'</b> 2. Fees accrued as spread by LCH will be calculated, posted and reported separately as <b>'Cash Collateral Fee.'</b>
The current rates used for Default Fund contributions are compounded across GBP, EUR and USD.	Interest accrued against GBP, EUR and USD for Default funds will continue to be compounded. Collateral Fee for Default funds will <b>not</b> be compounded. This is to be considered a flat fee.

# Clearing Member Impact – Interest 2

## Reporting

Current	Future
<p>Interest reported in Banking REP00038/32 and postings reflected in Banking REP00022/29/37</p>	<ul style="list-style-type: none"><li>• ‘Interest’ will be detailed in the new monthly Banking REP00040. This will provide a daily breakdown of the interest accrual.</li><li>• The total ‘Cash Collateral Fee’ will be detailed in the monthly fee invoice alongside Clearing Service and PPS Recharge Fees.</li><li>• Collateral Fees will be detailed in a new monthly report REP00041. This will supplement the invoice with a daily breakdown</li><li>• Both ‘Interest’ and ‘Cash Collateral Fee’ postings will be reflected in Banking REP00022a/37.</li></ul>

# Clearing Member Impact – Interest 3

## Settlement

Current	Future
Interest posted as cover affecting Clearing Members cash cover balance	All fee related entries including ‘Interest’, ‘PPS Recharges’ and ‘Cash Collateral Fees’ will be posted as an additional ‘Non-Cover’ call / payment at month end. This will not affect Clearing Members cash cover balances.
Interest is posted on the second business day of the following month prior to the EOD process with settlement and reporting occurring on the third business day, impacting the members collateral position.	Posting and settlement on third business day of following month. ‘Interest’ and ‘Cash Collateral Fee’ will be automatically processed directly from Clearing Members PPS account on the third business day of the month. Balances will be netted for the purposes of PPS calls and payments.
<b>FCM CLEARING MEMBERS ONLY</b> Interest reported on Collateral Account ‘L’	‘Interest’ and ‘Cash Collateral Fees’ will be calculated and entered against the respective collateral account in which it was accrued. The entries will however be posted as ‘Non-Cover’ and processed directly from the Clearing Members PPS account on the third business day of the month. The entries will not affect FCM Clearing Members cover balances.

# Clearing Member Impact – Accommodation Charge/ Non-Cash Collateral Fee

The Accommodation Charge/Non-Cash Collateral Fee is levied for utilising non-cash collateral to cover IM requirements at LCH. It is only applicable for Clearing Members that lodge non-cash collateral with LCH.

Current	Future
Named 'Accommodation Charge'	Renamed 'Non-Cash Collateral Fee'
'Accommodation Charge' is posted on the second business day of the month prior to the EOD process, with physical settlement and reporting occurring on the third business day.	Posting and settlement on third business day of following month. 'Non Cash Collateral Fee' will be automatically processed directly from Clearing Members PPS account on the third business day of the month.
Accommodation Charge posted as cover affecting Clearing Members cash cover balance.	All fee related entries including the 'Non-Cash Collateral Fee' will be posted as 'Non-Cover' and will not affect Clearing Members cash cover balances.
Reported in Banking REP00038 and posting reflected as 'Cover' in Banking REP00022/29/37.	Reported in REP00041, which will be published in the Fees folder of Member Live. The total amount will also appear in the monthly invoice alongside Clearing Service and PPS Recharge Fees. The total monthly Non-Cash Collateral posting will be reflected in Banking REP00022a/37 as 'Non-Cover'.

# Clearing Member Impact – PPS Recharge Fees

The PPS Recharge Fee is levied for Swift traffic resulting from margin calls/pays.

Current	Future
PPS Recharge Fees invoiced within the first week of the month on an individual invoice.	PPS Recharge Fees will be included on the monthly fee invoice published on the third business day of the month. PPS Recharge Fees will be automatically processed directly from Clearing Members PPS account on the third business day of the month
PPS Recharge Fees posted as 'Cover' affecting Clearing Members cash cover balance	All fee related entries including 'PPS Recharge Fees' will be posted as 'Non-Cover' and therefore will not affect Clearing Members cash cover balances.
PPS Recharge Fee Monthly Invoice provides a breakdown of all Swift instructions for the previous month.	PPS Recharge Fees will be included on the monthly fee invoice alongside Clearing Service and total 'Cash/Non-Cash Collateral Fees' if applicable. The monthly fee invoice will provide the same breakdown currently provided in the separate invoice.



# Clearing Member Impact – Clearing Service Fees

---

Clearing Service Fees are the fees levied against each LCH Clearing Service a Clearing Member has subscribed to.

Current	Future
Clearing Service Fees posted as 'Cover' affecting Clearing Members cash cover balance.	All fee related entries including Clearing Service Fees will be posted as 'Non-Cover' and therefore will not affect Clearing Members cash cover balances. These will be automatically processed directly from Clearing Members PPS account on the third business day of the month.
The Clearing Service Fee Invoice details the full breakdown of fees	No change

# New Reports








---

LCH is pleased to confirm the following new reports will be published:

1. REP00040 Monthly Interest Report (published in Banking folder of Member Live)
  - Banking REP00040 will provide a daily accrual of the interest accrual against the currency base rate. This will be published on the third business day of the month when the interest is applied.
  
2. REP00041 Monthly Collateral Fee Report (published in the Fees folder of Member Live)
  - The Margin Collateral Fee Report will provide both a daily accrual of the interest calculated against the LCH spread as well as any Non-Cash Collateral Fee accrual (if applicable). This will be published on the third business day of the month when the interest is applied.
  
3. REP00042 Daily Collateral Fee Rate Report (published in the Public/Fees folder of Member Live)
  - The report will be provided daily and will record all the LCH spreads applied by each LCH Clearing Service.


# New Reports Specification

Please find below details of the new reports that will be published (in PDF and TXT formats). Please note that the examples are provided for illustration only. Feedback from internal and external testing may result in changes.

Report	Report Description	Report Frequency	Location	Category / Effective Date	Description of change	Report Example
REP00040	Monthly Interest Report	Monthly	Banking folder of Member Reporting	New Report 5 <sup>th</sup> October 2016	Will provide the daily details of the interest base rate accrual. The report will show the daily collateral balance, the interest rate, interest amount accrued.	 REP00040  REP00040
REP00041	Monthly Collateral Fee Report	Monthly	Fee Folder of Member Reporting	New Report 5 <sup>th</sup> October 2016	Will provide the daily details of the Collateral Fee calculation. The report will show the daily collateral balance, the fee rate and the fee amount calculated.	 REP00041  REP00041
REP00042	Daily Collateral Fee Rate Report	Daily	Fee Folder of Member Reporting	New Report 1 <sup>st</sup> September 2016	Will provide the daily LCH spread applied per Clearing Service and currency.	 REP00042  REP00042_1  REP00042_2


# Impact to Existing Banking Reports 1

Please find below the impact of this change on existing Banking reports.

Report	Report Description	Report Frequency	Category / Effective Date	Description of change	Report Example
REP00017	Daily Base Rates	Daily	Content Change 1 <sup>st</sup> September 2016	Currently records LDR as a net figure. Will contain only the daily base rate. Spread will appear in REP00042.	 REP00017
REP00017a	Client Deposit Rates Report	Daily	Decommissioned 31 <sup>st</sup> December 2016	Currently records CDR as a net figure. Replaced by Banking REP00017 for daily base rate. Replaced by REP00042 for spread. Report maintained for longer to assist member transition.	n/a
REP00017b	RepoClear Daily Base Rate	Daily	Decommissioned 1 <sup>st</sup> September 2016	Currently records RDR as a net figure. Replaced by Banking REP00017 for daily base. Replaced by REP00042 for spread.	n/a



# Impact to Existing Banking Reports 2

Please find below the impact of this change on existing Banking reports.

Report	Report Description	Report Frequency	Category / Effective Date	Description of change	Report Example
REP00022a	Today's Non-Cover Account Postings	Daily	New Data 1 <sup>st</sup> October 2016	Currently records today's calls and payments raised via non cover. Calls and pays for all Clearing Service fees, 'Interest' Cash and Non-Cash (if applicable) Collateral and PPS Recharge Fees will now take place through Non-Cover and will appear in this report.	 REP00022a
REP00029	Yesterday's Postings Total	Daily	No Change	Currently records the total value of overnight cover postings.	n/a




# Impact to Existing Banking Reports 3

Please find below the impact of this change on existing Banking reports.

Report	Report Description	Report Frequency	Category / Effective Date	Description of change	Report Example
REP00032	Member Default Fund	Daily	Data Removed Mid September	<p>This report displays the Default Fund contribution by Clearing Member. This report will be simplified so to remove the: Interest rate, Accrued interest, Final interest payment date, Payment due from date.</p> <p>The report format will be changed mid September as part of the technical release.</p> <p>A breakdown of daily Default Fund interest on collateral will be recorded as part of REP00040. The Daily Default Fund Cash Collateral Fee will be recorded in REP00041.</p>	 REP00032
REP00033a	ITD PPS Movement Detail	Daily	New Data 1 <sup>st</sup> October 2016	<p>This report shows PPS calls and payments by currency throughout the day. Currently "COV" is displayed for Non-Cover calls/ payments.</p> <p>A new code of "NON-COV" will be used to differentiate between Cover and Non Cover calls and payments.</p> <p>The Non-Cover entries will include reflect fee related calls and payments.</p>	 REP00033a

# Impact to Existing Banking Reports 4

Please find below the impact of this change on existing Banking reports.

Report	Report Description	Report Frequency	Category / Effective Date	Description of change	Report Example
REP00033b	ITD PPS Aggregation Detail	Daily	New Data 1 <sup>st</sup> October 2016	This reports details the number of calls aggregated by description. The aggregation detail included in the report will now include the Non-Cover calls / payments also. The "Ldg" code to differentiate Cover and Non-Cover.	 REP00033b
REP00037	Statement of Account	Monthly	New Data 5 <sup>th</sup> October 2016	These reports detail all movements against the member mnemonic at subaccount/currency level. Fee related entries will be reported as Non-Cover.	 REP00037_1  REP00037_2
REP00038	Interest and Accommodation	Monthly	Decommissioned 5 <sup>th</sup> October 2016	The report for Interest (base rate accrual) will be decommissioned and replaced by REP00040.	n/a

# Impact to Existing Banking Reports 5

Please find below the impact of this change on existing Banking reports.

Report	Report Description	Report Frequency	Category / Effective Date	Description of change	Report Example
REP00022	Yesterday's Cover Account Postings	Daily	Data Removed 1 <sup>st</sup> October 2016	Currently records the previous working days calls and pays and EOD postings. Calls and pays for all fees related entries will now take place through Non-Cover and removed from this report. REP00022a will now report all fee related calls entries.	n/a
REP00030	Cover Calling Summary	Daily	Data Removed 1 <sup>st</sup> October 2016	Currently summarises the overnight cover distribution output. Calls and pays for all fees related entries will now take place through Non-Cover and removed from this report.	n/a



# Testing

---

- Testing will focus on meeting two objectives:
  1. Consumption of new and revised text files into member systems
  2. Retrieval of reports and text files from member specific subfolders (location details shown below)
- Generic sample reports containing non member specific data, will be provided in the Member Live test environment during July and August as follows:

Report	Report Description	Member Live folder location
REP00017	Daily Base Rates	Public /Banking
REP00022a	Today's Non-Cover Account Postings	Banking
REP00032	Member Default Fund	Banking
REP00033a	ITD PPS Movement Detail	Banking
REP00033b	ITD PPS Aggregation Detail	Banking
REP00037	Statement of Account	Banking
REP00040	Monthly Interest Report	Banking
REP00041	Monthly Collateral Fee Report	Fee
REP00042	Daily Collateral Fee Rate Report	Public /Fee

- These reports should be considered in scope of the Member Reporting Project. Further details can be found within [LCH Circular no. 3717](#)

# Summary

---

- All fee and interest related postings to be collected and processed as 'Non-Cover', rather than the existing processing as part of the daily cover call
- Existing postings will be broken out into two entries:
  - Interest accrued against the respective currency base rate – titled 'Interest'
  - Fee applied on Cash Collateral balances by currency – titled 'Cash Collateral Fee'
- A new report, will be published monthly, detailing the daily interest calculation
- Three Banking reports will be de-commissioned
- Nine Banking reports will be updated to reflect the change of fee related postings from Cover to Non-Cover
- The existing Clearing Member Monthly Fee Invoice will have a new accompanying supplementary report, that will provide:
  - A breakdown of the daily calculation of fees applied by LCH on cash collateral, titled 'Cash Collateral Fee'
  - A breakdown of the daily calculation of fees applied by LCH on non-cash collateral fees, titled 'Non-Cash Collateral Fee'
- One new report will be published daily, detailing the daily collateral fee rates applicable by currency and service line.

# Contacts

---

## Address

Aldgate House  
33 Aldgate High Street | London EC3N 1EA

---

## Collateral Operations Client Services

[Collateral.ClientServices@lch.com](mailto:Collateral.ClientServices@lch.com)

---

## Nick McMillan

Senior Manager  
Collateral Operations and Client Services

+44 20 7426 7283

[Nick.McMillan@lch.com](mailto:Nick.McMillan@lch.com)

---

## Laurence Jones

Head of Collateral Operations  
Limited & LLC

+44 20 3197 4685

[Laurence.Jones@lch.com](mailto:Laurence.Jones@lch.com)

---

# Disclaimer

---

This document has been provided to you for informational purposes only and is intended as a broad overview. 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 do not constitute a recommendation or offer with respect to any derivative contract, financial instrument, security or service.

LCH.Clearnet Group Limited and its group of companies (“**LCH**”) do not make any representation, warranty or guarantee (whether express or implied) that the contents of this document are accurate, complete or up-to-date, and make no commitment to offer any particular product or service.

LCH shall not 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 LCH accepts liability for personal injury or death caused by its negligence, for any fraud or wilful misrepresentation on its part, and for any other liability which cannot be excluded by applicable law.

Copyright © LCH 2016. All rights reserved.

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.