

LCH.Clearnet Ltd – CMS – Cash Deposit Guidance

LCH.Clearnet Ltd will introduce the following improvements to the Collateral Management System (CMS) with effect Sunday 21st September, providing all Clearing Members across all markets with improved guidance on Cash Deposit instructions.

In order to ensure all member cash collateral can be securely invested LCH.Clearnet has routinely required Clearing Members to provide ample notice of their intention to deposit additional eligible cash (over and above any outstanding margin calls).

In response to member requests for greater clarity of this requirement LCH.Clearnet is introducing the following new features to CMS:

- A real-time view of the current Deposit Capacity* for each eligible currency on the specified collateral subaccount;
- Enhanced straight through processing (STP) of deposit requests that are below the Deposit Capacity*;
- A pre-warning where requests are above the Deposit Capacity* and as a result may be rejected; and
- The ability for Clearing Member's to flag instructions for Backloading purposes.

* The Deposit Capacity for a given subaccount is a guideline amount in the specified currency that the Clearing House can accept for straight through processing (STP) at the time of input in CMS.

Members should note the following: Member's are able to deposit cash amounts over and above the subaccount's Deposit Capacity, such instructions will not STP and will be referred to the Clearing House where they may be rejected.

SwapClear Clearing Members: Instructions for the SwapClear Additional Collateral Account ('A' Account) and the SwapClear Pool ('P' Account) will not support STP and will be processed as currently.

Release Timing: The release of this functionality will occur on Sunday 21st September and therefore the CMS application will be unavailable during this time.

Further details can be found below.

Deposit Capacity

Clearing Members depositing additional cash in support of expected future liabilities, will be able to view a guideline figure (the Deposit Capacity) in CMS. The Deposit Capacity is the maximum deposit amount that can be accepted for straight through processing (STP) at the time of input.

Whilst LCH.Clearnet anticipates that the majority of instructions will benefit from the improved STP by falling below the Deposit Capacity, Clearing Member's may also request to deposit amounts greater than the guideline. However such requests will not benefit from STP and are subject to review by the Clearing House before acceptance for same day processing. Requests that are referred may be rejected.

The Deposit Capacity for each subaccount is calculated by the Clearing House based on the following parameters* :

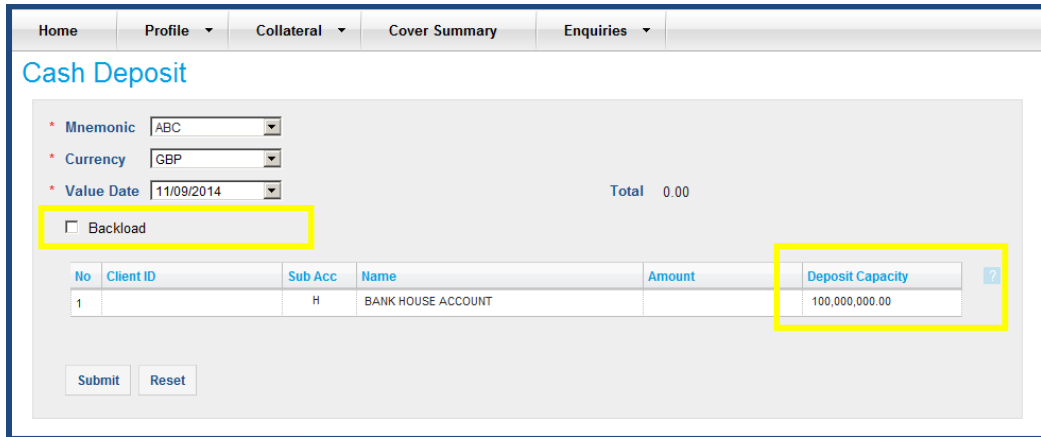
- An internally set maximum deposit facility per currency that can be utilised by all members on a first come first served basis up until 09:30am (EST/EDT for FCMs and GMT/BST for Non-FCMs);
- An additional late day deposit window per currency. In the event that the deposit facility has not been fully utilised by 09:30am (EST/EDT for FCMs and GMT/BST for Non-FCMs), a reduced facility will be made available to members on a first come first served basis up until currency cut-off; and
- A per subaccount maximum capacity, size based on current liabilities to ensure a fair distribution of the overall deposit facility across the membership.

The Deposit Capacity will be equal to the remaining deposit facility for the selected currency / value date combination, taking into consideration the late day facility and per subaccount maximum. As Clearing Members make use of the deposit facility throughout the day the Deposit Capacity will reduce accordingly and be shown on the relevant Cash Deposit screens in CMS next to each subaccount.

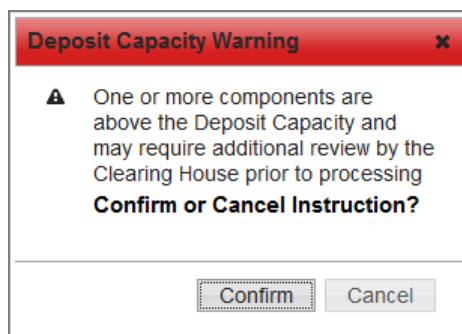
Clearing Members will be presented with the Deposit Capacity as they enter the instruction as shown in the below screen shot and again during authorisation of the instruction.

In addition Clearing Members can now flag cash deposit instructions to indicate that the collateral is to support backloading of existing trades. This is not mandatory, however will assist LCH.Clearnet in reconciling this activity.

* All amounts and times are reviewed on a regular basis to ensure they are in line with current market conditions.



In the event that an amount has been entered that exceeds the Deposit Capacity, and has not been flagged as a Backload, the member will be warned when they click submit and will have the ability to cancel or proceed with the instruction, as shown in the below screen shot.



Clicking “Confirm” will save the instruction as per normal where as clicking “Cancel” will return to user to the input screen so that they can amend the instruction. For example my choosing to prefund a smaller amount, a different currency or for a different value date the member may still be able to prefund the account without the risk of the instruction being rejected following referral.

Once instructed to LCH.Clearnet the Deposit Capacity field will be updated with one of the following values, as show in the screen shot below:

- **OK:** The instruction was below the Deposit Capacity sent for STP processing; or
- **Backload:** The instruction was designated as prefunding for a backload; or
- **Referred SubAcc:** The instruction was for an amount greater than the subaccount maximum capacity and was referred to the Clearing House; or
- **Referred Ccy:** The instruction was for an amount greater than remaining deposit facility for the specified currency and was referred to the Clearing House.

Cash Instruction Details ✕

Cash Instruction Details Print

Instruction Reference CD958100
Mnemonic ABC
Currency EUR
Value Date 11/09/2014 **Total Amount** 20,001,000,000.00

| No | Client ID | Sub Acc | Name | Amount | Status | Deposit Capacity | ? |
|----|-----------|---------|--------------------|-------------------|--------|------------------|---|
| 1 | | H | BANK HOUSE ACCOUNT | 20,001,000,000.00 | | Referred CCY | |