

LCH

PPS Onboarding Guide

Content

1. Introduction
2. The Collateral Operations PPS Flow
3. PPS Service – Key Points
4. Path to a PPS Bank
5. PPS Onboarding – Key Milestones
6. PPS Onboarding – Documentation list
7. PPS Onboarding – Contact list

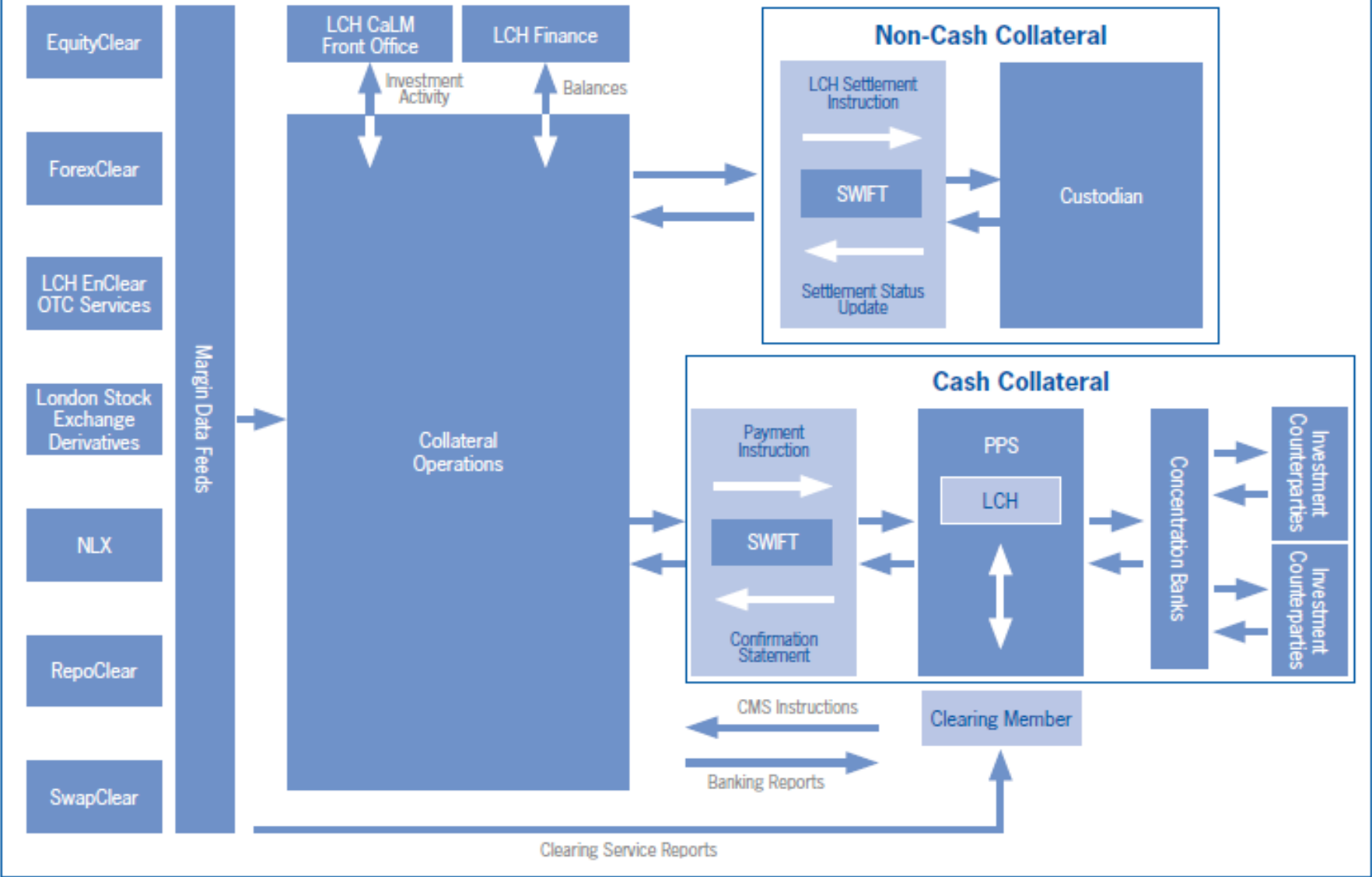
Introduction

LCH Limited (LCH) operates a direct debit system known as the Protected Payments System (PPS). This infrastructure is unique to LCH and sits at the heart of LCH's business facilitating the transfer of funds to and from Clearing Member and LCH accounts.

All margin related settlements, payments, and member margin coupons at LCH are instructed via PPS. It is therefore a pre-requisite for every Clearing Member to setup a PPS account up in every currency which they incur settlement.

This PPS Onboarding Guide provides a high-level view of what is required in order to become a PPS bank at LCH whether as a UK/US or global PPS provider.

The Collateral Operations PPS and Custodian Flow

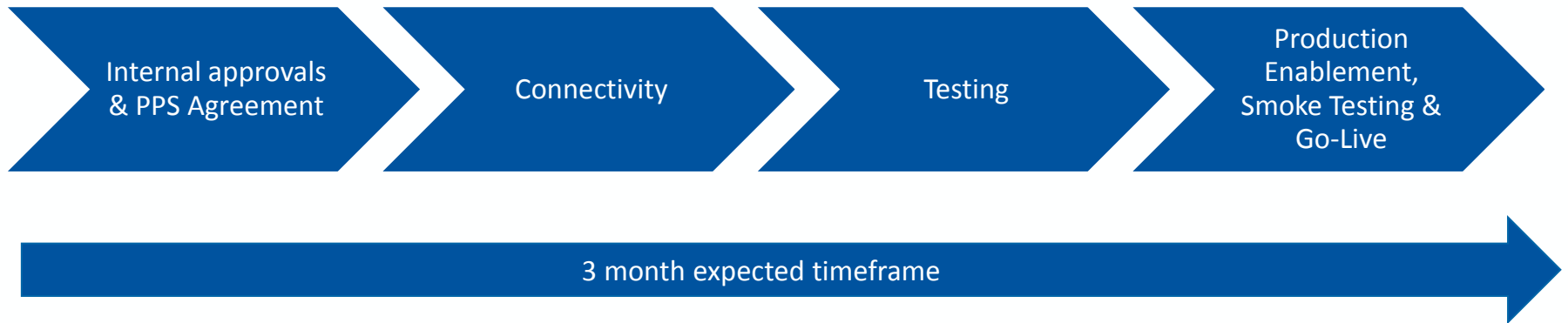


PPS Service – Key points

- LCH has two PPS infrastructures:
 - UK PPS which operates up to 15:59 London time
 - US PPS which operates from 11:00 – 17:00 EST
- The PPS infrastructure interfaces with Swift to send and receive instructions.
- UK PPS banks must operate on all days which LCH is open, including UK and international currency holidays.
- US PPS banks must operate on all days which LCH is open with the exception of USD holidays whereupon US PPS is closed.
- PPS banks must have agreed contingency processes to guarantee the generation and receipt of instructions.
- PPS banks are required to participate in due diligence reviews on an annual basis.

Path to PPS

The below flow depicts the typical route to join LCH as a PPS bank. This timeframe is not a definitive list of activities and some can be run in parallel. The timeframe is an estimated timeframe and can shift either way dependent on the PPS banks internal targets.



Path to PPS

PPS Onboarding Key Milestones

| Key Milestone | Description |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Documentation | The following documents are required: <ul style="list-style-type: none">• PPS Agreement• PPS Due diligence report• RMA set-up |
| LCH & Regulatory Approval | <ul style="list-style-type: none">• New PPS banks are subject to approval from the LCH Executive Risk Committee.• PPS bank needs to confirm whether they wish to self PPS, offer PPS services to other members or a combination of both |
| Connectivity | <ul style="list-style-type: none">• PPS bank to be connected to the SWIFT network• SWIFT CUG – Closed User Group. Allows LCH to send MT204's |
| Testing | Message flow from LCH > PPS bank, PPS bank > LCH etc |
| Production Enablement & Smoke Testing | Final checks on production set-up and smoke test of the connectivity and flow |
| Go-live | PPS bank fully live on LCH Limited and able to provide PPS services to any existing LCH Limited member. Member will be required to sign PPS mandates if moving and also conduct their own PPS testing. |

Path to PPS

PPS documentation list

| Documentation to be Submitted | Description |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PPS Agreement | Agreement between the PPS bank and LCH Limited's rules |
| PPS Due Diligence Report | Report for completion by the PPS bank, consisting of ownership, financial stability and credit check, operational resilience and BCP, accountancy and segregation and controls. |
| RMA | Bilateral agreement that allows institutions to control who can send SWIFT messages |

| Useful Documentation | Description |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PPS Onboarding Guide High level | This document |
| LCH website – PPS Bank Requirements | http://www.lch.com/risk-collateral-management/collateral-management/protected-payments-system/pps-banks-key-points |

Path to PPS

PPS Onboarding – Contact list

PPS Projects

Collateral Operations Change

CollateralOperationsChange@lch.com

Relationship Management & Escalation

Nick McMillan

+44 20 7426 7283

Nick.McMillan@lch.com

Boaz Schechter

+44 20 7426 3797

Boaz.Schechter@lch.com