

RepoClear

EIFR

19th September 2017

Our Services & Products

LCH SA

RepoClear SA

5 European government bond markets cleared

- France, Italy, Spain, Germany and Belgium*
- Interoperable link operated for Italian government bond market segment between LCH SA and CC&G

€GCPlus

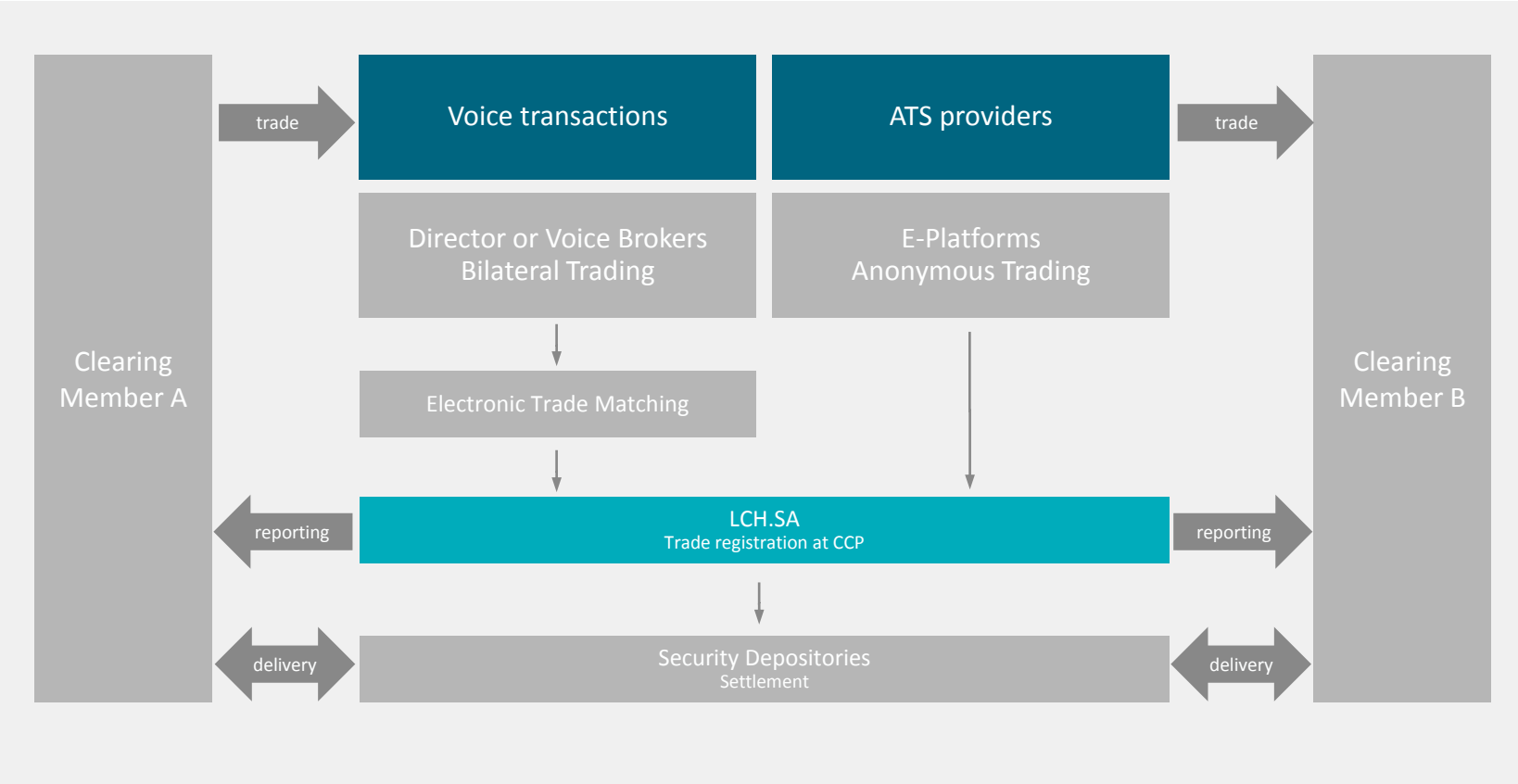
- General Collateral clearing service of Euro cash liquidity supported by two standardised baskets based on ECB eligible securities

Key features:

- Anonymous trading via electronic platforms or bilaterally via voice broker or inter-office
- Clearing of eligible cash bond and repo transactions
- Multi-lateral netting of all settlement obligations

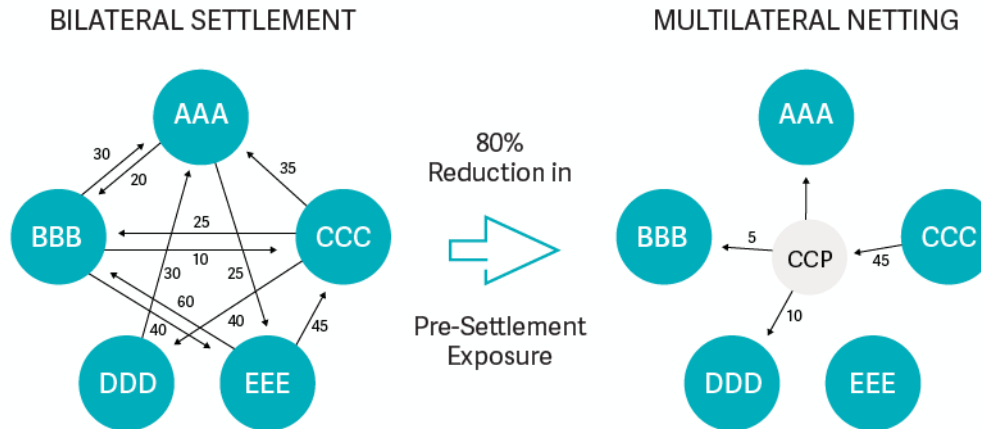
** Launched in Nov.2017*

Unique Horizontal Trade Capture Model



Our Services & Products

Trading Flexibility	<ul style="list-style-type: none"> Anonymous via e-platforms Voice broker and direct 	Counterparty Exposure	<ul style="list-style-type: none"> Covered by Margin & Default Fund
Settlement Netting	<ul style="list-style-type: none"> Reduced settlement flow, risk and costs 	Netting Opportunity	<ul style="list-style-type: none"> Facilitate balance sheet netting
Risk Management	<ul style="list-style-type: none"> Leading independent risk and default management 	STP	<ul style="list-style-type: none"> Reduced manual intervention Scalable & efficient



Repo cleared – EU market overview

Focus on Repo Regulation

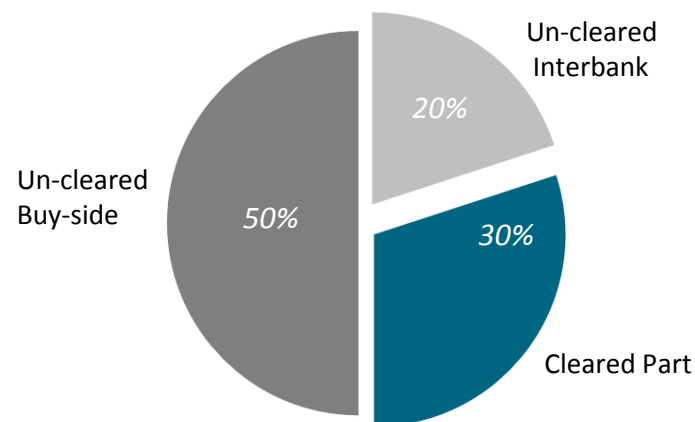
Regulatory changes are setting challenges for market participants...

- **Recent regulatory reforms** are changing bank capital drivers.
- The costs incurred by bank intermediation activities impact Repo :
 - Widening financing spreads
 - Reductions in liquidity

... and are driving a complete change in the Repo market...

- **Buy side customers** are seeking alternative execution
- **Banks** are seeking to reduce their balance sheet

Securities Financing market⁽¹⁾



High potential for Repo clearing

(1) LCH estimation

These changes in the Repo market represent a major business opportunity for the Paris place and LCH.SA

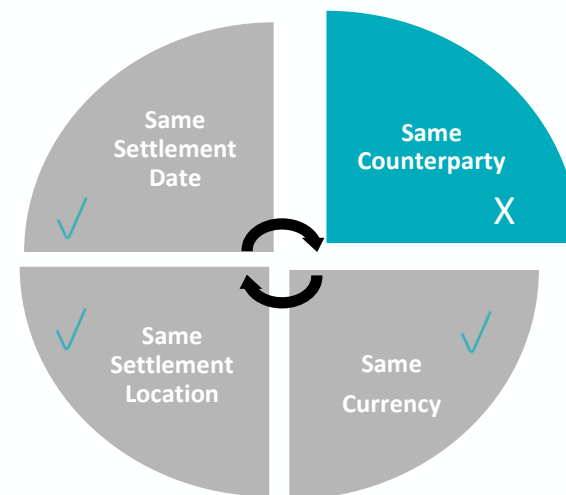
- Securing the current inter bank business by opening other € debts
- Leveraging on the strong interbank position LCH.SA has on the sovereign Repo market to on-board buy-side customers.

Extension of RepoClear SA Service

Expansion of RepoClear SA is linked to building greater opportunities for members and prospects through **availability of all LCH Euro business in a single entity**:

1. Single CCP connection and infrastructure for those trading Euro Debt
2. Potential to reduce settlement connections in context of T2S
3. Greater opportunities for EUR based products and services located within Eurozone
4. Greater balance sheet netting opportunities
5. Potential for country offsets creating IM reduction
6. Fewer DF contributions and potential reduction in overall contribution for Fixed Income business

Key pillars supporting balance sheet netting are:



German debt clearing in LCH SA was successfully launched Q1 2017

Next Step: November '17, adding the Belgium debt to the LCH SA clearing service

Extension of RepoClear SA Service



RepoClear SA



€GCPlus – An innovative Solution

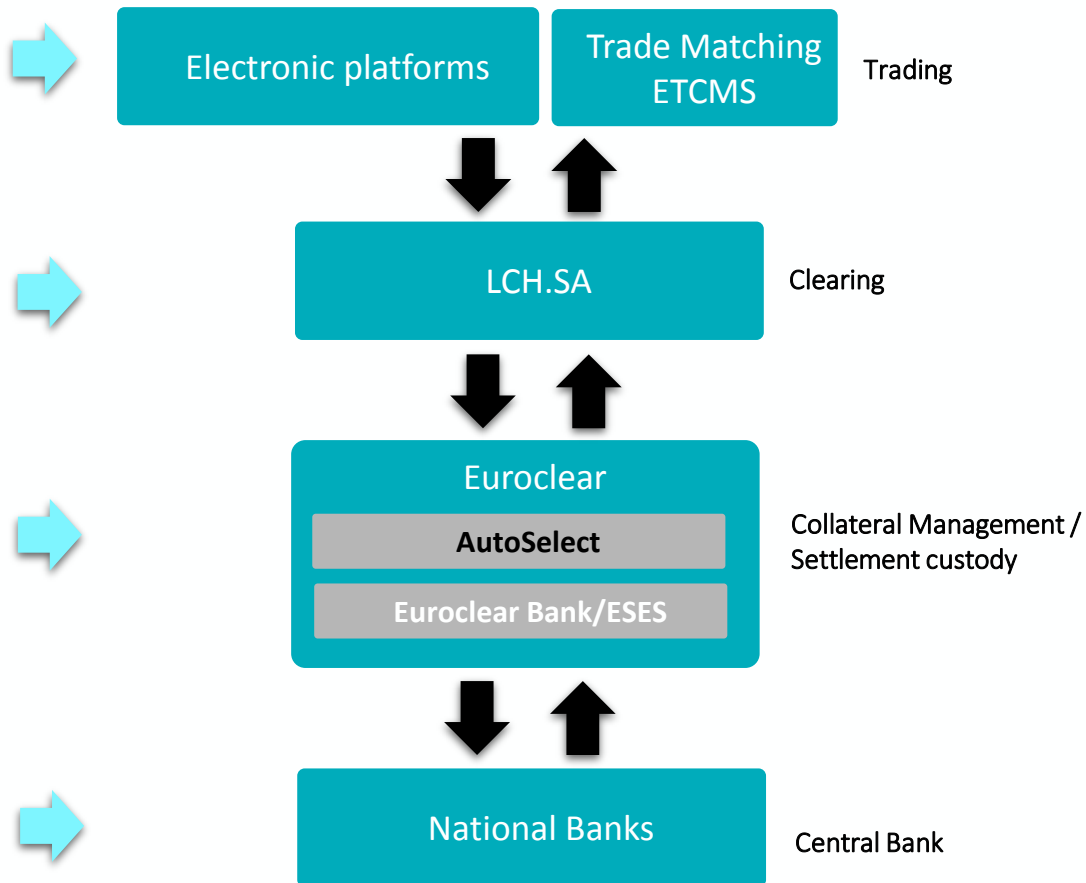
€GCPlus - An Innovative Solution



1. **€GCPlus – a new secured market in Europe based on the largest pool of collateral in Europe: Euroclear pool.**
2. Secured euro cash funding with standardized baskets of collateral using Triparty repo Services.
3. Anonymous or bilateral trading with netting exposure by LCH SA, offering robust risk and default management.
4. Embedded within a fully interoperable collateral system between Euroclear Bank and Euroclear France / ESES giving access to a large counterparty base.
5. Optimum liquidity management.
6. DVP settlement throughout the chain.

The Value Chain

€GCPlus clearing participants



- Anonymous cash-driven trading via e-platforms
- Bilateral trades matched via ETCMS
- Trading of two baskets covering a large set of ECB-eligible securities

- Intermediation of the CCP reducing the regulatory capital cost
- Exposure netting at clearing level

- Automated collateral management provided by Euroclear in a truly interoperable collateral management environment
- Full possibility of collateral re-use
- Optimum liquidity management: DVP settlement throughout the chain

- Refinancing with Eurosystem and, initially, with Banque de France

Product Features

€GCPlus	Repo rate	Fixed
	Maximum term	2 years
	Minimum term	1 day
	Start Date	Same Day(Min) to 30 Days(Max)
	Repo rate accrual convention	Exact/360
	Repo interest paid	Return date
	Minimum contract size	€1 million
	Order books	BrokerTec MTS tpREPO ETCMS

Two Collateral Baskets

Baskets based on liquid income instruments eligible for the Euro system's monetary operations

Basket 1 – LCHC EURO-GCPLUS LCR EQUIVALENT XS0708254148

- High Quality Liquid Assets
- ECB liquidity classes L1A, L1B, L1C
- Issuance rating higher than A- (govies) AA- (other)



**Eligibility criteria be
managed by Euroclear to
ensure liquidity**

Basket 2 – LCHC EURO-GCPLUS ECB RESTRICTED XS0708254817

- Larger spectrum of ECB eligible assets
- ECB liquidity classes L1A, L1B, L1C, L1D
- Issuance rating higher than BBB-



**Concentration limits
for optimum
diversification**



**LCH risk
management using
purpose-built credit
scoring tools**

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