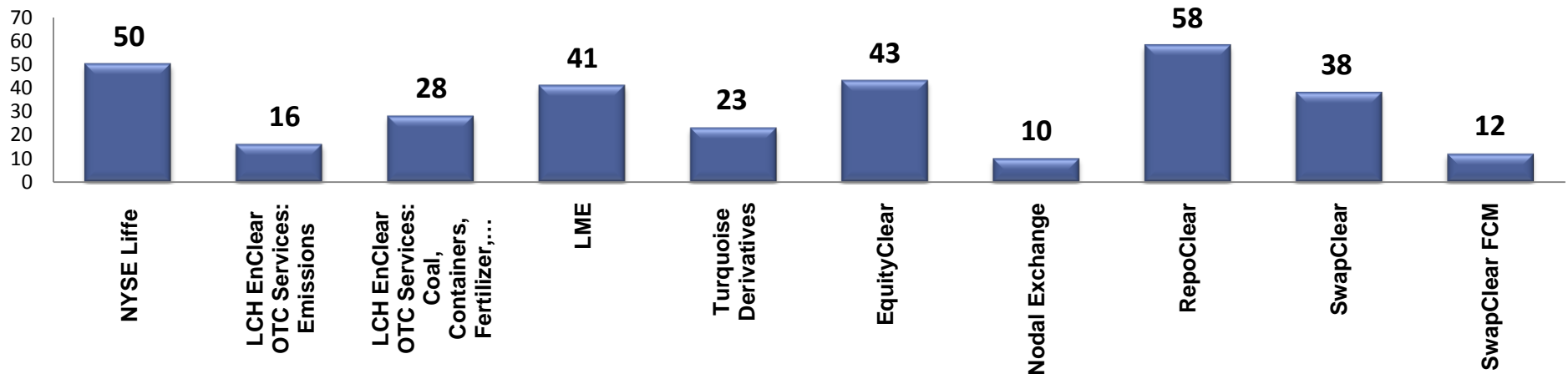


# LCH.Clearnet Ltd's Clearing Members, Membership Criteria and Clearing Member Monitoring (2011)

# LCH.Clearnet Ltd Number of Clearing Members by Market



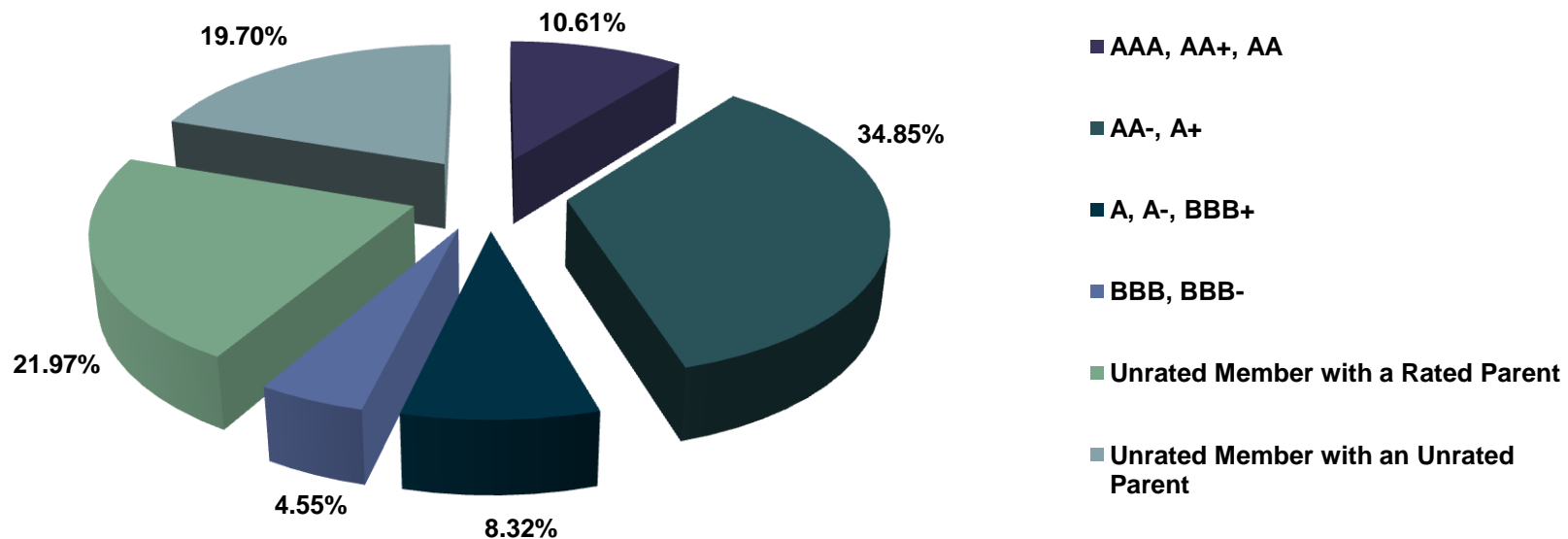
Total number of clearing members = 146\*

\*As at 31 March 2011

(Current LCH.Clearnet Ltd Membership)

# LCH.Clearnet Ltd's Clearing Members (1)

LCH.Clearnet Ltd's Clearing Members are of high credit quality\*:

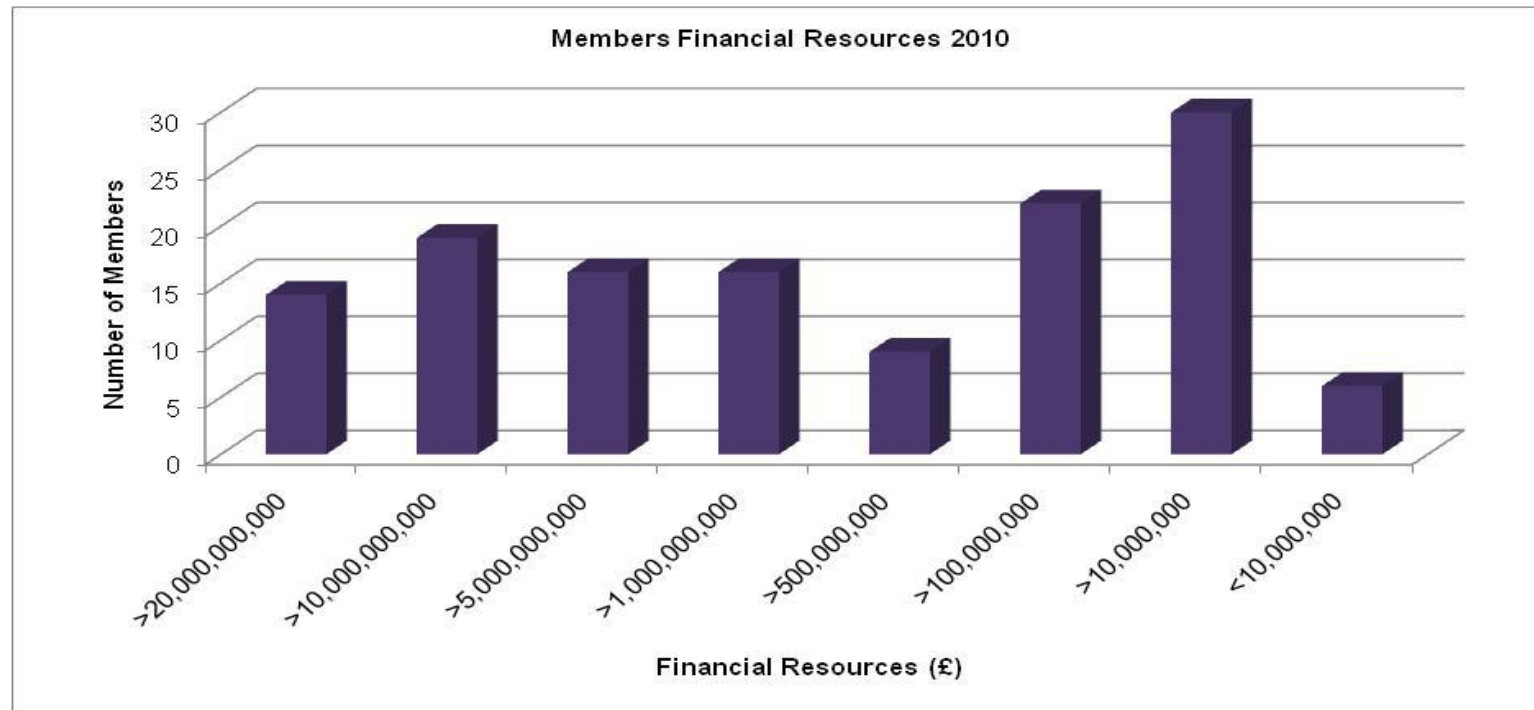


NB Ratings are the Fitch equivalent for all Clearing Member entities and in the event of an inconsistency between the ratings, the average rating has been used

\*As at 31 December 2010

# LCH.Clearnet Ltd's Clearing Members (2)

LCH.Clearnet Ltd Clearing Members also have large financial resources:



\*As at 31 December 2010

# LCH.Clearnet Ltd's Membership Criteria (1)

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All LCH.Clearnet Ltd Clearing Members must meet a minimum net capital criteria depending on the products they clear; LCH.Clearnet Ltd can increase the requirements at its discretion:

Futures and options	£5mn
Cash equities	£5-10mn
Cash bonds and repos	€100-400mn
Interest Rate Swaps	US \$1bn-5bn

[\(LCH.Clearnet Ltd Rule Book\)](#)

# LCH.Clearnet Ltd's Membership Criteria (2)

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LCH.Clearnet Ltd Clearing Members must also meet other criteria:

- Appropriate banking arrangements
- Fitness and properness of management
- Legal capacity
- Operational capability

# LCH.Clearnet Ltd's Membership Criteria (3)

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In addition, RepoClear (RCM's) and SwapClear (SCM's) Clearing Members must:

- Have an average long-term minimum credit rating of BBB for RCM's and A for SCM's
- Be authorised and supervised as the equivalent of a credit institution or an investment firm by a competent authority on both RepoClear and SwapClear
- SCM's must have the ability to assist LCH.Clearnet Ltd in its management of a default through having the capacity to absorb a portion of a defaulter's portfolio; this is demonstrated by having an interest rate swaps portfolio with a minimum notional outstanding principal of US\$1 trillion (i.e. \$1,000,000,000,000) or equivalent
- SwapClear FCM Clearing Members must have an affiliate SCM which meets the above criteria

# LCH.Clearnet Ltd's Member Monitoring (1)

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LCH.Clearnet Ltd monitors its Clearing Members and their positions in order to detect as early as possible events which may threaten the ability of a Clearing Member to continue to meet its obligations to LCH.Clearnet Ltd. It does so using various factors:

- Financial resources against initial margin and historical variation margin losses
- Full credit evaluations and scoring
- Position concentration
- Price moves in equity and debt issued by members
- Stress testing

# LCH.Clearnet Ltd's Member Monitoring (2)

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In situations where developments affecting a Clearing Member are considered sufficiently serious, LCH.Clearnet Ltd has a range of measures at its disposal. It can impose one or more of the following measures:

- Additional financial resource requirements (buffers)
- Declaration of Member default
- Gross margining of client account positions
- Higher initial margin requirements
- Prior authorisation of trades above a certain size
- Position transfers to other Clearing Members
- Reduction in positions
- Termination of the Clearing Member Agreement
- Trading for liquidation only

# Contact Information

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For further information on LCH.Clearnet Ltd Clearing Members, the membership criteria and Clearing Member monitoring, please contact the Membership Team:

Membership Team  
Risk Management  
LCH.Clearnet Ltd  
Aldgate House  
33 Aldgate High Street  
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