

SMI Markets: UK

Date: 06 Jan 2014

CMIRR Markets: UK

CSDs: Euroclear UK & Ireland (UK)

CCP: SIX x-clear (CHE), LCH.Clearnet Ltd (GBR)

Planned Changes to LSE Post-Trade Processing

The London Stock Exchange (LSE) has launched a project to change the post-trade processing of LSE's SETS and SETSxq cleared trades, of which the settlement takes place in Euroclear UK & Ireland's (EUI) CREST system.

Currently EUI receives the gross level trade feed and provides settlement netting and onward transmission to the central counterparties (CCPs), i.e. SIX x-clear and LCH.Clearnet Ltd., for risk management. The project aims to introduce a new model under which the CCP receives the gross level trade feed, provides settlement netting and risk management, and then sends settlement instructions to CREST. This model is expected to create a more efficient process with the ability to conduct cross platform netting.

With the new model, member firms that decide to use their CCP to conduct settlement netting will be eligible to use EUI's enhanced Stamp Duty Reserve Tax (SDRT) Assessment Service, allowing their transactions to remain visible to both EUI and the tax authority.

LSE plans to adopt the new post-trade model in June 2014. On-exchange trades executed off-book and SETSxq executions in non-CCP securities will not be affected.

Member firms are required to review their current post-trade arrangements, and cooperate with their General Clearing Member or CCP, if necessary, to adapt to the new model.

The announcement of LSE can be found here: [Change to post-trade processing of central counterparty trades settled in CREST](#), and LCH.Clearnet Ltd.'s circular is available here: [EquityClear Circular No 1](#).

Market Information Impact

UK

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

UK

Market Rating: AA-

Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = Positive

The new solution is expected to facilitate the netting process and improve the netting efficiency, having a 'Positive' impact on Liquidity Risk.

CSD Risk Impact

Euroclear UK & Ireland (UK)

CSD Rating: AA

CSD Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = AA+
Flash Impact = Positive

The new solution is expected to facilitate the netting process and improve the netting efficiency, having a 'Positive' impact on Liquidity Risk.

CCP Risk Impact

SIX x-clear (CHE)

CCP Flash Impact: Positive

Impacted Risk Type: Counterparty Risk
Flash Impact = Positive

The change to post-trade processing is likely to improve the efficiency and settlement netting benefits for SIX x-clear's clearing members and cross-venue netting benefits for non-clearing members.

LCH.Clearnet Ltd (GBR)

CCP Flash Impact: Positive

Impacted Risk Type: Counterparty Risk
Flash Impact = Positive

The change to post-trade processing is likely to improve the efficiency and settlement netting benefits for the CCP's clearing members and cross-venue netting benefits for non-clearing members.

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