

Post Trade

Daniel Maguire and Isabelle Girolami

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LSEG

Capital Markets Day 2023

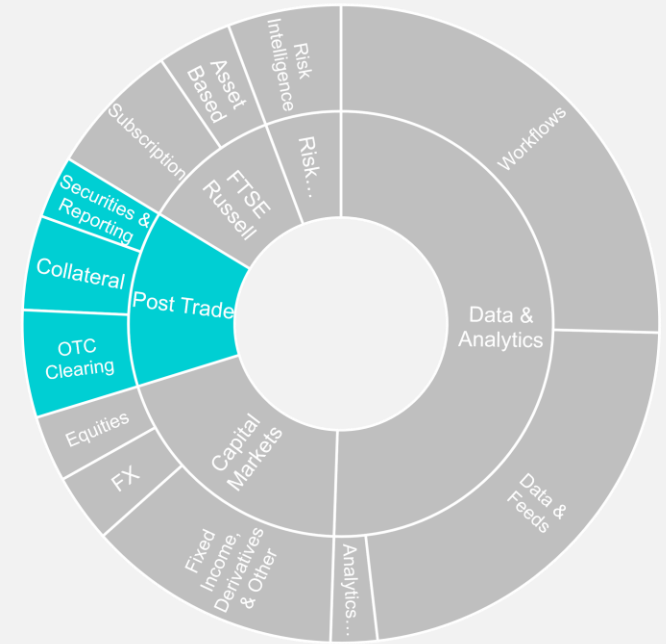
Post Trade

LSEG Post Trade is an operator of systemically important infrastructure, seen as the gold standard globally amongst competitors, regulators, partners and customers in terms of risk management, resiliency and collaboration.

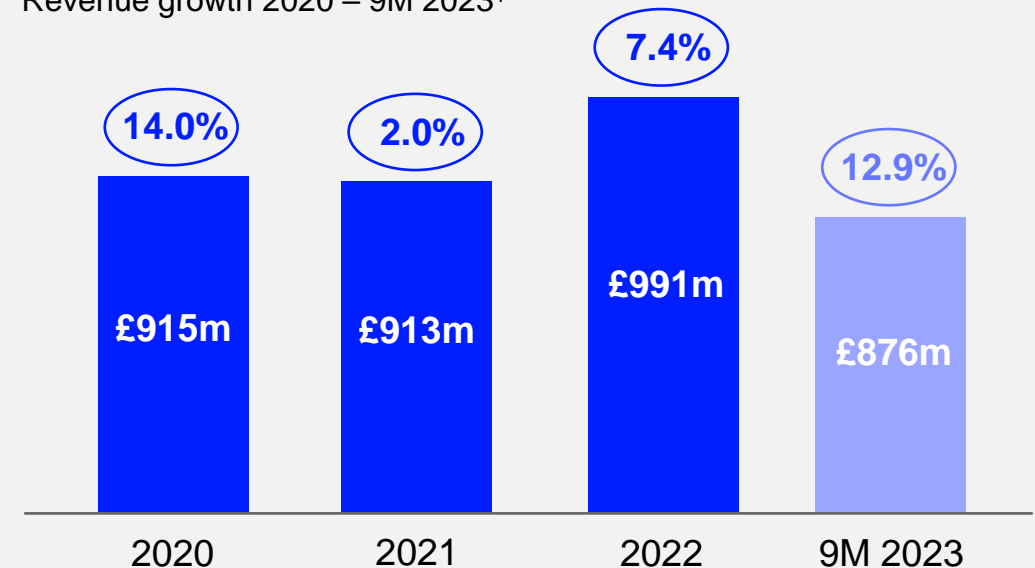
Our services provide value to our clients by helping them to:

- Optimise financial resource consumption, including balance sheet and capital
- Satisfy regulatory obligations, such as MiFID II, EMIR, UMR, Basel
- Manage and optimise credit risk across multiple counterparties
- Reduce operational complexity and cost

13% of the Group in 2022



Revenue growth 2020 – 9M 2023¹



1. Organic, constant currency income growth for Post Trade between 2020 to 9M 2023

LSEG Post Trade is the markets' partner for post trade and financial resource management globally

Core financial market infrastructure

Clearing

LCH

- Counterparty risk reduction
- Safer & more liquid markets
- Default Management in times of crisis

Reporting

REGULATORY REPORTING

- EMIR & MiFiR Regulatory reporting
- Reporting and reconciliation solutions

Highly regulated, systemically important services

Post Trade Solutions (PTS)

Brings together highly complementary post trade services that supports trade processing, margining, settlement, optimisation and risk management

acadia

Standardised collateral and multi-asset class workflow capabilities for uncleared OTC derivatives

QUANTILE

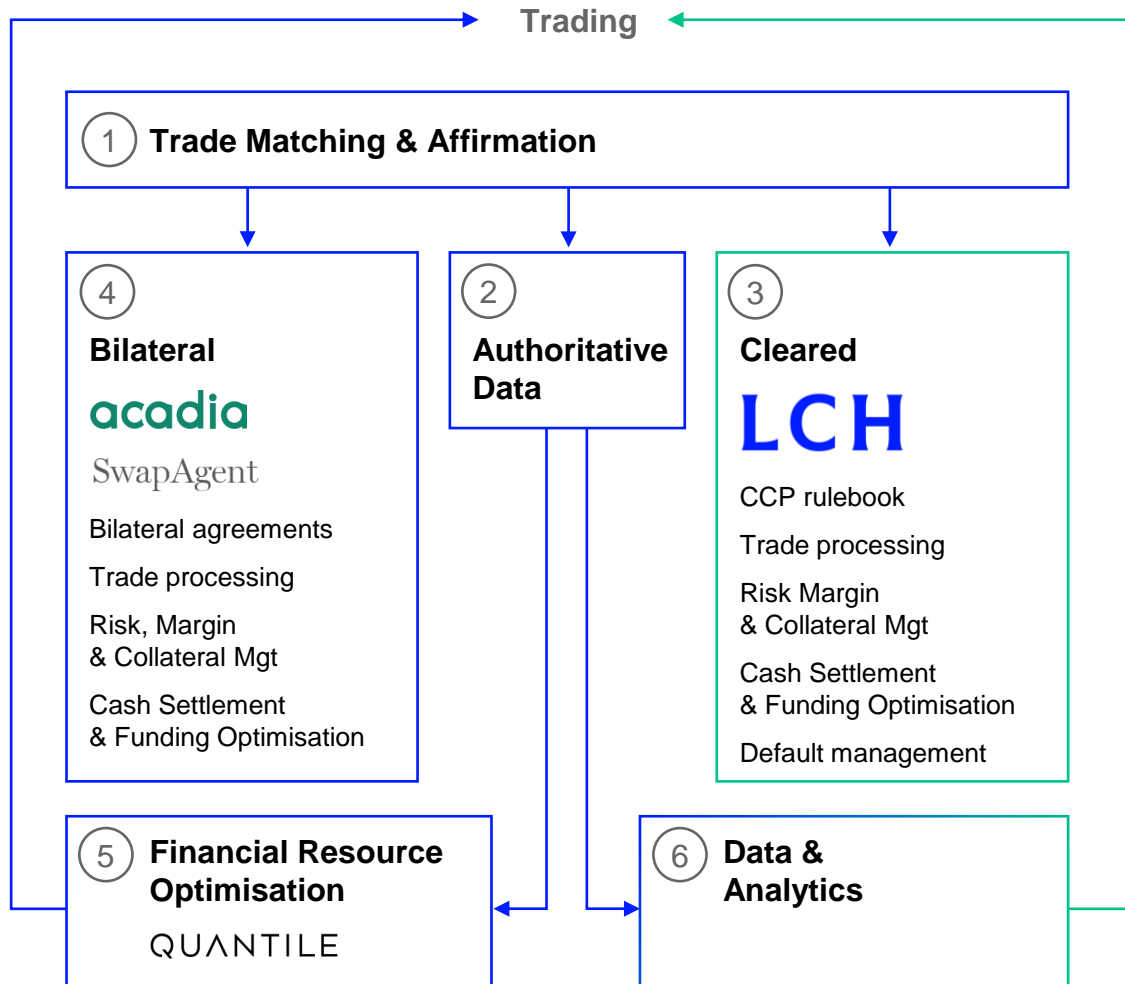
Financial resource optimisation solutions, with a core focus in rates compression and IM/capital optimisation

SwapAgent

Clearing house for bilateral derivatives, responsible for processing over 50% of global interbank cross currency swaps

Less regulated, new and developing services

Our capabilities span all aspects of the post trade derivatives landscape



- ① **Trade Matching and Affirmation**
Centralised trade management
- ② **Authoritative Data**
A single golden trade record
- ③ **Cleared**
Our established global, multi-asset CCPs¹, enabling safer and more liquid markets through counterparty risk reduction and default management in times of crisis
- ④ **Bilateral**
Our vision to be a global, multi-asset “clearing house” for bilateral, providing seamless margining, cashflow and trade processing solutions
- ⑤ **Financial Resource Optimisation**
Tools to enable capital, risk and collateral optimisation across derivatives portfolios (cleared and bilateral)
- ⑥ **Data & Analytics**
Enhance pre-trade decision making via proprietary and third-party solutions enabled by an Authoritative Data Store

Key: **LSEG Post Trade Solutions** **LSEG Post Trade Clearing**



LSEG

1. Central Counterparty Clearing House

OTC markets by asset class: cleared versus uncleared

Gross market value of OTC derivatives rose by c. 67% H2 2022 versus H2 2021

Driven by elevated global uncertainty, increased interest rates, high inflation and global socio-economic events

Proportion of EU banks' OTC derivatives activity cleared through CCPs rose in 2022

Due to increased volatility and hedging activity

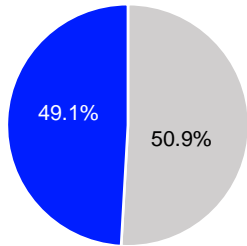
Focus on optimisation continues

More firms are subject to UMR margin requirements and the standardised approach to counterparty credit risk (SA-CCR)

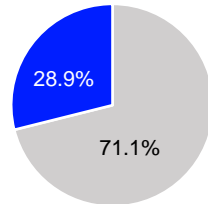
OTC margin, settlement and optimisation are a growing expense

Costs are associated with reference data, collateral and valuation

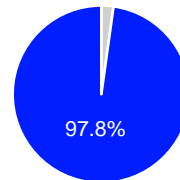
All Contracts
Gross Market Value (bn USD)
\$20,750



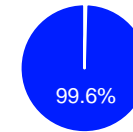
Interest Rate Contracts
Gross Market Value (bn USD)
\$14,635



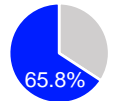
Foreign Exchange Contracts
Gross Market Value (bn USD)
\$4,846



Equity-Linked Contracts
Gross Market Value (bn USD)
\$504



Credit Default Swaps
Gross Market Value (bn USD)
\$146

















Key Cleared Uncleared

All data relate to H2 2022

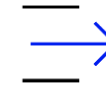
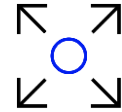
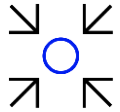
Interest Rate and FX contracts make up ~94% of global OTC derivatives

Interest Rate OTC derivatives is the most mature segment in using CCPs, followed by CDS

Market growth drivers

	Industry, customer & macro trends	Historic growth driver	Future growth driver	Implications for our customers
Efficiency	Financial resource optimisation			Solutions that optimise capital, balance sheet and margin consumption to meet increased pressure on investment returns
	Drive for operational efficiency			Standardised Post Trade workflow for margin, collateral and settlement processing to reduce inefficiency and support greater investment returns
	Innovation & emerging technologies			New technologies to automate and streamline post trade workflows
Market	Macroeconomic environment			Increasing focus on risk and resiliency as interest rate rises and banking sector instability create uncertainty
	Geopolitical landscape			Global events and political changes continue to affect markets, increasing risk management efforts
	Market maturity			As the market matures, cost pressures increase, driving demand for FMI consolidation to achieve simplification and economies of scale
Regulatory	Regulatory landscape			Focus switching from ensuring compliance to operating efficiently under the new Basel III capital and risk weight asset regimes

Near-term and longer-term priorities for growth



Today

Integrate our investments

- Bring together Quantile, Acadia and SwapAgent to form **Post Trade Solutions**
- Support **EU pension fund connectivity** into IRS clearing
- Launch **SMART clearing** for the FX market

Medium term

Enhance our offering

- **Extend our solutions** (cleared and uncleared) into new OTC derivatives markets
- Develop **buyside Repo clearing network** through sponsored and guaranteed clearing services
- Leverage our customer partnership model to realise **greater cross-divisional opportunities**

Long term

Build new markets

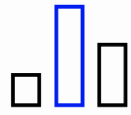
- Further develop **Post Trade Solutions**, simplifying customer workflows and increasing capital efficiency
- Expansion into **Asia and US**
- Actively monitor **complementary M&A**

Post Trade partnering with the rest of LSEG



Capital Markets

- **NDF Matching & ForexClear:**
Development of NDF Matching, a new fully cleared via **ForexClear Non-Deliverable Forwards (NDF)** Matching venue in Singapore
- **Quantile:**
use FXAll to support the booking of FX Forwards and Options to optimise FX risk positions



Data & Analytics

- **FRTB:**
LCH to supply trade reference data to increase their cross-asset coverage for D&A's FRTB solution, which helps **banks mitigate new capital requirements** under the new FRTB regulatory regime
- **Trade Surveillance:**
Regulatory Reporting trade surveillance product developed utilising data from World-Check; sanctions product launch in collaboration with D&A
- **€STR:**
FTSE Russell utilising LCH trade data enhancing the term €STR benchmark rate
- Launching new D&A products that can support pre-trade & at-trade decision making



Customer Advocacy

- The **partnership model** of Post Trade fosters deep relationships with **Group Strategic Accounts**
- These strong relationships are being leveraged to **extend partnerships** across the Group

Today's speakers



Daniel Maguire

Head, LSEG Post Trade; Chief Strategy Officer, LSEG; CEO, LCH Group.

Daniel is Head of LSEG's Post Trade Division and Chief Strategy Officer for the Group. He has been a member of LSEG's Executive Committee since 2017.

Daniel joined LCH in 1999 and has been CEO of LCH Group since 2017. During his career at LCH he has held a variety of senior roles including Global Head of SwapClear, ForexClear and LCH Group COO. Daniel worked at J.P. Morgan from 2005 to 2008 before returning to LCH on 1 September 2008 where he was immediately responsible for the successful trading and unwinding of Lehman Brothers' LCH-cleared bond and repo portfolio.

Over his career Daniel has made significant contributions to the development of CCP and derivatives regulatory frameworks across the globe and has played a leading role in the industry in LIBOR and new reference rate transition, and also the UK withdrawal from the EU and the impact on Financial Services.

Daniel sits on the Board of the International Swaps and Derivatives Association (ISDA) and is also Chairman of UnaVista Limited.



Isabelle Girolami

Chief Executive Officer, LCH Limited, Post Trade Exco.

Isabelle Girolami joined LCH in November 2019 from Crédit Agricole, where she was most recently Deputy CEO for the Corporate and Investment Banking business, responsible for financial markets across fixed income and equities. Isabelle joined Credit Agricole in 2015 as Global Head of Financial Markets.

Prior to Crédit Agricole, Isabelle spent seven years at Standard Chartered Bank both in London and Singapore, latterly serving as Co-Head of the Wholesale Bank ASEAN and Head of Financial Markets

ASEAN. Earlier in her career, she held senior positions at Bear Stearns and BNP Paribas. Isabelle holds a Masters degree from the HEC School of Management in Paris.