



NOTICE OF AUTHORIZATION TO PROVIDE AUTOMATED TRADING SERVICES

Pursuant to section 95(2) of the Securities and Futures Ordinance (Cap. 571) (**SFO**), the Securities and Futures Commission (**Commission**) hereby authorizes LCH Limited (**LCH**) to provide automated trading services (**ATS**) in Hong Kong via the RepoClear system for the purposes of providing clearing and settlement services in respect of transactions in sterling repo products and cash bond trades referencing bonds issued by the UK government. The authorization is subject to the following conditions.

1. LCH may only provide ATS in Hong Kong to those of its clearing members and dealers that: (i) are corporations licensed or registered by the Commission under Part V of the SFO; (ii) are authorised institutions under the Banking Ordinance (Cap 155); or (iii) have been agreed in writing by the Commission. Additionally, unless the Commission agrees in writing, each such corporations must not be admitted as clearing members (**Hong Kong Clearing Member**) or dealers (**Hong Kong Dealer**) unless LCH has first notified the Commission of its intention to admit them.
2. For the purposes of any inquiry or investigation by the Commission into the conduct of:
 - 2.1. any LCH's Hong Kong Clearing Member, or
 - 2.2. any Hong Kong Dealer and its Clearing Member,

LCH must provide the Commission with information relating to transactions cleared by that clearing member, or that dealer and its clearing member, via the RepoClear system. Such information disclosure can be facilitated by the Memorandum of Understanding between the Bank of England and the Commission signed in February 2016.

3. LCH must notify the Commission of any material changes to the matters referred to in paragraphs 55(a) to 55(n) of the Guidelines for the Regulation of ATS (dated 1 September 2016) issued by the Commission, and particularly to changes in the matters specified below –
 - 3.1. LCH's company structure, any substantial shareholders and, where a substantial shareholder is a corporation, the directors and substantial shareholders of that corporation;
 - 3.2. the RepoClear system (including changes or failure in hardware, software, and other technology);
 - 3.3. the contractual documentation (including clearing rules) relating to the use of LCH's clearing and settlement services, if these result, or may result, in changes to the contractual rights and responsibilities of LCH's Hong Kong Clearing Members and Hong Kong Dealers;
 - 3.4. the criteria for admitting persons as Hong Kong Clearing Members and Hong Kong Dealers of LCH, or for revoking such membership or dealership; and

- 3.5. the risk management framework and policies relating to the clearing and settlement services made available by LCH to its Hong Kong Clearing Members and to any Hong Kong Dealers.

Any notification of change pursuant to this Condition must be given prior to the change taking effect or (if it is not reasonably practicable to give prior notification) as soon as practicable after the change takes effect.

4. LCH must put in place and/or maintain appropriate business continuity plans and disaster recovery programs for LCH's provision of ATS in Hong Kong and notify the Commission of any material change to such plans or programmes;
5. LCH must provide the Commission with the following **monthly** statistics to the Commission on a **quarterly** basis and in the form specified by the Commission from time to time –
 - 5.1. the total volume of all trades (in terms of their aggregate notional amount and, if applicable, the total number of contracts) cleared and settled during the relevant month through the RepoClear system, with a breakdown in respect of each product or product class (as agreed by the Commission in writing);
 - 5.2. the total volume of all trades (in terms of their aggregate notional amount and, if applicable, the total number of contracts) cleared and settled during the relevant month through the RepoClear system, by each Hong Kong Clearing Member and Hong Kong Dealer, with a breakdown in respect of each product or product class (as agreed by the Commission in writing);
 - 5.3. the total notional outstanding and, if applicable, the total number of contracts, as at month end, of all its members combined, with a breakdown in respect of each product or product class (as agreed by the Commission in writing);
 - 5.4. the total notional outstanding and, if applicable, the total number of contracts, as at month end, of each Hong Kong Clearing Member and Hong Kong Dealer, with a breakdown in respect of each product or product class (as agreed by the Commission in writing);
 - 5.5. the total margin and total collateral balances of all of its members combined, as at month end;
 - 5.6. the margin balance and collateral balance of each Hong Kong Clearing Member and Hong Kong Dealer (if available), as at month end;
 - 5.7. the total size of its default fund, as at month end (and if LCH maintains more than one default fund, the total size of each default fund to which any Hong Kong Clearing Member has contributed); and



5.8. the total default fund contributions of each Hong Kong Clearing Member and Hong Kong Dealer (if available), as at month end (and if LCH maintains more than one default fund, the Hong Kong Clearing Member's and Hong Kong Dealer's (if available) total contribution to each default fund to which it has contributed).

The above statistics must be provided within **four** weeks after the end of the relevant calendar quarter or within such other period as the Commission may agree in writing. A nil return is required if no trade was cleared and settled in the relevant reporting period.

6. LCH must disclose to the Commission, within the time and in the manner specified, such information and documents relating to its provision of ATS in Hong Kong (including statistics and other information relating to trades cleared through the RepoClear System), as the Commission may at any time, and from time to time, reasonably request.
7. LCH must provide **monthly** reports of the identity and location of -
 - 7.1. those of its Hong Kong Clearing Members in Hong Kong;
 - 7.2. those of its Hong Kong Dealers in Hong Kong; and
 - 7.3. the clearing member clearing contracts for and on behalf of the Hong Kong Dealers referred to in paragraph 7.2 above.

Such reports must be provided to the Commission within four weeks after the end of the relevant month or within such other period as the Commission may agree in writing.

8. LCH must provide its **annual** audited financial statements to the Commission within four months after the end of its financial year or within such other period as the Commission may agree in writing.

DATED: 4 December 2024