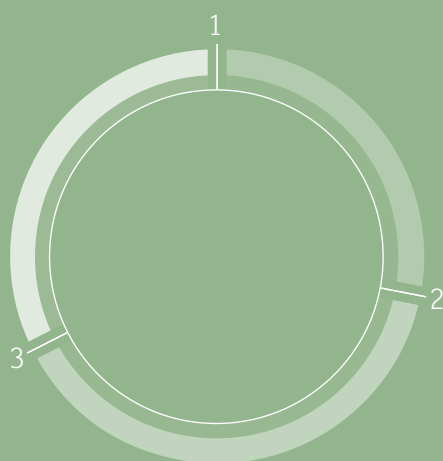


Post Trade Services CC&G and Monte Titoli

Sub-segment

£152m

2018: £145m



- 1 ● **28%**
Clearing (CC&G)
- 2 ● **40%**
Settlement, Custody
& other (Monte Titoli)
- 3 ● **32%**
Net Treasury Income

Introduction

Post Trade Services in Italy are crucial to the securities trading industry. Our post trade businesses, CC&G and Monte Titoli, provide the markets with settlement, depository, custody, risk, clearing and central counterparty (CCP) services to mitigate risk and ensure the efficient running of capital markets. These services become increasingly important in volatile market conditions and our continued strong service emphasises the high quality of our risk management and post trade processes.

Revenue drivers

CC&G clearing earns revenue by charging a fee per equity trade or derivative contract cleared, with fees based on notional for fixed income. Net Treasury Income is earned on cash collateral held for margin and default funds.

Monte Titoli settlement revenue is earned by charging a fee per trade settled and lodged for registration into the buyer's name. Its custody fees are paid by companies based on market capitalisation and issuance, with fees paid by intermediaries including banks and CCPs based on balance of assets held in custody.

Further information

As of 1 January 2020, the Group's Post Trade businesses, that were previously reported separately as LCH and Post Trade Italy, were aligned, in a manner consistent with the necessary regulatory oversight, into one Post Trade division. Post Trade now includes LCH Group, our Italian post trade businesses CC&G and Monte Titoli, and UnaVista, our trade reporting and reconciliation business that previously reported as part of Information Services.

For more information on Post Trade Italy, see: www.lseg.com

Market trends and our response for Post Trade Italy can be found on pages 14–20. Profitability of each segment can be found in the Financial Review on pages 53–59. A glossary of terms can be found on pages 204–206.

Highlights

CC&G Fixed Income

€25
billion

Notional cleared
(2018: €20 billion)

Monte Titoli

€3.32
trillion

Annual average assets
under custody
(2018: €3.29 trillion)

CC&G Net Treasury Income

31%

Average initial margin
up to €14.4 billion
(2018: €11.1 billion)

Segmental review (continued)

91

Number of clearing members in CC&G

Post Trade Services Italy

– Post Trade - Italy income up 5% to £152 million (2018: £145 million) on a reported basis and up 6% on a constant currency basis

Clearing (CC&G)

– Clearing revenue up 3% to £43 million (2018: £41 million) and up 4% on a constant currency basis

CC&G's revenue in 2019 grew, in part, due to an increased notional for fixed income products cleared, which rose by 26% to €25 billion (2018: €20 billion). This offset lower volumes of equity trades and derivative contracts cleared, which were down 11% to 99.5 million (2018: 111.9 million).

CC&G continues to engage with both domestic and international clients with 38% of its 91 clearing members being international, demonstrating global reach. In previous years the number of clearing members reported has included clients, on a consistent basis in 2018 there were 83 members.

The UK's withdrawal agreement from the EU provides a transition period until 31 December 2020. Both the UK and EU hope to conclude assessments of future regulatory equivalence by June 2020. These decisions will impact equivalence for EU CCPs operating in the UK and UK CCPs operating in the EU. The absence of an equivalence decision by the end of the transitional period may impact LSEG's Post Trade division due to EU clients being unable to access LCH Ltd and UK clients being unable to access LCH SA and CC&G.

Net Treasury Income

– Net Treasury Income up 14% to £49 million (2018: £43 million), and up 15% on a constant currency basis

Net Treasury Income is the income generated by CC&G investing the cash collateral it holds. In 2019, average daily initial margin increased by 31% to €14.4 billion (2018: €11.0 billion).

Settlement, Custody and other (Monte Titoli)

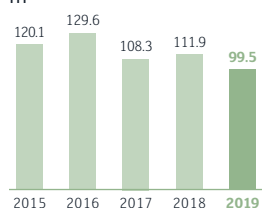
– Settlement, Custody and other revenue was broadly flat at £60 million (2018: £61 million) and up 1% on a constant currency basis

Monte Titoli manages a wide range of financial instruments, with €3.32 trillion assets under custody (2018: €3.29 trillion). In 2019, 44.4 million settlement instructions were processed down 2% on the previous year (2018: 45.4 million). Monte Titoli continues to provide an efficient settlement system, with a year-end settlement rate of approximately 96% of settled transactions (2018: 97%).

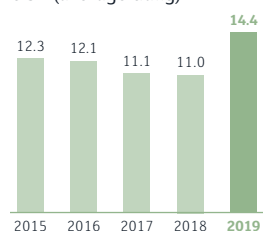
Monte Titoli was granted a licence to operate under European CSD Regulation (CSD-R) as of 18 December 2019. CSD-R aims to harmonise certain aspects of the settlement process and provide a set of common requirements for CSDs operating securities settlement systems across the EU.

Monte Titoli continues to make good progress on its Agility and Growth 2020 programme. The three-year plan, which began in 2018, has two pillars: the automation of core processes and innovation. The second phase of this programme has seen Monte Titoli leverage some of the big data solutions implemented in 2018 and begin exploring opportunities in areas such as machine learning.

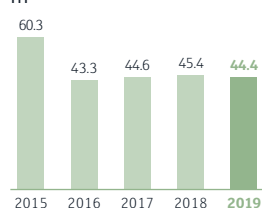
CC&G – Equity trades and derivative contracts cleared m



CC&G – Initial margin held € bn (average daily)



Monte Titoli – Settlement instructions m



Monte Titoli – Assets under custody € tn (annual average)

