

**Meeting Between Federal Reserve Board Staff and LCH.Clearnet
September 17, 2010**

Participants: Jeff Stehm, Stuart Sperry, Kara Handzlik (Federal Reserve Board);

Simon Grensted, Edward Watts, Jr. (LCH.Clearnet)

Summary: At the request of LCH.Clearnet, Board staff met with Messrs. Grensted and Watts to hear LCH.Clearnet's views on potential access to Federal Reserve Bank accounts, services, and credit under provisions of Title VIII of the Dodd-Frank Act. Board staff opened the discussion by advising Messrs. Grensted and Watts that regulators were in the very early stages of interpreting and implementing provisions of the Dodd-Frank Act, including matters concerning designation of financial market utilities (FMUs) as systemically important and access of designated FMUs to Federal Reserve Bank accounts, services, and credit.

LCH.Clearnet representatives stated that their organization desired access to Federal Reserve Bank accounts and services to facilitate their settlement process and that this desire is based on two primary tenets – 1) central counterparties (CCPs) are important in terms of systemic risk, and therefore CCP's settlement infrastructure should be built around access to the best payment systems; and 2) access will help meet LCH.Clearnet to manage its liquidity with lower risk by using a FRB account to conduct LCH.Clearnet's daily variation margin settlement and as a place to safely hold LCH.Clearnet's U.S. dollar cash overnight. The LCH.Clearnet representatives also stated that LCH may benefit from access to the Federal Reserve's Fedwire securities service for holding U.S. government debt securities that LCH.Clearnet obtains as margin collateral. LCH.Clearnet representatives indicated that they needed to further investigate whether any legal requirements imposed on it to segregate securities held on behalf of its customers from securities held outright might affect its use of a Federal Reserve account and services.

LCH.Clearnet stated it was not seeking access to potential emergency credit facilities for designated FMUs and would likely be able to use Federal Reserve payment services without access to intraday credit. In particular, LCH.Clearnet representatives stated that, while access to intraday credit would provide greater benefit, a pre-funded cash account would still provide cash management advantages.