

Press Release

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LCH.Clearnet first to clear Explicit Government Guarantee Bonds (EGGBs)

London, 12 February 2009

LCH.Clearnet is the first clearing house to offer a clearing service for euro-denominated Explicit Government Guarantee Bonds (EGGBs), as part of the RepoClear service.

In Q4 2008, European governments began guaranteeing bonds, issued by financial companies, as a means of restoring funding to the financial sector. The market for these bonds, known as EGGBs, has grown rapidly, driven by investor demand for quasi-government debt coupled with relatively attractive returns.

EGGBs are guaranteed by a European national government and issued as part of that national government's guarantee scheme. The list of bonds eligible for clearing within the RepoClear EGGB segment includes bonds issued under the national government guarantee schemes of Germany, UK, France, Austria, Portugal, the Netherlands and Ireland. The explicit government guarantee afforded to these bonds enables LCH.Clearnet to classify them as Agency Bonds within RepoClear's International Bond segment.

John Burke, Director of Fixed Income, said; "The extension of the RepoClear service to include EGGBs highlights our commitment to support the European government and quasi-government bond markets. The continuing focus on minimising counterparty risk is driving an unprecedented interest in our services."

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Editors Notes

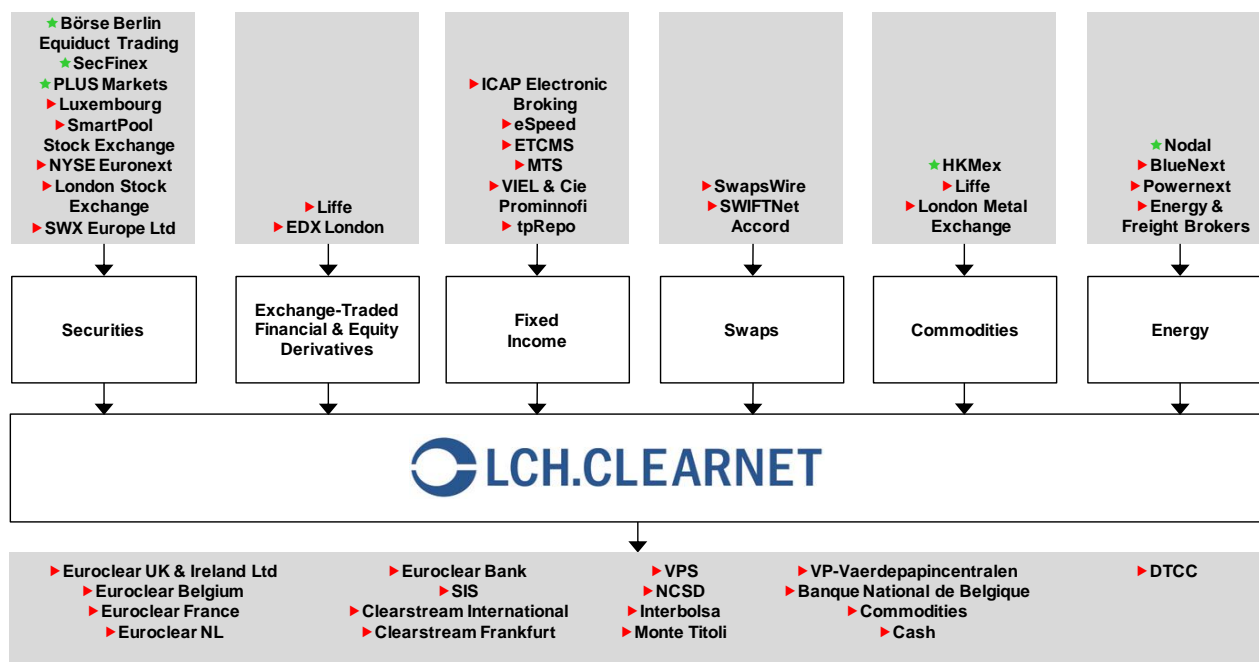
LCH.Clearnet is the leading independent central counterparty group (CCP) in Europe, serving major international exchanges and platforms, as well as a range of OTC markets. It clears a broad range of asset classes including: securities, exchange traded derivatives, energy, freight, interbank interest rate swaps and euro and sterling denominated bonds and repos; and works closely with market participants and exchanges to identify and develop clearing services for new asset classes.

As a CCP, LCH.Clearnet sits in the middle of a trade, assuming the counterparty risk involved when two parties (or members) trade. When the trade is registered with LCH.Clearnet, it becomes the legal counterparty to the trade, ensuring the financial performance; if one of the parties fails, LCH.Clearnet steps in. By assuming the counterparty risk, LCH.Clearnet underpins many important financial markets, facilitating trading and increasing confidence within the market.

Initial and variation margin (or collateral) is collected from LCH.Clearnet members; should they fail, this margin is used to fulfill their obligations. The amount of margin is decided by LCH.Clearnet's highly experienced risk management teams, who assess a member's positions and market risk on a daily basis. Both the soundness of the risk management approach and the resilience of its systems have been proven in recent times.

LCH.Clearnet is regulated or overseen by the national securities regulator and/or central bank in each jurisdiction from which it operates.

LCH.Clearnet: Markets Served



★ Soon to be launched