

Press Release

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LCH.Clearnet to launch innovative OTC clearing service for spot Emissions

London, 18 March 2009

LCH.Clearnet Ltd (LCH.Clearnet) is set to launch an innovative clearing service for the UK based spot market for carbon credits. For the first time, market participants will benefit from straight-through-processing from broker desks to LCH.Clearnet. Over-the-counter (OTC) spot transactions, traded through OTC brokers or directly between counterparties, will flow seamlessly to LCH.Clearnet removing the need for indirect give-up through an exchange infrastructure.

LCH.Clearnet will offer clearing services for spot Emissions allowances (EUAs) and Certified Emission Reductions (CER) contracts with next day delivery and settlement. ClimateSettle, the settlement service operated by Euroclear Bank, will provide the next day delivery-versus-payment settlement services.

LCH.Clearnet's cooperation with Trayport's GlobalVision Broker Trading System, the widely used OTC trading platform, will offer a unique advantage in the clearing process. Cleared transactions will now automatically flow directly from the GlobalVision Broker Trading System screens to LCH.Clearnet's systems, greatly improving market efficiency and processing.

Members of the London Energy Brokers Association, including Cantor Co2e, GFI, ICAP, Spectron, TFS and Tullett Prebon have expressed their overwhelming support for this new initiative. Furthermore, LCH.Clearnet has teamed up with Climate Markets, an emissions market specialist, to promote and distribute the service to this ever growing marketplace.

Roger Liddell, Chief Executive LCH.Clearnet said: "The expansion of our existing OTC clearing services with these spot emission contracts has seen strong support from the trading and broking community who welcome the numerous advantages that central

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clearing brings. As the largest global clearer of carbon contracts, users will benefit from the most cost-effective solution whilst also reducing credit risk.”

Jerry Vlam, Head of Carbon Trading at Saxon Financial said: “We fully support this initiative as it will significantly reduce our day to day transaction costs. An emissions service that allows OTC transactions to be posted directly to LCH.Clearnet will improve market efficiency, lower entry level costs and as a result encourage greater market participation”

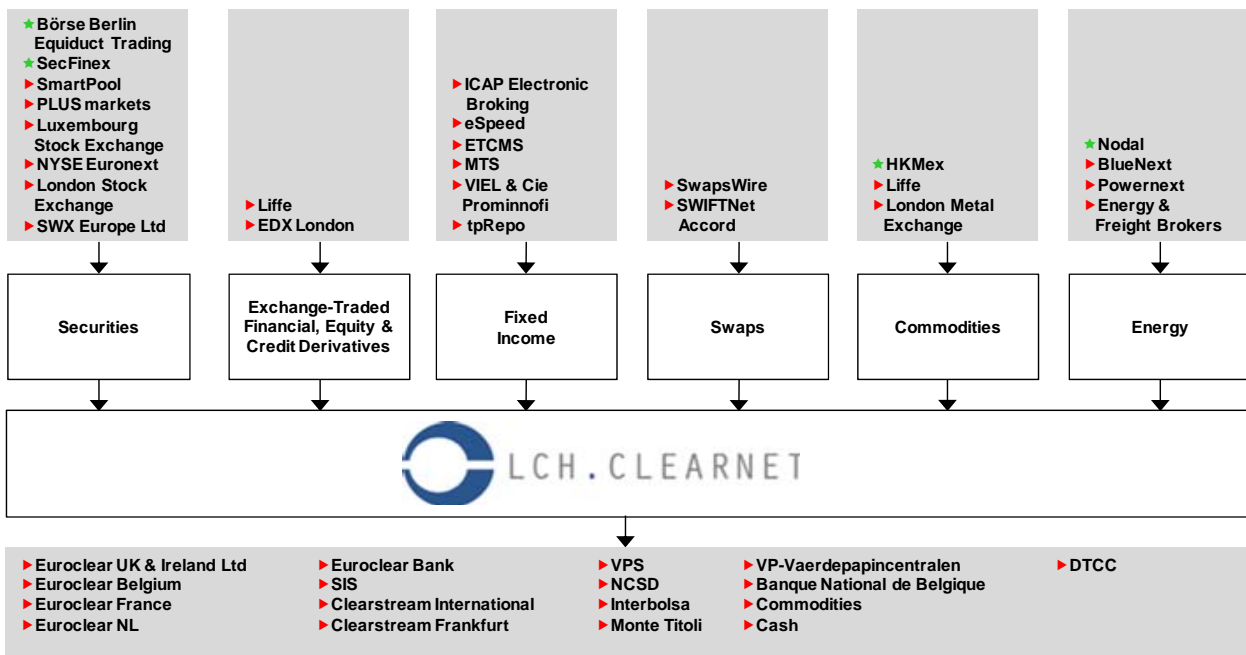
Editors Notes

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.



★ Soon to be launched

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