

Press Release

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LCH.Clearnet signs MOU to launch clearing in cooperation with EMCF

London, 20 May 2009

LCH.Clearnet Ltd (LCH.Clearnet) has signed a memorandum of understanding with the European Multilateral Clearing Facility (EMCF) to introduce a user-choice clearing model.

The agreement will enable trading participants on Chi-X and BATS Europe to select the clearing house of their choice, maximising value to users whilst continuing to ensure the highest standards of risk management. LCH.Clearnet members can benefit from higher volumes which translate into lower clearing fees, now as low as 1p.

In 2003, LCH.Clearnet led the way with clearing house interoperability by successfully implementing and operating a clearing service for SIX Swiss Exchange (formerly virt-x) with SIX x-clear (formerly SIS x-clear).

Wayne Eagle, Director, Equity services said: "The agreement with EMCF highlights our long-standing commitment to interoperability across the European equities market. EquityClear offers a compelling combination of high-quality service and cost-effective pricing, which continues to drive our market share."

Commenting on the announcement, Hirander Misra, COO of Chi-X Europe, said, "We believe that the user choice offered by CCP interoperability will help lower the overall frictional costs of trading. We welcome this cooperation between LCH.Clearnet and EMCF for the benefit of the industry."

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Mark Hemsley, CEO of BATS Europe said: “BATS Europe fully supports the agreement, which is a major step forward for European equities trading. The implementation of interoperability will deliver clearing choice resulting in cost efficiency and service innovation for our participants.”

The deal between LCH.Clearnet and EMCF is in line with the Access and Interoperability Guidelines within the European Code of Conduct and is subject to regulatory approval.

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About LCH.Clearnet

LCH.Clearnet is the leading independent clearing house 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 clearing house, 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.