

## **LCH.CLEARNET SET TO CLEAR TRADES ON HONG KONG MERCANTILE EXCHANGE**

*Key Milestone en Route to Launch of Trading*

**HONG KONG and LONDON, 10 June, 2009** – The Hong Kong Mercantile Exchange (“HKMEX”), established to bridge international commodities markets to China, and LCH.Clearnet, the global clearing house, have agreed initial terms for LCH.Clearnet to provide clearing for HKMEX, subject to regulatory approval.

HKMEX is developing customer-focused products and hiring a world-class workforce and experienced management team to launch a state-of-the-art commodities platform for the region.

“We have intensively researched the question of how best to meet the clearing needs of market participants in the HKMEX and have concluded with great confidence that partnering with LCH.Clearnet, a leader in its industry and also – crucially – independent, is what we need,” said HKMEX Chairman Barry Cheung. “We are confident in the experience and technology on offer from our new colleagues,” he said.

LCH.Clearnet will provide clearing services to HKMEX using existing clearing technology, optimising operational efficiencies and mitigating counterparty credit risk for market participants. As a clearing house, LCH.Clearnet acts as the counterparty to each side of a transaction, taking on the risk should one of the parties fail to meet its obligations.

Roger Liddell, Chief Executive of LCH.Clearnet, said: “HKMEX has the potential to be a key turning point in the development of commodities trading in Asia. We look forward to supporting the growth of this market with our unparalleled clearing expertise.”

LCH.Clearnet has a long history of clearing commodities trades, providing services for the London Metal Exchange and NYSE Liffe. Dedicated to providing innovative clearing solutions to new markets, LCH.Clearnet recently launched clearing for the Nodal Exchange, the first marketplace to use a locational (nodal) market for forward power trading.

HKMEX is building a world-class commodities marketplace for Asia, home to the world’s biggest consumers of commodities.

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**About The Hong Kong Mercantile Exchange**

HKMEX aims to provide the premier marketplace for traded commodities in Asia. HKMEX will provide standardized exchange-traded products on a transparent pricing platform to the Asia-Pacific time zone. All transactions will be made in U.S. dollars, ensuring the full advantages of dollar financing and dollar clearing, and allowing currency hedging flexibility to market participants. HKMEX will be regulated by the Securities and Futures Commission.

For more about HKMEX, visit [www.hkmerc.com](http://www.hkmerc.com).

**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.

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