

# Press Release

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Contact: Andrea Schlaepfer / Rachael Harper +44 (0) 207 426 7463 / 7175

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## LCH.Clearnet's OTC SwapClear service clears one millionth trade

**London, 17 November 2009**

SwapClear, LCH.Clearnet Limited's (LCH.Clearnet) market leading OTC interest rate swap clearing service, has cleared its millionth trade, taking the notional value of trades in SwapClear to US\$206 trillion.

Launched in 1999, SwapClear currently clears 64% of the global interbank interest rate swap market and the range of products cleared has been extended to include overnight index swaps of up to two years in four currencies and interest rate swaps in tenors of up to 30 years in up to 14 currencies.

Joe Reilly, Director, SwapClear, LCH.Clearnet said; "SwapClear's continued success demonstrates the market demand for effective and robust clearing services for vanilla OTC products. For 10 years, SwapClear has successfully mitigated risk and provided operational efficiencies in the OTC interest rate swap market."

The resilience of SwapClear's default management process was demonstrated in September 2008 when it successfully handled Lehman's \$9 trillion interest rate swap default. The highly effective default management process ensured that 66,390 trades were hedged and auctioned off to other clearing members in a timely fashion and that the default was managed well within the margin held and with no recourse to the default fund.

Further developments are planned for SwapClear, including extensions to tenors to up to 50 years in some of the 14 currencies currently cleared and a service tailored for the buy-side.

LCH.Clearnet Limited is both a Financial Services Authority (FSA) Recognised Clearing House and a Commodity Futures Trading Commission (CFTC) registered Derivatives Clearing Organization (DCO).

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### About LCH.Clearnet

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

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

Initial and variation margin (or collateral) is collected from clearing members; should they fail, this margin is used to fulfill their obligations. The amount of margin is decided by the clearing house'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.

