echo
the LCH.Clearnet newsletter
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Contents

Introduction

This is the sixth edition of Echo, the LCH.Clearnet magazine, and it boasts a completely new look. After our last edition, we conducted an extensive reader survey; you told us that you preferred a web-based version, with more information on cleared volumes and fund management, and more on new members and member service extensions, as well as relevant articles on the company and the industry. We hope that this new format starts to meet those criteria, but we would be only too pleased to get your feedback, so that we can make further improvements. So let us know!

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LCH.CLEARNET
NUMBER 6 • JUNE 2007

Shareholders vote in favour of Euronext share buy back

Following the Extraordinary General Meeting which took place on 15 June, LCH.Clearnet shareholders have overwhelmingly supported the company's proposals to buy back the great majority of shares held by Euronext.

The Extraordinary General Meeting was the culmination of a lengthy process to achieve support for a fundamental change to LCH.Clearnet's business model.

LCH.Clearnet needs to maintain the ability to attract and retain business in a changing European exchange landscape, and currently faces a number of serious threats to its clearing volumes, coming from M&A activity, both at the exchange level and "clearing-driven", from competitive pressure from new market entrants, and from disintermediation arising out of the establishment of new market trading facilities. Further, the Code of Conduct, established following pressure from the European Commission, may require the opening of clearing relationships to permit interoperability at central counterparty level.

LCH.Clearnet is seeking to minimise or remove the incentives for such disintermediation, whatever its source, and believes that this can best be achieved by altering the operating model to deliver greater benefits to users, who would, we believe, prefer to see benefit from substantially lower fees than from future rebates or dividends. But the conditions to enable us to achieve this aim could only be met by reducing the shareholding of the largest returns-focused shareholder, Euronext.

LCH.Clearnet announced in March that it had reached agreement with Euronext, subject to the necessary shareholder and other approvals, to buy back 26.2% of the 29.1% of the Ordinary Shares held by Euronext at the original entry price of €10 per share, and to redeem, ahead of due date, the totality of the €200 million Redeemable Convertible Preference Shares (RCPS) held by Euronext at par plus accrued preferred dividends. The effect of the transaction would be to reduce the size of Euronext's economic holding in LCH.Clearnet from 41.5% to 5%. As the bought back shares would be retired, a capital reduction would be authorised, having the effect of increasing user ownership of LCH.Clearnet from 45.1% to 73.3%. The balance would be held by exchanges (Euronext, London Metal Exchange and ICE Futures) with 10.9%, and Euroclear, itself user-owned, with 15.8%.

The RCPS redemption and the bulk of the Ordinary Share buy back will be funded by a Tier 1 debt issue and retained earnings. The first tranche of the buy back will be complete by the end of July, with a second and probably final tranche in early 2008.

Euronext will surrender two of its four Board seats on RCPS redemption, and a further seat when the buy back is complete and its shareholding reduced to 5%.

The process of fee reduction has already commenced with revised tariffs coming into force in some markets at the beginning of this year. Over a three year period overall revenues will be reduced through tariff reductions; by 15% in 2007 (excluding reductions announced last year but coming into force this year), by a further 10 % in 2008, and by 5% in 2009. These reductions vary in size from market to market, but the overall impact will be a revenue reduction of 30%.

The Extraordinary General Meeting was the final stage of shareholder consultation, following one to one meetings and a series of briefing sessions during all of which our users expressed their views. With [xx.x]% voting in favour, the result was a powerful endorsement of the proposals which are now being put into effect.

LCH.Clearnet to clear Luxembourg Exchange

LCH.Clearnet SA and the Luxembourg Stock Exchange have signed a Memorandum Of Understanding to implement clearing services for Luxembourg Stock Exchange markets. LCH.Clearnet SA will, subject to regulatory approval, deliver clearing services for transactions in corporate bonds, government bonds and equities. The service is scheduled to be launched in December 2007.

By choosing LCH.Clearnet SA as central counterparty, the Luxembourg Stock Exchange will deliver a competitive, automated and fully integrated solution from trading to clearing and settlement, allowing reduction in the costs of transactions in a secure and structured market environment.

LCH.Clearnet SA's clearing member community will be able to access products listed in Luxembourg, a European standard-setter for international securities transactions, with over 42,000 products listed, including 29,000 international bonds or nearly 60% of the European total, representing 4,100 issuers from over 100 countries.

LCH.Clearnet SA will mainly rely on the existing infrastructure, tools and processes used to clear Euronext securities markets, adapted as necessary. The SWIFT messaging system for instance will be used to communicate with the central securities depository, i.e. Euroclear Bank. Full central counterparty clearing services, as described in the clearing rules, will be offered for transactions in liquid securities and will therefore be guaranteed. Transactions on illiquid securities, on the other hand, will not be guaranteed – these will be registered and gross settlement instructions will be sent to Euroclear Bank on the trade date. A third category of securities has been created: transactions in exotic securities traded on Bourse de Luxembourg will not go through LCH.Clearnet SA but will be handled bilaterally by the original parties themselves.

The signing of the MOU follows the launch of a new trading technology by the Luxembourg Stock Exchange and is an excellent strategic fit for both parties. This straight-through-process will not only allow the Luxembourg market to comply with industry best practice in respect of central counterparty services but will also promote the Exchange by improving volume and liquidity. Moreover, LCH.Clearnet SA will further expand its service reach in a competitive environment.

We welcome...

Iona Levine

Iona J. Levine was appointed General Counsel on 13 February 2007. Ms Levine is a prominent and well respected figure within the capital markets and international derivatives legal world. A qualified Barrister, Iona has practised as a lawyer specialising in Derivatives, Related Markets and Alternative Investments for over 20 years. In addition to her extensive private practice experience, her career has seen senior appointments in a number of leading global financial institutions.

Commenting on her appointment, Roger Liddell, LCH.Clearnet Group Chief Executive, said: "We are delighted to welcome Iona Levine to LCH.Clearnet. At this key time in the development of the Group, we are pleased to have Iona's very relevant experience and skills to support us as we move forward."

Vincent Gros

Vincent Gros was appointed General Secretary of LCH.Clearnet SA on 12 March 2007. Vincent is also responsible for Risk Management, Operational Risks, Treasury Operations and Business Continuity and Security. Vincent Gros has joined LCH.Clearnet SA from Euroclear, where he was Deputy Chief Executive of Euroclear France and a member of the Euroclear Group Management Team. Previous roles included Chief Operating Officer of Société Générale Tokyo Branch and Head of Operations of Société Générale Securities Corp.

Commenting on the appointment, Christophe Hémon, LCH.Clearnet SA Chief Executive, said: "I am delighted that Vincent Gros is bringing to us his outstanding experience in the post-trade landscape, and is helping to support the Company in maintaining its day-to-day operations to a high standard."

Alberto Pravettoni

Alberto Pravettoni was appointed Managing Director, Corporate Strategy on 4 June 2007, reporting to Roger Liddell. Alberto joins LCH.Clearnet at an exciting time and brings a wealth of experience. He has served most recently as Managing Director, Global Head of Fixed Income Operations at Goldman Sachs and prior to that held positions in customer service, operations, and custody at Citibank.

In his new role, Alberto heads the Strategy & Development team for the Group and is responsible for defining and developing LCH.Clearnet's strategic positioning in the marketplace to ensure we remain "the central counterparty of choice".

COMPANY NEWS

RepoClear goes from strength to strength

RepoClear established a new Group monthly volume record in March 2007 of €10.25 trillion nominal value cleared in the European repo and cash bond markets. This new record of business volume comes at a time of intense development activity in terms of new services and new participants.

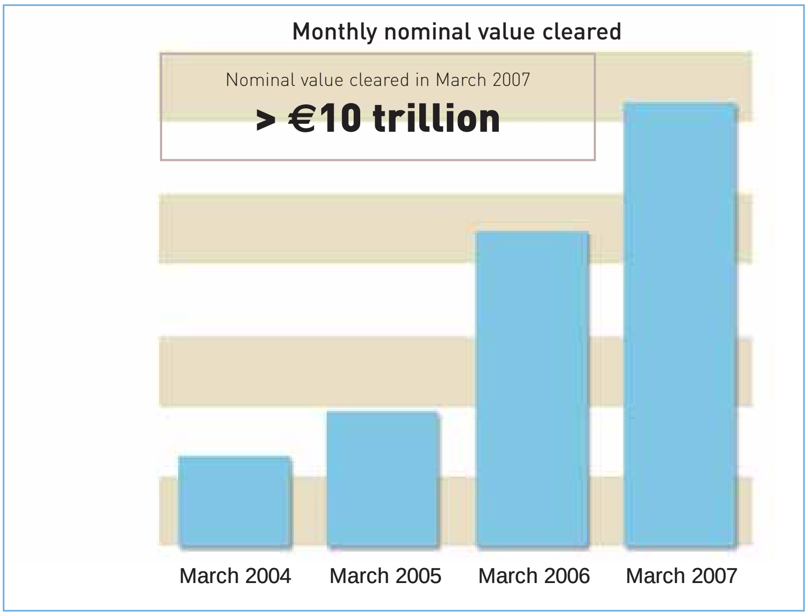


Chart illustrating historical March RepoClear volumes

On 14 March 2007 RepoClear successfully launched its new innovative Sterling GC Repo clearing service utilising CREST's Delivery-By-Value mechanism for settlement. The service went live with seventeen banks on board and this is set to be bolstered in the coming period with a number of additional participants planning to enter the service. The introduction of Sterling GC offers Sterling money market participants the opportunity to trade Sterling on a secured basis against a basket of UK government bond collateral, in a manner that will provide significant operational efficiency benefits and enable trading liquidity to increase. Since 11 June 2007, Sterling GC has been listed on the MTS Italy MMF Repo platform.

Another important development came to fruition at the end of March 2007 with the UK Debt Management Office ("DMO"), an Executive Agency of HM Treasury, joining RepoClear as a Clearing Member and Dealer. The DMO's responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.

The DMO is utilising the RepoClear gilts cash and repo service as part of its exchequer cash management operations, and it is expected that, over time, this will be extended to include activity in the recently launched Sterling GC service.

LCH.Clearnet introduces tiered margining on power and energy derivatives spread

LCH.Clearnet has extended its tiered margining methodology for power and energy derivatives curves to include the power and energy derivatives spreads, thus extending the benefits already achieved through tiered margining and providing maximum efficiencies in margin offsets.

Tiered margining allows for different scanning ranges (margin rates) to be set along the forward curve to reflect the variable price volatility down the curve. Price volatility, for Gas and Power curves in particular, varies hugely with seasonality (Winter/Summer demand) resulting in differences in prices and

volatilities at different times of the year.

Tiered margining has been in place for Gas and Power markets since September 2005. The introduction of tiered margining for spreads will now allow for a series of intermonth or intercommodity offsets to be set along the curve. This enhances the previous methodology where just one intermonth or intercommodity offset was applied for the whole curve.

This single offset had to take into account any combination of months, as relatively uncorrelated periods had to be covered, and was inevitably far from optimum. Hence now, seasonally correlated curves for Energy contracts can benefit from much larger margin offsets where the offsetting periods are closely correlated.

Outright tiered margining is easily explained. Discount rates to the scanning range are applied down the curve to reflect different volatilities, and therefore risk, down the curve. So for example, let's say that the scanning range for a Henry Hub Gas swap is $2,500 per lot. This rate applies to the first six months of the forward curve, where volatility is greatest. For months 7 to 11, a discount rate of 0.75 is applied to the scanning range, to reflect lower volatility during this period, reducing the margin charged per lot to $1,875. Moving further out, for months 12 to 17 the discount rate of 0.50 is applicable, further reducing the scanning range for this period to $1,250.

Tiered intermonth or intercommodity margining works in a similar way. It is best illustrated through a couple of examples:

Tiered Intermonth Spread Charges

A Member has the following positions:

- Month **1** Long **50**
- Month **12** Short **50**

This table shows the different levels of margin offsets for different pairs of tiers. Month **1** is in Tier **1** and Month **12** is in Tier **3**. Therefore this is a **50** spread position between Tier **1** and Tier **3**.

Tier Number	Start	End	Tiers	1	2	3	4	5
1	0	4	**1**	200	300	**400**	500	600
2	5	8	2		200	300	400	500
3	9	12	3			200	300	400
4	13	16	4				200	300
5	17	20	5					400

Tier **1** to Tier **3** = 50 x 400 = **20,000**
Intermonth Charge = **$20,000**

Tiered Intercommodity Spread Credits example

The curve is split into tiers and, instead of having one intercommodity margin offset rate covering the whole curve, multiple intercommodity offsets are set to cover all possible positions. For example, if contract A and contract B are both split into 3 tiers with Tier 1 being the first 4 delivery months, Tier 2 being the next 4 delivery months and Tier 3 being the remaining delivery months, then the list of available Intercommodity Spread Credits will look like this.

Contract/Spread	Contract Codes	Priorities	Delta Ratio	%Credit per leg	Date effective from
Contract A (Tier 1) : Contract B (Tier 1)	A1 - B1	1	1:1	95	DD/MM/YYYY
Contract A (Tier 2) : Contract B (Tier 2)	A2 - B2	2	1:1	95	DD/MM/YYYY
Contract A (Tier 3) : Contract B (Tier 3)	A3 - B3	3	1:1	90	DD/MM/YYYY
Contract A (Tier 1) : Contract B (Tier 2)	A1 - B2	4	1:1	85	DD/MM/YYYY
Contract A (Tier 2) : Contract B (Tier 1)	A2 - B1	5	1:1	85	DD/MM/YYYY
Contract A (Tier 1) : Contract B (Tier 3)	A1 - B3	6	1:1	85	DD/MM/YYYY
Contract A (Tier 3) : Contract B (Tier 1)	A3 - B1	7	1:1	80	DD/MM/YYYY
Contract A (Tier 2) : Contract B (Tier 3)	A2 - B3	8	1:1	80	DD/MM/YYYY
Contract A (Tier 3) : Contract B (Tier 2)	A3 - B2	9	1:1	75	DD/MM/YYYY

A Member has the following position:

- Contract **A** Month **1** Long **50**
- Contract **B** Month **12** Short **50**

If the Scanning Range is $2,500 for Contract A and $3,500 for Contract B then the outright Initial margin requirement would be:

- Contract A = 2500 x 50 = **$125,000**
- Contract B = 3500 x 50 = **$175,000**

As these contracts are offset at a delta ratio of 1:1 then the full 50 lots can be offset between the two contracts. For Contract A Month 1 is in Tier 1. For Contract B Month 12 is in Tier 3. Therefore, from the table above, this position is given an 85% credit.

Intercommodity Spread Credit = Scanning Range x Delta Ratio x Available Delta position x Credit rate

- Contract A = 2500 x 1 x 50 x 0.85 = **$106,250**
- Contract B = 3500 x 1 x 50 x 0.85 = **$148,750**

Total Initial Margin = Outright initial margin – Intercommodity Spread Credit

- Contract A = 125,000 – 106,250 = **$18,750**
- Contract B = 175,000 – 148,750 = **$26,250**

LCH.Clearnet SA introduces intra-day margining on derivatives markets

LCH.Clearnet SA successfully implemented a daily intra-day margin call (IDMC) process on derivatives markets on 30 March 2007. The launch of IDM, part of the Group harmonisation process, brings LCH.Clearnet SA into line with LCH.Clearnet Ltd.

The launch of IDMC by LCH.Clearnet SA represents a major step forward in the strengthening of its safety and guarantee mechanism.

The Risk Department now measures and monitors members' risk profiles during the day by using updated intra-day positions and prices. It may take action when necessary in the form of an intra-day margin call, thus improving the accuracy and pro-activity of its risk management.

As a central counterparty, LCH.Clearnet SA continually seeks to improve its risk management processes in order to protect the integrity of cleared markets and the interests of clearing members. LCH.Clearnet covers latent market risk on members' positions, should they default, by:

- marking the positions to market and collecting losses/paying profits through variation margin,
- taking initial margin to cover an estimate of potential future losses in managing a default in normal market conditions,
- topping-up initial margin intraday as necessary.

LCH.Clearnet SA also maintains clearing funds to cover potential losses in abnormal market conditions.

Furthermore, the introduction of IDMC on derivatives markets enables LCH.Clearnet SA to implement industry standards of best practice for intra-day margin calls and monitoring policies - CPSS-IOSCO[(1)] - and to meet regulatory requirements. The perimeter covered by IDMC corresponds to all index, equity and currency derivatives products traded on Euronext Paris, Amsterdam, Brussels and Lisbon. In implementing the new intra-day margin (IDMC) calculation, LCH.Clearnet SA has taken a further step in the optimisation and securisation of its processes, itself bringing further efficiencies to the markets it serves.

Functional overview

The intra-day margining tool, SPAN® RMC (Risk Manager Clearing), performs a margin calculation every hour from 9:45 am CET until the close of the market at 5:45 pm CET. These calculations enable the Risk Management Department to follow risk exposure development during the day. Each intra-day session will be defined as either "With cover call" or "Without cover call", with the ability to modify the indicator(*) 15 minutes prior to the starting time of each session. The methodology and parameters used for the intra-day margin calculation will be identical to those used in the end of day margin calculation.

In normal market conditions, one intra-day session will be marked as "With cover call" (the session performed on the basis of the 01:45 pm observations). Actual calls are only made when the cover call requirement exceeds a certain threshold. The threshold is set at such a level that cover calls are only made in case of significant increases of margin requirements.

In exceptional circumstances (e.g. exceptionally high market volatility, major events with high impacts on the market) other intra-day sessions may be marked as "With cover call". The Risk Management Department will modify the indicator from "Without cover call" to "With cover call" 15 minutes before the starting time of the related intra-day session (e.g. at 11:30 am CET for the 11:45 am CET calculation).

An intra-day margin calculation session will last 60 minutes maximum from price capture to cover call finalisation, and settlement will take place after the 30 minutes settlement window.

The table below provides an overview of the intra-day sessions:

Session Number	Start Time	Session Qualification	Call Time
1	09:45am CET	Without cover call	
2	10:45am CET	Without cover call	
3	11:45am CET	Without cover call	
4	12:45am CET	Without cover call	
→ 5	01:45pm CET	With cover call	Before 02:45pm CET
6	02:45pm CET	Without cover call	
7	03:45pm CET	Without cover call	
8	04:45pm CET	Without cover call	
9	05:45pm CET	Without cover call	

(1) The Committee on Payment and Settlement Systems (CPSS) of the central banks of the Group of Ten countries, and the Technical Committee of the International Organization of Securities Commission (IOSCO) issued 15 recommendations for Central Counterparties (CCP). These recommendations aim to set out comprehensive standards for risk management of CCPs.

For further information on the Intra-day Margin project, visit > http://www.lchclearnet.com/projects/completed_projects/intraday_margin/default.asp

New Repo Clearing Tariff

On 29 May 2007, Fixed Income participants were advised that, following the conclusion of a review on the current LCH.Clearnet Ltd ('Ltd') and LCH.Clearnet SA ('SA') tariff structures for the Fixed Income business, a series of changes is being made to the way that repo charges are calculated and applied to members. The change will be effective from 1 July 2007.

The current fixed annualised repo charge of 0.00275% for Ltd and 0.00200% for SA will be replaced with a common group-level repo tariff structure composed of two distinct elements: a fixed processing fee per repo trade plus an ad valorem component based on the term of the trade which is calculated incrementally against a tiered annualised rate. The sum of these two elements will be applied to each repo trade registered in order to calculate the total clearing fee. The tariff applicable to cash bond business remains unchanged.

The processing fee will be €1.00 *(£0.70 for Sterling denominated and $1.40 for Dollar denominated trades).*

The ad valorem component of the repo tariff will be structured as follows:

The first 1-7 days @ 0.00275%
The next 8-90 days @ 0.00225%
The next 91+ days @ 0.00100%

The effect of these tiered fee bands is that the composite rate will get cheaper in relative terms for any trade with a term greater than 7 days. The composite rates are illustrated in the following table:

Examples of Composite Rates on Differing Term Repo Trades

Term	Effective Ad Valorem Rate		Processing Fee
1 day trade	0.00275%	+	€ 1.00
7 day trade:	0.00275%	+	€ 1.00
90 day trade	0.00229%	+	€ 1.00
180 day trade	0.00164%	+	€ 1.00
360 day trade	0.00132%	+	€ 1.00

The effect of using the tiered ad valorem structure plus the introduction of a processing fee per trade will differ from member to member depending on trading pattern and which markets their trading activity is concentrated in. However, in general terms, the introduction of the processing fee will have the effect of increasing the cost of overnight business and the introduction of the tiered ad valorem rate structure will reduce the cost of term trades. As illustrated in the table below, when comparing the current fee rates for clearing a range of repo term trades against the new effective ad valorem rate, reductions of up to 52% can be seen for long-term trades.

Future Tariff Structure	New Effective Ad Valorem Rate[1]	Current Ltd Rate	Current SA Rate
Ad Valorem element		**0.00275%**	**0.00200%**
3 month trade	0.00229%	-16.73%	14.50%
6 month trade	0.00164%	-40.36%	-18.00%
1 year trade	0.00132%	-52.00%	-34.00%

[1]Excludes the €1 processing fee component

Of the numerous possible models for a revised tariff structure that were considered, the structure that is being implemented best achieves the objectives for the tariff review exercise that were agreed at the outset with the Fixed Income Product Advisory Group - namely:

- To determine a tariff structure that is appropriate for the current European repo trading environment and will enable the Fixed Income clearing service to continue to develop and grow;
- To ensure that each repo trade cleared makes an appropriate contribution to revenue;
- To harmonise the Ltd and SA repo tariff;
- To decrease the cost of clearing term trades;
- To provide an incentive for additional longer-term repo business to be sent to LCH.Clearnet for clearing; and,
- To replace the minimum monthly fee amounts charged separately by Ltd and SA with a single group-level minimum monthly charge and for the group-level charge to be reduced from the sum of the current rates.

While LCH.Clearnet's original intention had been to make the tariff review a revenue-neutral exercise, that approach has been modified through the consultation process and LCH.Clearnet advises that the new group-level, harmonised Fixed Income tariff structure incorporates a net fee reduction of 5%.

With regard to the monthly minimum fee amounts, LCH.Clearnet will replace the current Ltd minimum charge of €7,750 and the SA charge of €7,000 with a single group-level minimum monthly charge of €5,000.

By ensuring through user liaison that the tariff structure adequately meets the needs of the market as we have sought to do, it will enhance the position of the Fixed Income service from a strategic perspective for the future.

For further information contact Nick Maggs, Fixed Income Market Liaison, Tel: +44 (0) 207 426 7442, E-mail: nick.maggs@lchclearnet.com

LCH.Clearnet reduces fees for equity clearing services

In February 2007, LCH.Clearnet Ltd announced to EquityClear Members that clearing fees for all London Stock Exchange and virt-x business would be reduced by an average of 23% from 1 July 2007. Earlier this month, LCH.Clearnet SA notified members that clearing and membership fees relating to Euronext and London Stock Exchange Dutch Trading Service (LSE-DTS) cash markets would be reduced by an overall average of 35% from 1 October 2007.

These fee reductions constitute a further step in the extensive general Group tariff restructuring program which began in the latter part of 2006 and follow those implemented by LCH.Clearnet Ltd in November 2006 and those introduced by LCH.Clearnet SA in January 2007.

Following an extensive internal review and member consultation process, LCH.Clearnet decided to replace the market volume discount currently in place by a member volume discount and to introduce packages or bands, whereby each package will correspond to an annual fee (band fee) and a corresponding per trade/posting fee.

London Stock Exchange and virt-x business

The new banding tariff model for London Stock Exchange and virt-x business has 9 bands consisting of a fixed fee and a corresponding per trade fee. The more a member pays in the fixed fee the lower the associated per trade fee. As a member's volume increases the more economic it is for them to purchase a higher band and lower their average overall cost for a trade. While every member will see a reduction in clearing fees, the higher a member's volume the larger the percentage discount it will enjoy.

Euronext and LSE-DTS cash business

Clearing and membership fees will be harmonised across all trading locations - Amsterdam, Brussels, Lisbon and Paris - allowing LCH.Clearnet SA to achieve its commitment to harmonise its clearing fees for all Euronext cash markets.

The new banding tariff model relating to the Euronext clearing service has 6 packages consisting of an annual band fee and an ad-valorem posting fee. Whatever the scope of clearing business, members will be able to select a single package to suit their level of activity.

The change to a member focused tariff model means that each member's tariff will be defined by its level of business and not by market volume.

Further, the simplification, harmonisation and reduction of fees will place LCH.Clearnet's equity clearing services in a much stronger position to defend against competition and seek new business.

The feedback from members on the reduction in fees and the introduction of a member focused banding tariff model has been overwhelmingly positive. The offer includes a package with an annual fee of zero which facilitates access to the CCP, especially for "small" clearing members.

The new banding tariff will come into effect on 1 July 2007 for London Stock Exchange and virt-x business and on 1 October 2007 for Euronext and LSE-DTS cash markets.

LCH.Clearnet is committed to driving fees downwards and is determined to set tariffs that are reasonable and competitive. The aim of the changes is to simplify and reduce fee tariffs, deliver a standardised approach to the charging of fees across all markets and make the fee structure fully transparent.

LCH.Clearnet FFA service sets new record volumes

The LCH.Clearnet clearing service for Freight Forward Agreements (FFA's), launched only 21 months ago in September 2005, is seeing record volumes this year, with volumes in the first 5 months exceeding total volumes cleared in the whole of 2006. Cleared volumes hit 25,000 lots by the end of May, exceeding April, itself a record month, by almost 50%.

These cleared volumes are despite some stiff competition faced by LCH.Clearnet from two other clearing houses, NOS in Oslo and SGX in Singapore, with LCH.Clearnet enjoying a 70% market share of FFA clearing last month.

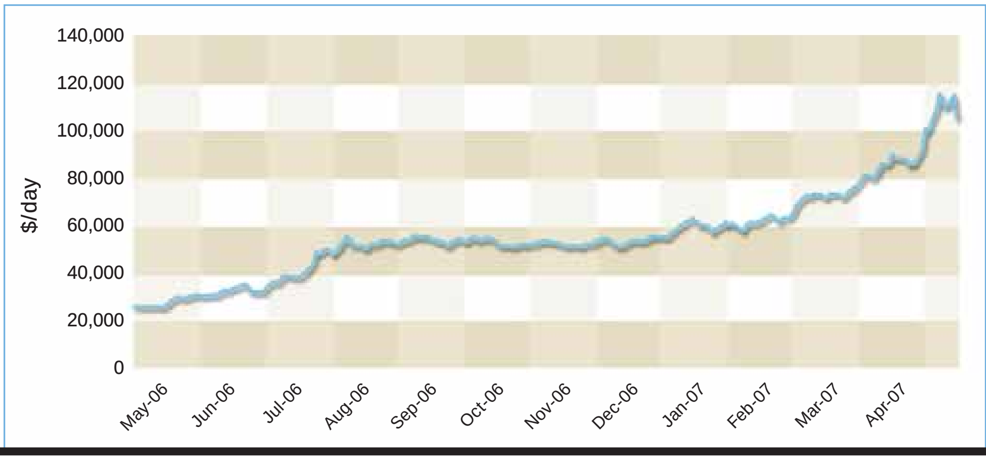
Although April was a busy month across the whole FFA market (both bilateral & cleared) there is no doubt that the take up of clearing in the market as a whole is now gathering pace.

Freight prices are traditionally volatile, but over the last few months prices have seen exceptional volatility, and indeed prices for certain routes have hit all time highs after a long and sustained rally. The core driver has been Australian coal port delays spurred on by increased Chinese demand. This volatility has boosted trading liquidity, but has also resulted in rumours of at least 2 shipping companies defaulting on payments in the bilateral market. These high levels of volatility, liquidity and cleared volumes continue to attract new entrants to the FFA market as a whole - fund managers, hedge funds and from the traditional shipping markets.

Increasing concerns over further defaults and the consequent general heightening of counterparty risk as a significant issue in the FFA market, have not only boosted LCH.Clearnet volumes but have also sparked a new wave of interest from both clearing members and freight participants to sign up to our service. As at mid-2007 the number of clearing members signed up to the service exceeds 20, and over 100 participants have access to the service. Moreover, as as part of its commitment to offer a competitive and cost effective services to its members, LCH.Clearnet has announced that it will be swapping cash settlement fees for FFA trades.

The FFA brokers, as well as members of the FFA Users Group, all continue to offer strong support for the service, and with the launch of cleared FFA options later this year, the service can only continue to grow from strength to strength.

Prices for the CTC route, for June 2007 settlement:



Clearing Fund for Powernext® Futures

LCH.Clearnet SA has implemented a Clearing Fund for Powernext® Futures. The first contributions were called on 6 June 2007. The Clearing Fund provides adequate financial resources for default management purposes at a lower cost for all the Powernext® Futures membership community. The Clearing Fund is resilient and risk driven.

The collective provision must be sufficient to cover the potential failure of LCH.Clearnet SA's largest Powernext® Futures clearing member, defined as the member whose risk exposure, after deduction of its individual initial margin and margin calls, is the highest. The size of each member's contribution is assessed by LCH.Clearnet SA every month and is based on the uncovered risk versus the total sum of all members' uncovered risk.

By implementing the Clearing Fund on the Powernext® Futures Market, LCH.Clearnet SA complies with the Commission bancaire's recommendation and contributes to a global saving of collateral deposited by a significant decrease in margin requirement for the Powernext® futures members' community.

For further information

please visit our website: http://www.lchclearnet.com/markets_and_services/exchange_and_commodity_derivatives/powernext/how_it_works.asp

Treasury

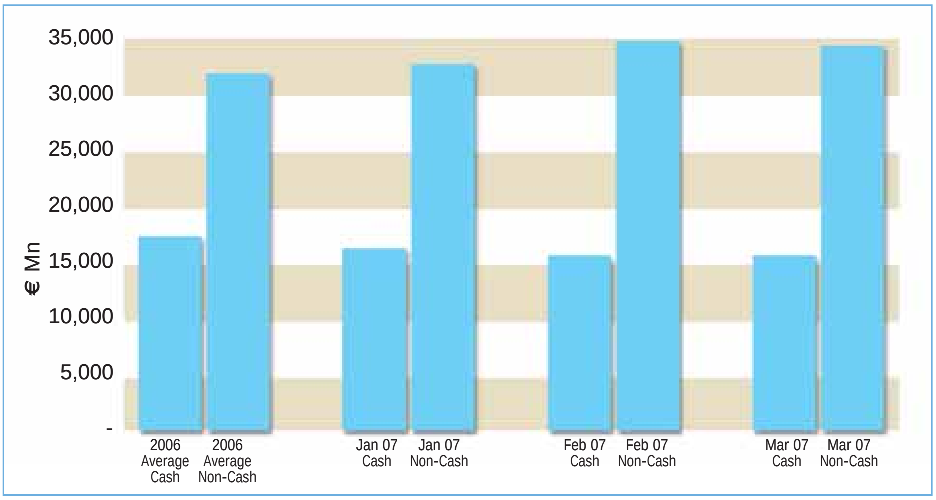
Cash funds under management within the Group have held steady over the last year, although there has been an increase in non-cash collateral.

The breakdown of cash funds held show that the vast majority is member cash margin, with a further significant amount held in default funds.

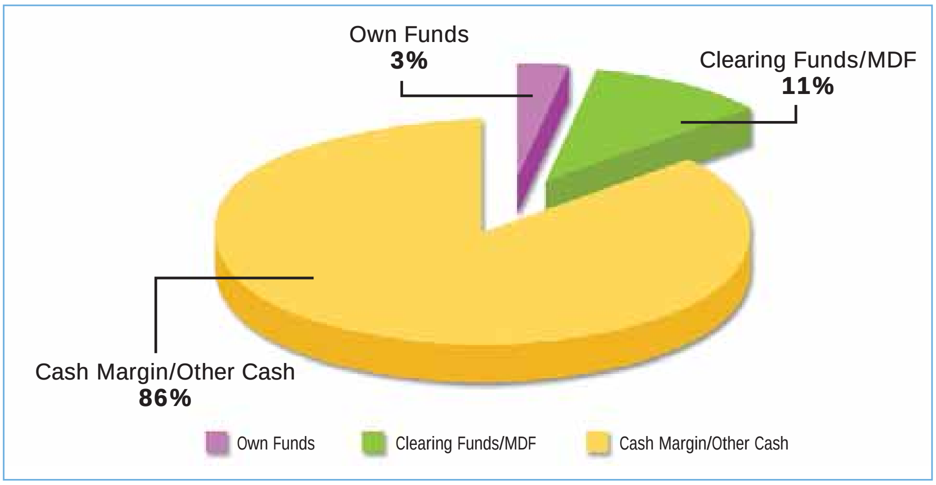
Only a very small proportion is the Group's own capital base. This balance informs a highly conservative investment policy, focusing on the preservation of the capital value of these funds. Investment is therefore restricted to highly rated financial institutions, with a significant proportion of the Group's assets being lent on a secured basis against AAA-rated collateral.

Group - treasury portfolio

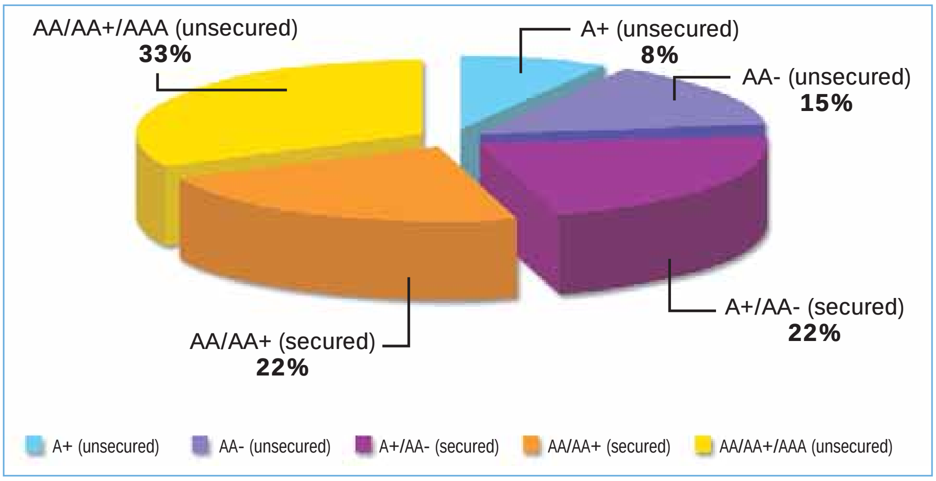
(Total Cash Collateral, Non-Cash Collateral and Own Funds Held)



Q1 2007 - Average Group Cash By Source

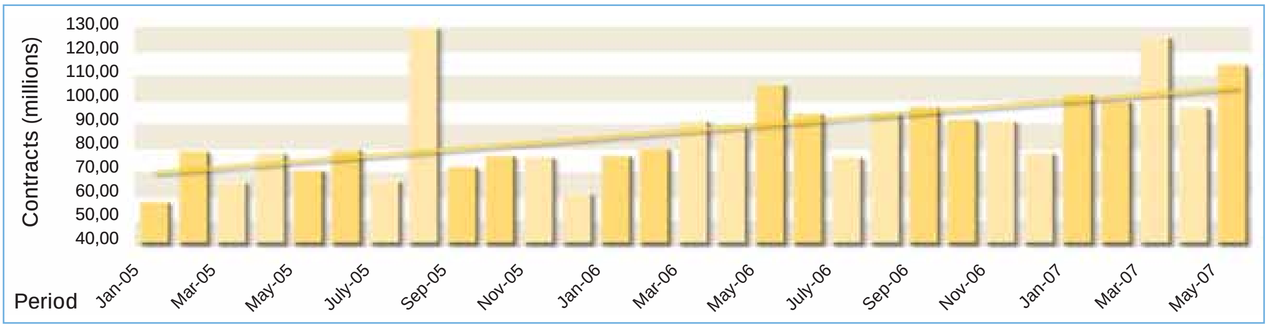


Group Investments as at end March 2007 by Counterparty Credit Rating



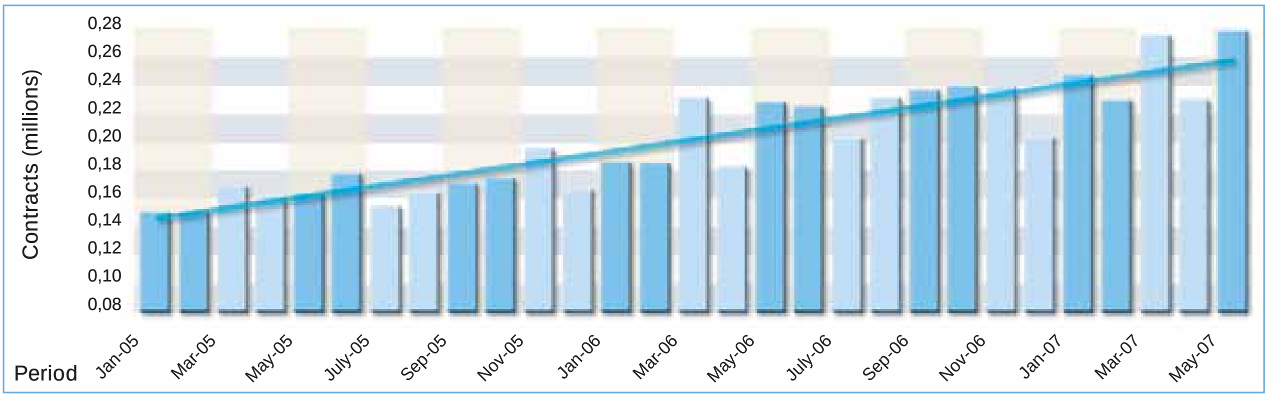
Volumes statistics

LCH.Clearnet - Futures & Options Volumes



LCH.Clearnet - Equities Volumes

LCH.Clearnet - Fixed Income & Swap Volumes



LCH.Clearnet Transactions Cleared, Single Counted ('000)

	May 2007	2007 YTD	2006 Total
Equities	23,751	126,057	197,620
Exchange & Commodity Derivatives	114,498	539,513	1,067,150
Fixed Income	267	1,213	2,410
Swaps	11	46	90
Total	**138,527**	**666,829**	**1,267,360**

MEMBERSHIP

New members / Membership extensions

From January to May 2007

ADM INVESTOR SERVICES INTERNATIONAL Limited	LME	12 March 2007
BANK OF AMERICA SECURITIES Limited	LCH EnClear OTC Energy Services: Freight Division	6 March 2007
BANQUE DEGROOF	Euronext Amsterdam Derivatives markets	9 January 2007
BARCLAYS BANK PLC	Commodities segment on Euronext Paris Derivatives markets	6 March 2007
DELTA LLOYD NV	Euronext Brussels and Paris Securities markets and Amsterdam and Brussels Derivatives markets	27 December 2006
DEUTSCHE BANK AG, (London Branch)	Designated LCH.Clearnet SA Gateways (OTC)	7 February 2007
DRESDNER BANK AG, (London Branch)	Euronext Amsterdam and Brussels Derivatives markets	28 May 2007
ED&F MAN COMMODITY ADVISORS Limited	LIFFE	15 May 2007
FORTIS BANK GLOBAL CLEARING	Commodities segment on Euronext Paris Derivatives markets	13 February 2007
FORTIS BANK GLOBAL CLEARING NV	Euronext Lisbon Derivatives markets	16 January 2007
FORTIS BANK NV/SA	Designated LCH.Clearnet SA Gateways (OTC) & MTS Italy	26 March 2007
INSTINET EUROPE Limited, (Paris Branch)	Euronext Brussels and Paris Securities markets	2 April 2007
KBC BANK NV	MTS Italy	12 February 2007
LANDESBANK BADEN-WURTTEMBERG (LBBW)	Designated LCH.Clearnet SA Gateways (OTC)	23 March 2007
MAN FINANCIAL LTD	Designated LCH.Clearnet SA Gateways and MTS Italy	10 April 2007
MORGAN STANLEY & Co INTERNATIONAL Limited	LIFFE (upgrade from ICM to GCM)	2 February 2007
MORGAN STANLEY & Co INTERNATIONAL Limited	Euronext Paris Derivatives Commodities markets	6 March 2007
NATEXIS COMMODITY MARKETS Limited	LIFFE	22 March 2007
NOMURA INTERNATIONAL PLC	Euronext Derivatives markets	13 February 2007
ROYAL BANK OF CANADA EUROPE Limited	ICE Futures and LCH EnClear: ICE	25 January 2007
SKANDINAVISKA ENSKILDA BANKEN AB (London Branch)	Euronext Amsterdam Securities markets	29 May 2007
THE ROYAL BANK OF SCOTLAND	Euronext Brussels, Lisbon and Paris (Commodities Segment) Derivatives markets	27 March 2007
The Lords Commissioners of Her Majesty's Treasury acting through the UK Debt Management Office	RepoClear	29 March 2007
UBS Clearing and Execution Services Limited	LCH EnClear OTC Energy Services: Freight Broker	24 April 2007

contact

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