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the **LCH.Clearnet** newsletter

AMSTERDAM BRUSSELS LISBON LONDON PARIS

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5> Introduction of clearing of Mediterranean and Far East Steel Billet Futures contracts on London Metal Exchange

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Editorial

This issue of ECHO focuses on major new initiatives launched by LCH.Clearnet, underlying the company's capacity to provide clearing services to new products and markets.

As LCH.Clearnet extends its clearing services to new markets in Europe, it has gone one step further by announcing the signature of a Heads of Terms with NYMEX Holdings, the parent company of the New York Mercantile Exchange, Inc., to clear a broad range of global energy products.

LCH.Clearnet has been appointed to clear transactions executed on BlueNext, the environmental exchange, including OTC clearing. This will allow Clearing Members to benefit from significant cost reductions thanks to the use of industry-standard clearing tools for derivatives markets.

With the signature of a Preliminary Agreement to implement CCP services for transactions executed on Börse Berlin Equiduct Trading Platform for liquid European equities, LCH.Clearnet will enable clearing members to benefit from synergies between the Equiduct Trading market and NYSE Euronext markets.

We carry a guest feature from Frédéric Germain, talking about ESES, the first example of cross border consolidation of settlement delivery platforms in Europe, and we also include the usual performance data and member information.

We hope you find this an informative issue, please feel free to let us know if there are any other areas which would be of interest to you.



> LCH.Clearnet to clear transactions executed on BlueNext

LCH.Clearnet SA has been invited by BlueNext to clear exchange traded and OTC transactions.

BlueNext SA is an environmental exchange with global ambitions. It was formed on 21 December 2007 when NYSE Euronext and Caisse des Dépôts joined forces to create the world's largest exchange for environment-related products. With climate issues high on the green agenda and carbon

becoming an internationally traded commodity, BlueNext plans to play a key role in using market mechanisms to price and reduce greenhouse gas emissions. BlueNext is owned by NYSE Euronext, the majority shareholder, owning 60% of shares, and Caisse des Dépôts, owning 40%. NYSE Euronext has also contributed the business of Powernext Carbon, purchased from Powernext. Caisse des Dépôts has contributed its settlement business. In the near future, BlueNext may admit new shareholders that will not only contribute their know-how but also support the development of environmental markets. Alongside its spot markets, BlueNext is launching derivatives contracts with physical delivery of EUAs and CERs at the beginning of the second quarter of 2008.

BlueNext is pursuing a three-pronged strategy:

- > **Expand the product range.** In 2008, alongside BlueNext Spot EUA, the leading European spot contract for trading EU emission allowances, BlueNext plans to launch BlueNext Spot CER, a contract on Kyoto credits. This depends on the possibility of linking Europe to the International Transaction Log, which connects all national registries. As well as BlueNext Futures EUA and BlueNext Futures CER, they plan to launch two futures contracts for allowances and credits (in the second-quarter). It also intends to develop a range of environmental products on other underlyings, such as weather risk.
- > **Extend the business to Asia and North America.** NYSE Euronext's international network of marketplaces and members will give BlueNext a decisive advantage in setting up a global market to address the planet-wide issues arising from the Kyoto Protocol and regulatory developments in North America and Asia. These efforts will build on the pioneering initiatives taken by the European Union since 2005.
- > **Reach a global clientèle** in the energy and financial communities.

The new products, BlueNext Futures EUA and BlueNext Futures CER, will be traded on Trayport's Global Vision, the system used on the spot market and trading will be guaranteed through LCH.Clearnet SA.

LCH.Clearnet SA will enable its Clearing Members to benefit from significant cost reductions thanks to the use of an industry-standard clearing tool for derivatives products.

In a first stage, LCH.Clearnet SA's membership structure will be open to market participants (banks and investment firms) already connected to LCH.Clearnet SA's derivatives clearing system.



LCH.Clearnet and Nymex - An exciting Alliance



LCH.Clearnet and the New York Mercantile Exchange announced on 6 March 2008, that they have signed a Heads of Terms to introduce a broad range of global energy products.

The alliance between LCH.Clearnet and NYMEX brings together LCH.Clearnet's well-established European clearing house with NYMEX's expertise and depth of market. The agreement will offer market participants a new and distinct slate of OTC and futures products for clearing through LCH.Clearnet. This initial slate will encompass the global benchmark oil contracts, including WTI, Brent and Gasoil, as well as key natural gas and electricity contracts.

Customers and market participants will be able to obtain substantial benefits including improved capital and operational efficiencies through wider execution capabilities, broader credit intermediation and margining benefits.

Once trades have been submitted and matched, they will automatically be routed to clear at LCH.Clearnet. The contracts will be listed for trading on the CME Globex® electronic trading system and on NYMEX ClearPort® for submission for clearing. They will be cleared by LCH.Clearnet using existing and widely distributed clearing technology, thus optimizing operational efficiencies for market participants.

The contracts are expected to begin trading and clearing in mid-2008, pending regulatory approval. Both Nymex and LCH.Clearnet will be working actively with customers and market participants in advance to prepare for the launch and will be issuing regular updates as details become available.

For further information >

please visit: www.nymexonlchclearnet.com



ESES: commentary by Frédéric Germain,

Director - Operations
Euroclear France

the first example of cross-border consolidation of
settlement and delivery platforms in Europe



euroclear

→ Echo: Can you bring us up-to-date on the Euroclear Settlement for Euronext-zone Securities (ESES) project?

Frédéric Germain: the second phase (Stream 2) of the ESES project was carried out with no major incidents following the connection of ESES to TARGET 2 and after taking on board functionalities linked to the new project of global guarantees management (3G), developed by Banque de France.

The ESES platform opened at 5am on Monday 18 February 2008 and the first flow from ESES to TARGET 2 went as planned. Launched on 26 November 2007 in France, the first phase (Stream 1) represented an important step in the consolidation of the French, Belgian and Dutch Central Securities Depositories' platforms into a single platform. This launch was accompanied by the replacement of Relit+ by RGV.

→ Echo: What are the main objectives?

Frédéric Germain: the ESES project is the response provided at the settlement and delivery level to the consolidation of the French, Belgian and Dutch trading and clearing platforms, in accordance with the Euroclear Group's Business Model. By using the Single Settlement Engine (SSE) as a basis, ESES associates elements of the future unique platform (Single Platform) with elements of its Communication Interface (CCI) and with temporary adaptations of RGV, Euroclear France's settlement and delivery platform. ESES is the result of assiduous work on behalf of Euroclear's teams along with the various market infrastructures' and customers' teams which all worked closely together. ESES should also be perceived as the illustration of what can be achieved following numerous and productive consultations with market players.

→ Echo: what are the next steps?

Frédéric Germain: The Belgian and Dutch markets will join the French market on the ESES platform on 28 November 2008. ESES will settle domestic and international shares and securities on rates which stem from these three markets as if they came from a single one. Euroclear will pursue its work linked to ESES and enter into the final stage of consolidation of all the existing systems on to a unique platform for all the Group's markets, including the British and Irish markets as well as Euroclear Bank.

Rory Cunningham assumes chairmanship of EACH

Rory Cunningham, Director Strategy and Development at LCH.Clearnet, took over as Chairman of the European Association of Central Counterparty Clearing Houses (EACH) on 1 January 2008.

EACH, established in 1991, has an interest in ensuring that the evolving discussions on clearing and settlement in Europe and globally, are fully informed by the expertise and opinions of those responsible for providing central counterparty clearing services.

Rory said "I am honoured to assume the Chairmanship of EACH at this critical time for Europe's CCPs, and will do my best to represent the interests and views of all EACH members. We all continue to endure testing times as we implement the Code of Conduct and contribute to the development of TARGET2-Securities and other initiatives.

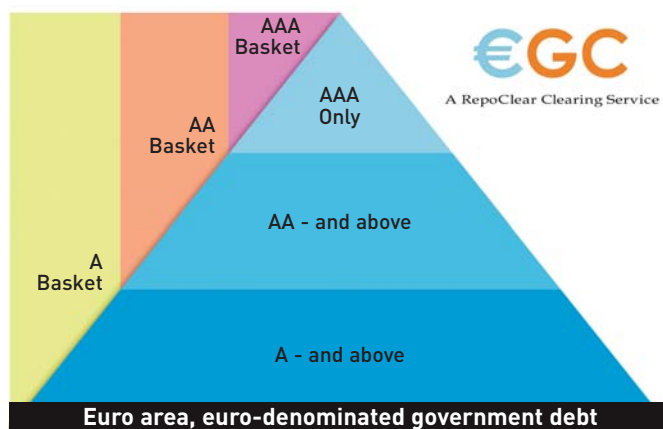
➤ RepoClear EuroGC: an innovative General Collateral Clearing Service

In early September 2007 LCH.Clearnet announced its intention to launch a new initiative clearing EuroGC, thereby bolstering significantly its suite of RepoClear services. Current intentions are to introduce the EuroGC service in Q2, 2008, alongside the already successful Sterling GC clearing facility that was launched in March 2007.

The EuroGC service is based on the clearing, netting and settlement of trades in a standardised range of European Government bond baskets, that are classified by credit rating, thereby creating a world of new opportunities for the European trading and cash/collateral management community.

The EuroGC service will be launched with three baskets each comprising euro-area, euro-denominated government debt. The three baskets are defined as follows:

- 'AAA' debt
- 'AA-' debt and above
- 'A-' debt and above



Each of the three baskets will be traded for settlement in Euroclear or Clearstream. Trading between participants that do not have triparty accounts with a common triparty agent i.e. Euroclear or Clearstream, will not initially be supported. Participants may however trade both the Euroclear and Clearstream settled baskets provided they have the appropriate settlement arrangements in place with both triparty agents. The service, based on a repo structure and executed on a cash fill basis:

- Provides a standard process for market players to address their funding needs effectively,
 - Allows market players to move collateral quickly, easily and with minimal manual intervention, and
 - Reduces the need for manual substitution since collateral delivered, as part of EuroGC will be returned to the giver on a daily basis.
- RepoClear will accept overnight, term and forward start EuroGC repo trades from any approved ATS (thus supporting anonymous trading) and matched trades that have been executed via voice brokers, or on a bilateral basis, subsequently input to RepoClear via the ETCMS system.

The EuroGC service in effect re-characterises term repo trades into a series of linked overnight settlements, plus a final repo interest payment. This has two fundamental effects:

- Optimising participants' use of collateral: by instructing settlement throughout the term of the trade, collateral is re-selected on a daily basis using the triparty agents' allocation algorithms,
- Maximising settlement netting opportunities for participants: each day, RepoClear instructs the participant's net position derived from each basket, at each ICSD, resulting from all of the trades in the basket, regardless of term.

Member testing began on 17 March 2008 with a go-live date being announced in the near future.

➤➤ EuroGC represents the introduction of a new euro-area General Collateral (GC) clearing service, signifying a step-change improvement in collateral management efficiency, commencing with a range of cash-led, euro-denominated Government bond baskets, classified by credit rating.

For more information ➤ on the RepoClear EuroGC service or other LCH.Clearnet Fixed Income services, please contact: Nick Maggs • Fixed Income Market Liaison • Email: nick.maggs@lchclearnet.com • Tel.: +44 (0) 207 426 7442 • Mob: +44 (0) 771 4850812

Customer Technical Helpdesk

So as to increase the quality of services provided to clearing members, LCH.Clearnet SA has internalised its customer technical support – the Customer Technical Helpdesk (CTH).

The CTH is in charge of:

- taking calls regarding first incidents;
- supervising and providing access means to clients;
- monitoring the issuing of information on clearing technical issues;
- supporting members implementation changes.

The CTH serves as clearing members' unique entry point for all issues or questions linked to clearing technical issues.

The Customer Technical Helpdesk remains at clearing members' disposal should they have any technical queries.

For further information ➤ Hotline: +33 1 70 37 66 00 • Fax: +33 1 70 37 65 05 • e-mail: lchclearnetsa_cth@lchclearnet.com

> LCH.Clearnet to implement CCP services on Börse Berlin Equiduct Trading



Börse Berlin Equiduct Trading will provide a pan-European regulated market offering cross-border trading services and market data. It addresses the sweeping changes being introduced by MiFID with respect to European equities which impacted all European investment firms with effect from November 2007.

To this end, in May 2007, Equiduct invited LCH.Clearnet SA to provide clearing services for transactions on Equiduct platform for securities which are already cleared today by LCH.Clearnet SA for other trading platforms, mainly NYSE Euronext.

Similarly, LCH.Clearnet Ltd was requested to become the central counterparty for transactions on Equiduct regarding securities listed on the London Stock Exchange Plc (SWX Europe Limited).

Börse Berlin Equiduct Trading will supply a platform, based on Equiduct Trading System (ETS), for investment firms to provide best execution and transparency to their clients for all equity instruments listed on the European Economic Area Regulated Markets. It will begin with a selection out of the most liquid securities as defined by the Committee of European Securities Regulators (CESR).

The Equiduct Trading market will be divided into several geographic segments, each following the trading schedule and characteristics of their home market. It will also give access to the local post-trade CCP environment for major markets, and competitive clearing and settlement solutions for other markets.

In September 2007, Börse Berlin acquired an undisclosed majority stake in Equiduct. This has not affected the forecasted launch date for LCH.Clearnet SA services, which is planned for the end of June 2008.

The aim is that clients will benefit from synergies with their existing business and processes. Postings coming from the Equiduct Trading market will be treated from a risk perspective and settlement perspective as fungible with postings from NYSE Euronext. The actual posting will need to be done on a separate position account belonging to the same clearing segment.

The fees for Equiduct transactions will be the same as the LCH.Clearnet SA fees which apply to cash markets.

> Introduction of clearing of Mediterranean and Far East Steel Billet Futures contracts on London Metal Exchange

The London Metal Exchange announced, last year, the launch of two regional, physically-delivered steel billet futures contracts in 2008: one for the Mediterranean region and one for the Far East.

The trading and prompt date structure for these contracts is identical to the LME's non-ferrous metals contracts for lead and tin, with prompt dates out to 15 months. These contracts form the first part of the LME's offering of price risk management tools to the steel industry.

The LME requested that LCH.Clearnet be ready for an earlier launch of Steel Billet Futures to start capturing trades in the 'grey' market which usually begins before the formal market launch. The steel futures contracts started trading on Monday 25 February 2008 and traded 37 lots of Far East steel billet and 96 lots of Mediterranean steel billet in the first week.

The first tradable prompt date will be the third Wednesday in August, 20 August 2008, and the last prompt date will be the fifteen-month date, 20 May 2009.

The launch on the floor of the Exchange will be carried out on 28 April. The first tradable prompt date will be the three-month date, Monday 28 July 2008.

The LME requested that LCH.Clearnet undertake work on the LME Matching Clearing System (MCS) and related systems for 25 February. Since then, transactions processed through LME Select and the inter-office telephone markets benefit from clearing procedures. All trades can be input in the Matching and Clearing System (MCS) in the same way as LME non-ferrous and plastics contracts.

Contracts are margined using London SPAN in the same way as all other LME contracts. Details of all margin obligations are included in the MCS reports as for all existing products. All margins are posted to the LCH.Clearnet Banking system and details are included in all the usual Banking reports and screens. This is a successful new step in our collaboration with the LME and we look forward to responding to their future needs.

KEY FIGURES

Treasury

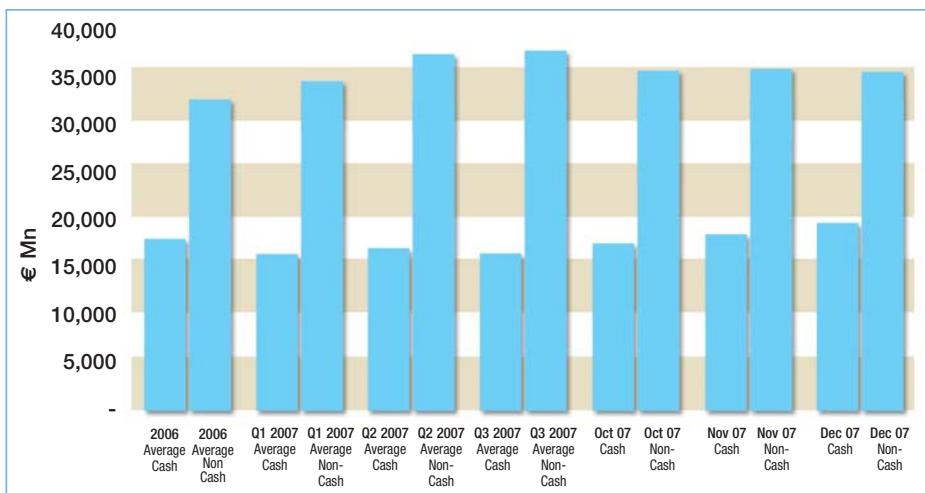
Cash funds under management within the Group have increased over the last year, there has also been an increase in non-cash collateral.

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

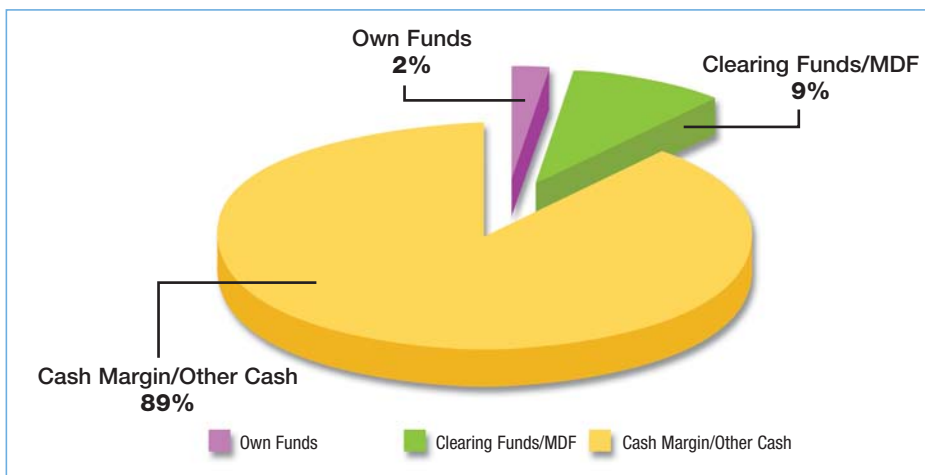
Only a very small proportion is the groups own capital base. This balance informs a highly conservative investment policy, focussing on the preservation of the capital value of these funds. Investment is therefore restricted to highly rated financial institutions, with the majority of the groups assets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

Group - Treasury Portfolio

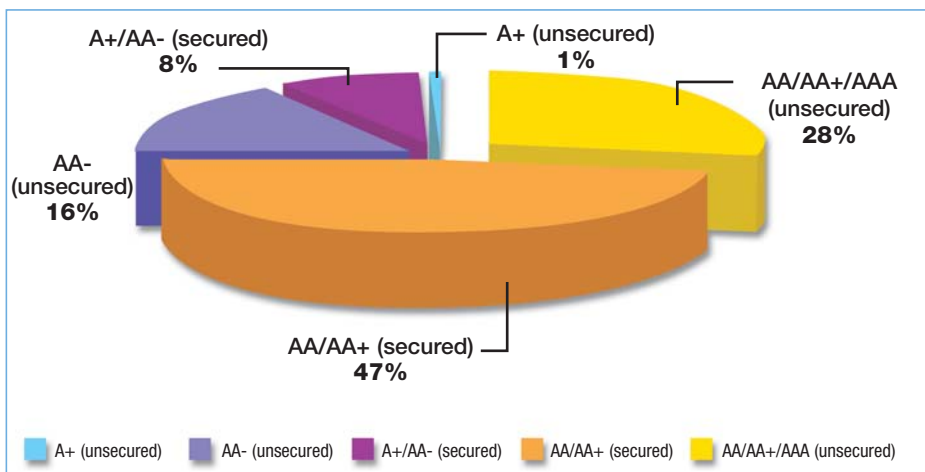
(Total Cash Collateral, Non-Cash Collateral and Own Funds Held)



Q4 2007 - Average Group Cash By Source

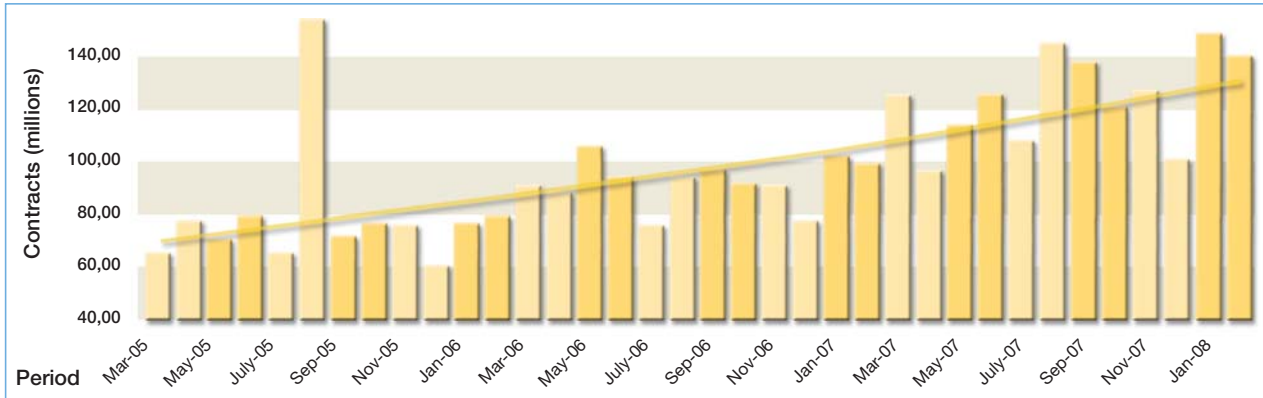


Group Investments as at December month end by Counterparty Credit Rating



Volume Statistics

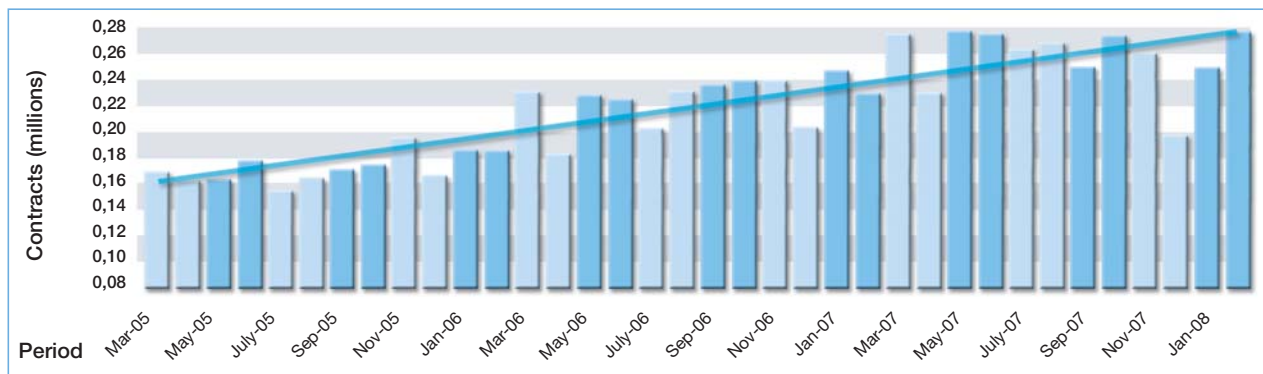
LCH.Clearnet - Futures & Options Volumes



LCH.Clearnet - Equities Volumes



LCH.Clearnet - Fixed Income & Swap Volumes



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

	February 2008	2008 YTD	2007 Total
Equities	32,641	75,579	314,013
Exchange & Commodity Derivatives	142,752	294,337	1,409,735
Fixed Income	247	490	2,913
Swaps	14	30	141
Total	175,654	370,436	1,726,801

MEMBERSHIP



New members / membership extensions

From October 2007 to February 2008

BACHE COMMODITIES LIMITED	Freight	4 January 2008
BARCLAYS BANK Plc	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
BEAR STEARNS BANK Plc	SwapClear	26 February 2008
BEAR STEARNS INTERNATIONAL Ltd	LCH EnClear OTC Energy Services: Freight Division	22 February 2008
BEAR STEARNS INTERNATIONAL Ltd	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
BNP PARIBAS COMMODITY FUTURES LIMITED	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
CANTORCO2e	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
CARNEGIE ASA	LCH EnClear OTC Energy Services: Freight Division	15 February 2008
CITIGROUP GLOBAL MARKETS LIMITED	Liffe NYSE Euronext Amsterdam, Brussels, Lisbon, Paris Derivatives markets	14 January 2008
ED&F MAN COMMODITY ADVISERS LIMITED	LME	4 October 2007
GFI GROUP Ltd	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
ICAP ENERGY Ltd	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
IMAREX	Freight Broker	14 December 2007
KBC BANK NV	EquityClear: LSE	16 November 2007
LANDESBANK BADEN-WURTEMBERG	OTC	18 December 2007
LEHMAN BROTHERS INTERNATIONAL (Europe)	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
LOUIS DREYFUS COMMODITIES SUISSE	Freight	12 October 2007
MBF CLEARING CORP	ICE	28 November 2007
MITSUBISHI UFJ SECURITIES INTERN. Plc	OTC	28 January 2008
NATIXIS	RepoClear	2 January 2008
NATIXIS SA (instead of IXIS CIB)	NYSE Euronext Paris Derivatives market	2 January 2008
NEWEDGE GROUP	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
NEWEDGE GROUP(UK Branch)	Liffe NYSE Euronext Amsterdam, Brussels, Lisbon, Paris Derivatives markets	2 January 2008
NEWEDGE GROUP (UK Branch)	NYSE Euronext Paris Cash market	2 January 2008
PALOMA SECURITIES LONDON LIMITED	Liffe (London market)	12 November 2007
ROYAL BANK OF CANADA EUROPE LIMITED	Liffe NYSE Euronext Amsterdam, Brussels, Lisbon, Paris Derivatives markets	4 December 2007
SNS SECURITIES - New Entity (Ex. FBS Bankiers)	NYSE Euronext Amsterdam Cash market	2 January 2008
SPECTRON ENERGY SERVICES Ltd	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
TFS BROKERS	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
TRILAND USA Inc	ICE Futures	11 January 2008
TULLET PREBON ENERGY	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
TULLETT PREBON UK LIMITED	Freight Broker	5 October 2007
UBS CLEARING AND EXECUTION SERVICE Ltd	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008
UBS Ltd	LCH EnClear OTC Energy Services: OTC Emissions	29 February 2008

contact



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