

## General Members Meetings

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# Single Order Book, ESES Stream 3 & LCH.Clearnet Flux Bourse

## April Members workshops feedback Testing and launch detailed arrangements

- Amsterdam: 27 May 2008
- Brussels: 30 May 2008
- Paris: 03 June 2008
- Lisbon: 05 June 2008
- London: 06 June 2008

# Agenda

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- April Members workshop feedback and launch detailed arrangements
- Fallback scenario
- Impacts relatives to SOB on derivatives « Clearing »
- Detailed testing plan

# Members workshop feedback

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## Report

- Meetings held in April in Amsterdam, Paris, Brussels and London
  - ➔ Good participation of all the members and ISVs  
74% of the market shares represented
- The common (Euroclear, Nyse Euronext and LCH.Clearnet) launch strategy principles have been well received
- Members to pay attention:
  - Reporting of positions for all CSDs in the same SIF file in case the market of reference is not in the same place as the CSD of reference
  - Members would have to put in place processes to inform their settlement agents
- Account structure management status report

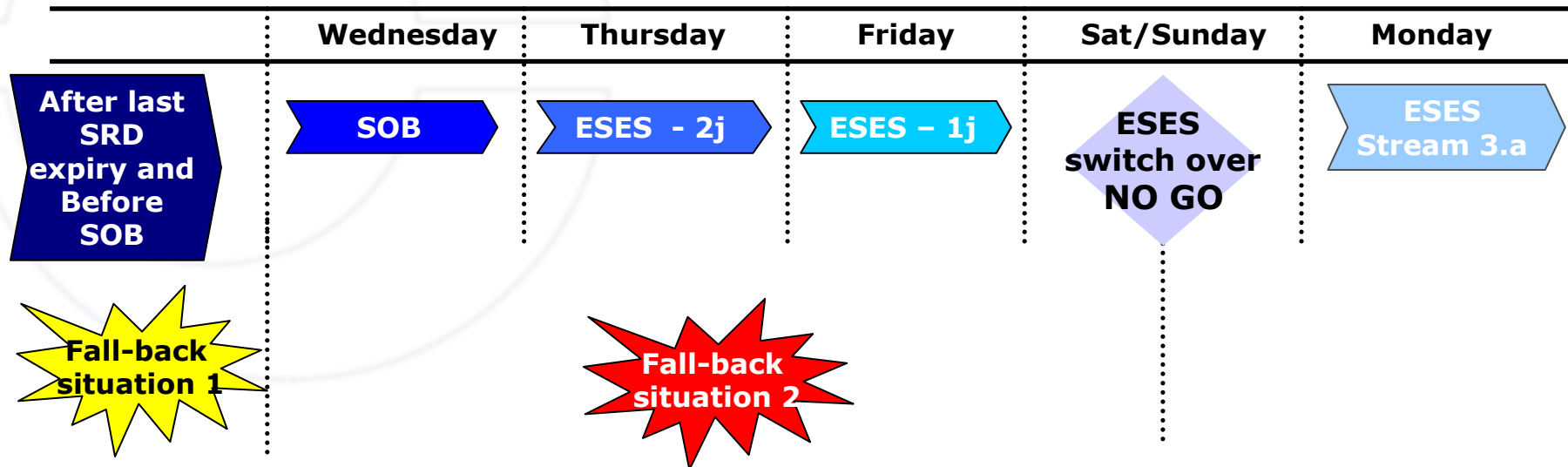
# Members workshop feedback

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## Actions/Decisions

- Conversion/Transfer of positions at the launch of ESES stream 3
  - ➡ Initial ISD will be maintained on the migrated positions
- Currency conversion during the Launch of ESES stream 3
  - ➡ Converted currency will be mentioned in the book entry
- Black windows
  - ➡ No change in account structures from 2 weeks before and until 2 weeks after Launch

## 2 Fall back situations



### Fall-back situation 1



No Impact on Members

- ⦿ LCH.Clearnet postpones SOB/ESES stream3 launches operations
- ⦿ NYSE-Euronext does not intend to reintegrate SRD products

## Fall-back situation 2

(1/2)



- No update to:
  - CSDs of reference (planned on Friday)
  - Members' account structures
- Multi listed securities
  - "Delisted" securities re-authorised to trading by NYSE.Euronext on next trading day
  - No conversions/transfers of positions (No launch book entries)
  - Positions related to trades made from SOB launch would be cleared on the clearing segment = new market of reference for the security (still under study)
- SIF files reports of Friday (positions to settle on Monday) will remain the same as now
- Members must pay attention
  - LCH.Clearnet requests Members to have a clearing solution linked to a settlement solution (according to the rule book section 1.4.2.5)
  - In case that few Members would not have a clearing solution
    - Manual workaround solution would have to be found to settle positions for the trades made since SOB launch
      - Use temporary the services of another clearing Member
      - LCH.Clearnet would give support to Members concerned to find the solution

## Fall-back situation 2 (2/2)

- ⦿ A Crisis management committee would be immediately setup with all the entities of the market
- ⦿ Information in due time to Members
- ⦿ Members' reports and files might be delayed

# Derivatives clearing & SOB

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## Single Order Book principles on **CASH** market:

- ▣ No more multi trading on security
- ▣ 1 market of ref per security
- ▣ 1 CSD of ref per security

### Principles

- LIFFE's multi listed equity options will remain multi listed after SOB
- The implementation of SOB project on the cash market will impact the derivatives market, as far as equity option exercise is concerned
- Only few multi listed equity options are concerned

# Derivatives clearing & SOB

## Option classes impacted (to be confirmed)



	AMSTERDAM	BRUSSELS	PARIS
FORTIS	FOR	FRB	
AIR FRANCE	AFA		AF1 - American style AF2 - European style
ARCELOR MITTAL	MT		MI1 - American style MI3 - European style
DEXIA		DXB	DX1 - American style DX2 - European style
NYSE EURONEXT	NYE		NY1 - American style

## Reminder of existing codes



Market place	Financial market	Code id.	Financial market	Code id.
☑ PARIS	DERIVATIVES	274	CASH	025
☑ BRUSSELS	DERIVATIVES	280	CASH	278
☑ AMSTERDAM	DERIVATIVES	281	CASH	279

# Derivatives clearing & SOB

## Example: Fortis option

TODAY 

DERIVATIVES MARKET

Overlying

AMSTERDAM

FOR

BRUSSELS

FRB

EXERCISES/ASSIGNMENT EXERCISES/ASSIGNMENT

CASH MARKET

Underlying

AMSTERDAM

FORTIS shares

BRUSSELS

FORTIS shares

DERIVATIVES MARKET

Overlying

AMSTERDAM

FOR

BRUSSELS

FRB

EXERCISES/ASSIGNMENT EXERCISES/ASSIGNMENT

CASH MARKET

Underlying

BRUSSELS

FORTIS shares



AFTER SOB

# Derivatives clearing & SOB

Creation of new links between derivatives and cash markets at LCH.Clearnet's level



## DERIVATIVES MARKET

## CASH MARKET

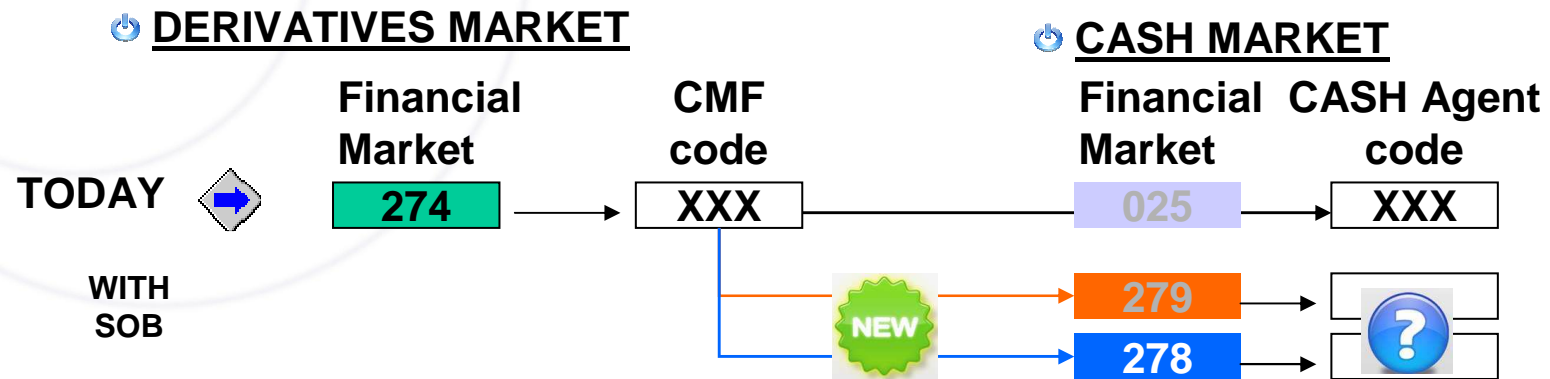


# Derivatives clearing & SOB

## Definition of cash agents for each CMF active on derivatives



- Example: a CMF is active on Paris only



- CMF: XXX will have to choose a cash agent who will receive and manage the cash position resulting from exercises and assignments on equities.
- The cash agent can be the same across markets or a cash member already active on the dedicated financial market.
- If a member is already a cash agent on all financial markets, he can be the cash agent for all financial market.

# Derivatives clearing & SOB

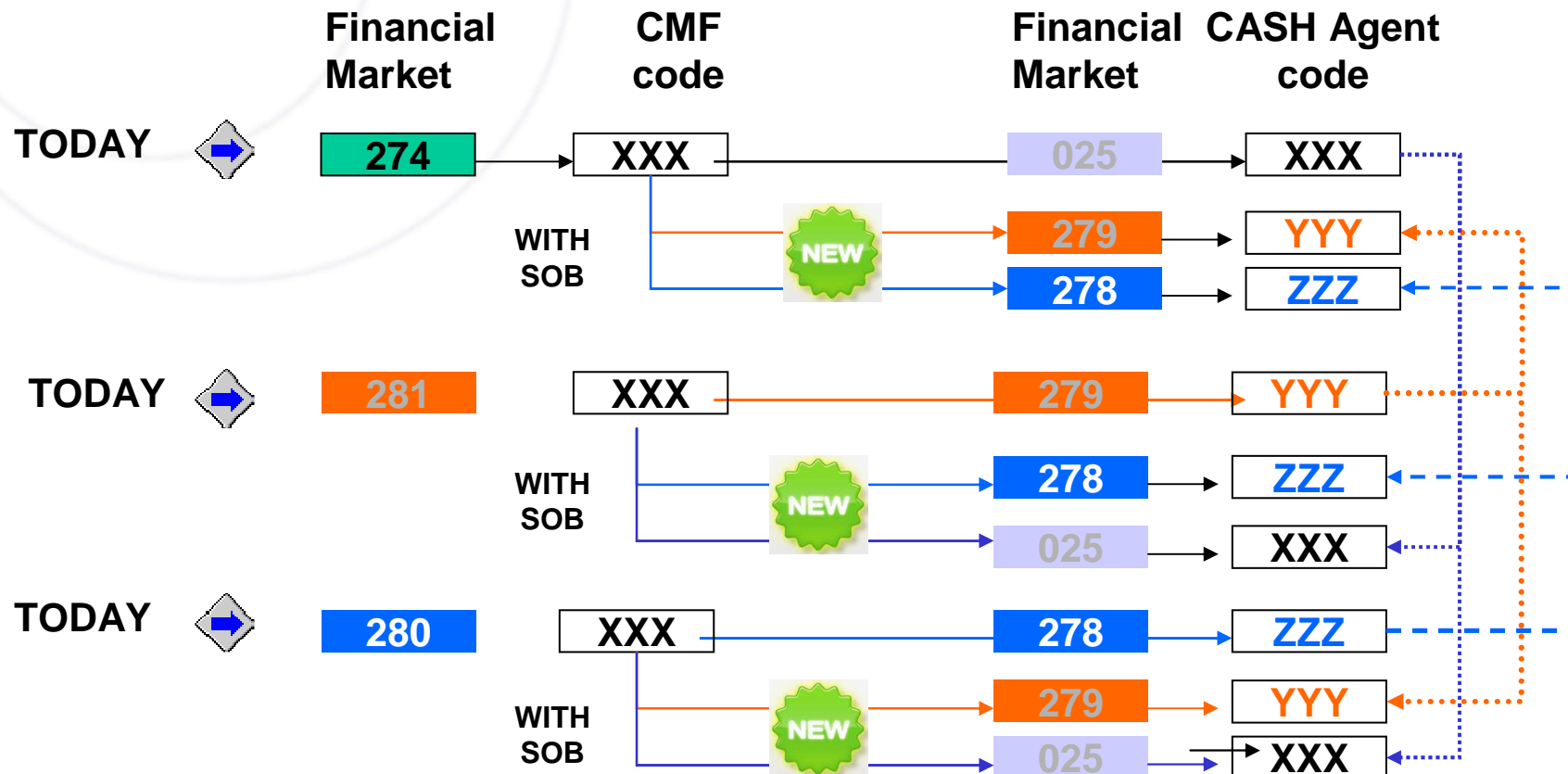
## Duplication of links for each CMF active on derivatives



Example: a CMF is active on all market places with a dedicated Cash agent

### DERIVATIVES MARKET

### CASH MARKET



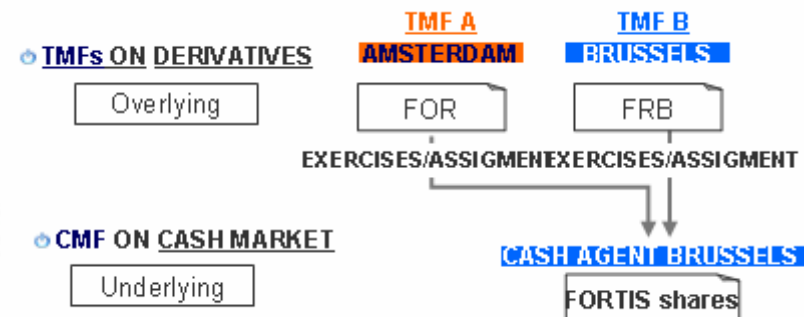
# Derivatives clearing & SOB

## Impacts

- Members' side
  - Additional agreements between derivatives members and Cash agents
  - To be planned
    - Ex: a member active on French derivatives has to have an agreement with a cash member active on the Belgian and Dutch clearing segments
- LCH.Clearnet side
  - The option classes impacted by the change of underlying will be isolated in a dedicated financial market

### HIGHLIGHT POINT:

Reconciliation process between Cash and Option following exercises & assignments



# Detailed testing plan

## Overview

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### Reminder of general principles

- Mandatory « End to end testing » in free test mode
- 2 Launch rehearsals
  - Organised at week-ends
  - Definitive milestones details will be sent 2 weeks before the rehearsal
  - Communication via Info flashes and SMS messages for all relevant events
  - Regular check points between NYSE.Euronext, Euroclear and LCH.Clearnet
  - PR3 file expected to be sent around 11:00pm on Friday evening
  - SIF/BIF files expected to be sent on Saturday around noon
  - LCH.Clearnet support available on Saturday (all day) and potentially on Sunday if needed
  - Clients feedback requested on Saturday afternoon
- 4 Monitored tests to ease the conversion/transfer of positions scenarios
  - ➡ Launch book entry management
- Script test periods: ➡ Prepare launch rehearsals with guidelines
- Free tests periods: ➡ Use these periods to pursue the script tests and to process your own test cases
- Corporate events on the 3 markets will be processed at the clearing level

# Detailed testing plan

## Overview

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### Members' involvement

- Member participation is **mandatory** for each of the 2 launch rehearsals and in script/free test periods
  - Tests Contacts
  - Week-end launch rehearsal contacts
  - Members' test results checklist expected after each check point
  - Final Member readiness checklist returned must be signed
- } Expected end of June



# Detailed testing plan

## Principles

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### Monitored tests

- To get used to the management of launch book entries
- 4 main functional scenarios created to aid Members
  - Fails Positions Transfer Linked to SOB
  - Currency conversion of fails
  - Fails Positions Transfer Linked to change of QTY type
  - Change of CSD of reference
- Trades injected at the clearing level per Member and per test case:
  - 1 trade/member 3 days before SOB launch on “delisted” securities
  - 1 trade/member on SOB launch day on the security selected as market of reference
- Balances initialised to 0 in EF, EBE and EB
- Quantity to trade on Amsterdam market to get fails, balance to be checked in ENL
- Trades injected 3 days before SOB launch will be returned failed
- Positions are converted/transferred (LDE and LCR)
- Members validate and/or integrate the book entries from SIF files into their internal applications

# Detailed testing plan Principles

## Monitored tests scenarios: July 2008

TRADES									TESTING SCHEDULE													
Trade #	Test case #	Test case	Clearing segment	Trading instrument	ISIN code	Qty	Price	Buy/Sell code	TESTING SCHEDULE													
									JULY 2008					AUGUST 2008								
									24	25	26	27	28	29	30	31	1	2	3	4		
1	1	Currency conversion	AMSTERDAM	US1941621039	US1941621039 COLGATE PALMOLIVE	2000	46 €	B		Trade						Fail		Pos. Trans.	Check SIF			
2	PARIS		NSCFR0COLGP3		1000	51\$	S											New pos.				
3	2	Place of CSD different to trading one	AMSTERDAM	NSCNL0122107	ANN757371433 RORENTO	2000	43	B		Trade						Fail		Pos. Trans.	Check SIF			
4			BRUSSELS	NSCBE012107		1500	43,2	S												Pos. Trans.		
5			PARIS	ANN757371433		1000	43,1	B													New pos.	
6	3	Qty type change UNT to FMT	AMSTERDAM	NL0000118594	NL0000118594 ING GROEP 6 1/8% 11	2000	104%	S								Trade		New pos.	Check SIF			
7			PARIS	NSCFR00IG61P6		1000	103%	B										Fail			Pos. Trans.	
8	4	Position transfers linked to SOB	BRUSSELS	BE0003853703	BE0003853703 MONTEA	2000	34	B								Trade		New pos.	Check SIF			
9			PARIS	NSCFR0MONTP1		1000	31	S										Fail			Pos. Trans.	

# Detailed testing plan Principles

## Monitored tests scenarios: October 2008

TRADES									TESTING SCHEDULE												
Trade No	Test case No	Test case	Clearing segment	Trading instrument	ISIN code	Qty	Price	Buy/Sell code	OCTOBER 2008												
									9	10	11	12	13	14	15	16	17	18	19	20	
									SOB -3					SOB -1	SOB launch	ESES -2	ESES -1	ESES Launch	ESES Launch	ESES	
1	1	Currency conversion	AMSTERDAM	US1941621039	COLGATE PALMOLIVE	2000	46 €	B		Trade					Fail		Pos. Trans. ↓	Check SIF			
2			PARIS	NSCFR0COLGP3		1000	51\$	S							Trade				New pos.		
3	2	Place of CSD different to trading one	AMSTERDAM	NSCNL0122107	ANN757371433 RORENTO	2000	43	B		Trade					Fail		Pos. Trans. ↓	Check SIF			
4				BRUSSELS		NSCBE012107	1500	43,2	S						Fail				Pos. Trans. ↓↓		
5				PARIS		ANN757371433	1000	43,1	B							Trade				New pos.	
6	3	Qty type change UNT to FMT	AMSTERDAM	NL0000118594	ING GROEP 6 1/8% 11	2000	104%	S						Trade			New pos. ↑	Check SIF			
7				PARIS		NSCFR00IG61P6	1000	103%	B		Trade					Fail				Pos. Trans. ↑	
8	4	Position transfers linked to SOB	BRUSSELS	BE0003853703	BE0003853703 MONTEA	2000	34	B						Trade			New pos. ↑	Check SIF			
9				PARIS		NSCFR0MONTP1	1000	31	S		Trade					Fail				Pos. Trans. ↑	

# Detailed testing plan

## Principles

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### Script tests at the clearing level (1/2)

- Free test mode
- Dedicated support on a sample of multi listed securities:
  - Trading side
    - Order entry at TMF level
    - NYSE.Euronext assures the liquidity at the end of the day
    - On request, exceptional trading support by NYSE.Euronext
      - Order entry scenario to be sent to NYSE.Euronext one week before execution
      - Last reference price of production recommended for order entries
      - Scenario limited to 10 orders maximum
      - Service available 2 weeks before and after launch to be defined
  - Clearing
    - Dedicated Member support team
  - Settlement
    - Balances initialised in EF, EBE and EB

# Detailed testing plan

## Principles

### Script tests at the clearing level (2/2)

- Multi listed securities selected depending on the functional characteristic changes before/after ESES

Event before/after ESES stream 3	Multi listed securities impacted in production	TO GET FAILS		TO GET SETTLEMENT	
		- Balances set to 0 at EF, EBE and EB - Balances to be checked and managed by Members in ENL to get fails		- Balances set to 1000 in EF, EBE and EB - Balances to be checked and managed by Members in ENL to get settlement	
		ISIN Code	Description	ISIN Code	Description
Change of currency	< 15	AN8068571086	SCHLUMBERGER	JP3973400009	RICOH
Change of qty type FMT to UNT	< 10	FR0000481616	SNCF 5 7/8%10	FR0000491367	EDF 5%09
Change of qty type UNT to FMT	< 15	NL0000288918	Vastened Retail	IE00B14X4M10	iShares MSCI North America
CSD and Market of reference not on the same place	<5	XS0087184312	DRB 5 1/4%09	IE0008470928	ISHARES STOXX 50
Multi listed sec. where market of reference becomes Paris	< 40	FR0000062796	Vranken Pomery	FR0000133308	FRANCE TELECOM
Multi listed sec. where market of reference becomes Brussels	< 20	BE0005587580	DEXIA strip	XS0290764728	ORCOBSAAR0314
Multi listed sec. where market of reference becomes Amsterdam	< 100	GB00B0CTWC01	ETFS Brent Oil	NL0000289213	WERELDHAVE

# Detailed testing plan

## Next steps

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### Documentation

- Detailed testing guide available soon
- Documentation available: <http://www.lchclearnet.com/projects/eses/default.asp>

# Detailed testing plan

## Support

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### Contacts

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