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# ESES – TARGET 2

## Clearing of Luxembourg Stock Exchange

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## LCH.Clearnet



- GMM Amsterdam : 26 June 2007
- GMM Brussels : 27 June 2007
- GMM Paris : 29 June 2007
- GMM London : 03 July 2007
- GMM Lisbon : 05 July 2007

# Agenda

## 1 ESES PROJECT & LCH.Clearnet

ESES phase 1

ESES phase 2

## 2 TARGET 2 & LCH.Clearnet

Project status

Testing phases report

Next steps ...

## 3 Clearing of Luxembourg Stock Exchange

Scope of the project

Stakes

Customers impacts

Roadmap

## 3 CCW replacement



# Agenda

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## 1 ESES PROJECT & LCH.Clearnet

ESES phase 1

Members testing status report

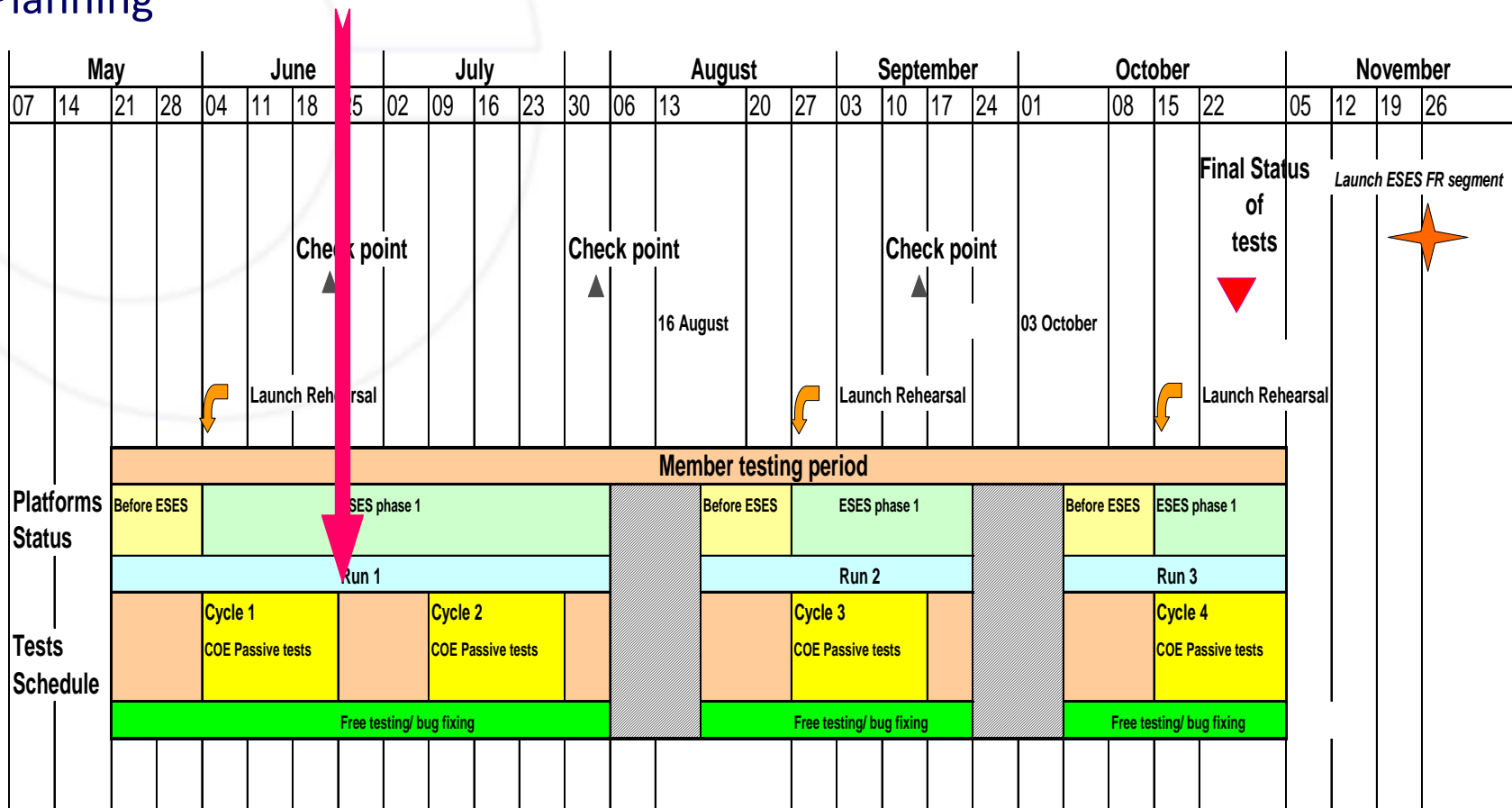
Launch strategy

Members account structure in production



# ESES Tests phase 1

## Planning



 Technical closure

# ESES – Members Testing status report

## 1st launch rehearsal

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### The clearing objective:

The 1<sup>st</sup> rehearsal was mandatory for members that requested changes in their account structures & the ISVs.

- All required participants were on board → 9 members and 2 ISVs

### Status : LCH.Clearnet's point of view



- LCH.Clearnet processes were satisfactory except for the difficulties to produce the PR3 file ⇒ solved on following Monday
- We were in line with the expected milestones
- Good coordination with Euroclear
- No call from members on Friday evening
- On Saturday, work in close collaboration with members and ISVs ...



Thank you all

...

# ESES – Members Testing status report

## 1st launch rehearsal

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Status : Members feedback



- All members and ISVs involved have successfully performed their rehearsal despite 1 member for whom the account structure was not correctly setup in Euroclear and LCH.Clearnet systems
- Members and ISVs provided a very detailed and accurate feed back of their internal process.



**To conclude:**

The 1<sup>st</sup> rehearsal will enable all participants and LCH.Clearnet to adjust the detailed processes and to evaluate staff needs for the **real switch over...**

# ESES – Members Testing status report

## Passive test Cycle 1 – LCH.Clearnet assessment

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### Test scenario run:

- Info given on short notice (Changes on 2 ISIN codes)
- Slight tuning for some trades on prices and quantities
- SRD trades (technical issue) solved but only 2 test cases were performed
- COE action successfully performed except the “DRAW” process code 14

### Connectivity with the CSDs platforms:

- Difficulties to connect with ENL/EBE/EB (triggered “Euroclear ref.” field not to be indicated) but fully effective from 13 June

▲ EBE platform closed since 18 June due to the “Belgian dematerialisation” project

### Reporting status:

- SIF: Record 60 & 70 missing one day then solved
- SIF: Record 30: sometimes not correct (detected after application of the COE type 17)
- PR3 file: 1 small defect (1 data is badly initialized 0 binary instead of blank)

⇒ Will be fixed for cycle 2

- All messages are OK

# ESES – Members Testing status report


## Passive test Cycle 1

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Status : Members' feedback

 13 Members gave us a regular status during the tests

- Accurate checking for all
- No major problem reported

 Other Members are sending back their statuses and at this stage, there are no blocking issue



To conclude: Globally good result for the 1st cycle

# ESES – Members Testing status report

## Passive test Cycle 2

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### Reminder of the objective:

- To get used to the new COE management and integrate these changes in the internal applications

### Reminder of the principle:

Each cycle is based on the same set of test cases on all clearing segments

- Dedicated securities for the COE application

▲ Trades are injected by LCH.Clearnet

### Readiness criteria:

- You are able to integrate the messages and files
- You are able to proceed all data in your internal system
- You are able to proceed all COE applications

**Passive testing  
mandatory until  
readiness criteria reached**

# ESES – Members Testing status report

## Passive test Cycle 2

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... LCH.Clearnet expects all members on board ... .. LCH.Clearnet expects all members on board ...

### Free testing:

- To use this period to pursue the testing and to process your own test cases.

### Passive testing: Cycle 2 from 6 July until 26 July

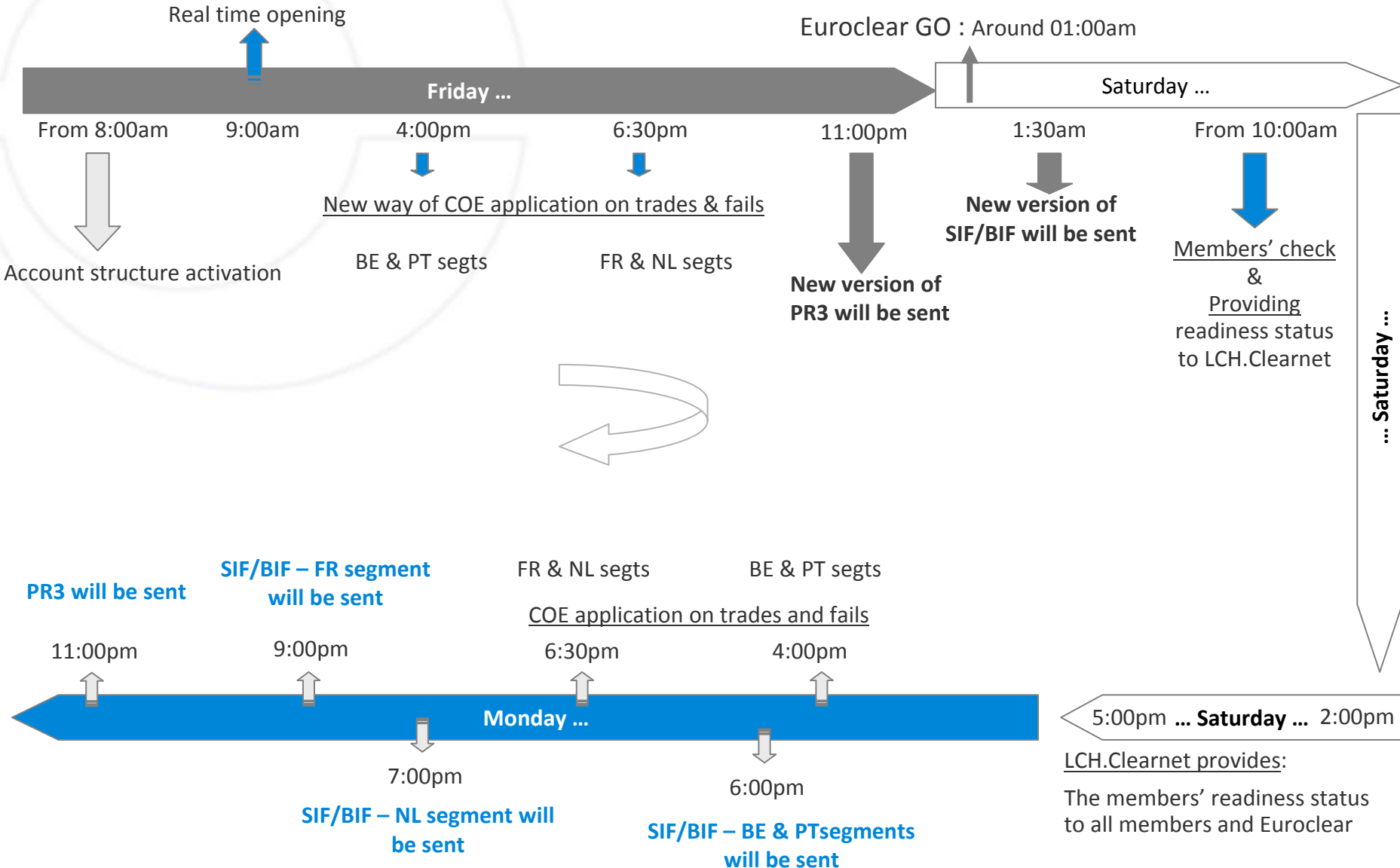
- To process once more all COE actions or to process the ones not successfully performed during the cycle 1.
- LCH.Clearnet, will run all test cases once more taking the discrepancies detected in the previous cycle into account . Details on COE for Cycle 2 to be provided around 29 June

### 2<sup>nd</sup> Launch rehearsal: 24/25 August 2007

- Mandatory for all members that have not yet reached the readiness criteria

# ESES

## Launch strategy phase 1



Let's assume a NO GO from Euroclear ...

(very unlikely due to the 3 market launch rehearsals performed previously)



LCH.Clearnet will maintain its installation in its new version:

⇒ Messages & Files in their new version will be disseminated

# ESES – Membership account structure in production

## Black window reminder:



Start date	End date	platform	Description
01 / 05 / 2007	10 / 12 / 2007	Production	Creation of new CMF Modification / creation of settlement agent
12 / 11 / 2007	10 / 12 / 2007	Production	Creation of new TMF Membership extension for CMF / TMF TMF sponsoring link changes

## ESES phase 1 – Paris Market: **Beginning of September 2007**

Members that have requested some modifications for the phase 1 will receive their new account structure on the Paris clearing segment already set up in the homologation system.

### Before setting in the production environment

LCH.Clearnet requests from the “member’ legal contact” :

- the final confirmation,
- and the legal documents (if needed).

➔ Final confirmation expected:  
**End of September 2007**

# Agenda

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## 1 ESES PROJECT & LCH.Clearnet

ESES phase 2

Membership extension

New fees grid

Members testing

ESES & SOB launch strategy



# ESES phase 2

## Membership extension

### Reminder of the context:

➊ ESES and SOB projects may impact the membership and the account structure of the CMF in the CCP.

- ESES = 1 CSD of reference per ISIN code.
- SOB = 1 Market of reference per ISIN code.



CCP system ➔ 1 market of reference = 1 Clearing Segment



TMF will be authorized on the 3 Euronext markets of reference.



The existing clearing agreement between the CMF & its TMF should be extended to the 3 Euronext markets of reference and the corresponding Clearing Segment.

# ESES phase 2

## Membership extension

### “General Access”:



To be compliant with the SOB project, LCH.Clearnet will allow members to extend their membership agreement easily on all clearing segments linked to Euronext’s markets.



LCH.Clearnet will present in June a list for approval on all Euronext’s markets to the Risk Management Meeting.

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LCH.Clearnet will send this list of Clearing Members by country to the French financial authority to grant a “General Access” on all Euronext’s markets.

# ESES phase 2

## Membership extension

Amsterdam  
Paris  
Lisbon  
Brussels

In June 2007



LCH.Clearnet will send a letter explaining the “General Access” to its members  
With this letter, it will be requested from Members not already active on all Euronext clearing segments, to indicate to LCH.Clearnet the Euronext clearing segment(s) on which they want to be active. (either directly as clearing member or indirectly by using the services of the General Clearing Member.

### ➔ Highlights

- All members will have the opportunity to be active on all Euronext markets
- The process will be transparent for the current members
- The process will be easier for new members
- A simple letter will be sufficient to activate one Euronext market

# ESES

## new fees grid

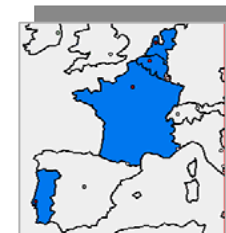
↪ LCH.Clearnet SA current Membership fees will no longer exist

Annual fixed Banding fee are created



They will give “access” to all locations

⇒ Members who wish to enlarge their membership will not have any additional charges on this side (ESES-SOB compliant).



Band		A	B	C	D	E	F
Annual fixed Banding fee*		€ 0	€ 50 000	€ 80 000	€ 130 000	€ 220 000	€ 350 000
Fee per posting	Floor	€ 0,15	€ 0,05	€ 0,05	€ 0,05	€ 0,05	€ 0,05
	Rate	0,0050%	0,0040%	0,0038%	0,0036%	0,0034%	0,0032%
	Cap	€ 1,00	€ 0,60	€ 0,60	€ 0,60	€ 0,60	€ 0,60

### Choice:

- Each clearing member can buy a Band of its choice
- A Member can upgrade its band at regular stages throughout the year

Starts 1 October 2007, for initial 3 months,  
Then,  
Annual from 1 January 2008.

# ESES

## Members testing – phase 2

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ESES phase 2... functional Scope from LCH.Clearnet side ...

➔ **No change** in LCH.Clearnet ... ..

- All features have been implemented in phase 1

However...

- Members must test their new account structure in the test environment
- Launch rehearsal will be mandatory for members
- Full chain tests from trading to settlement must be performed (SOB)

➔ **Members' consultation: End of July 2007 ... All locations ....**

- Working group with pilot members will be planned to define the appropriate way of testing.

# ESES & SOB

## Launch strategy

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ESES phase 2... Single Order Book ...

SOB will start 3 days before ESES and let's assume a NO GO from Euroclear ...

All participants involved have to go back and all positions opened with SOB should be regularized.

➔ At this stage, LCH.Clearnet is studying this point jointly with Euroclear and Euronext

### ESES ... next steps ...



GMM end of September

- Tests status report
- Go live preparation (phase 1)
- Testing (phase 2)



Documents to come

- Testing guide (phase 2)

# Agenda

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## TARGET 2 & LCH.Clearnet

Project status

Testing phases report

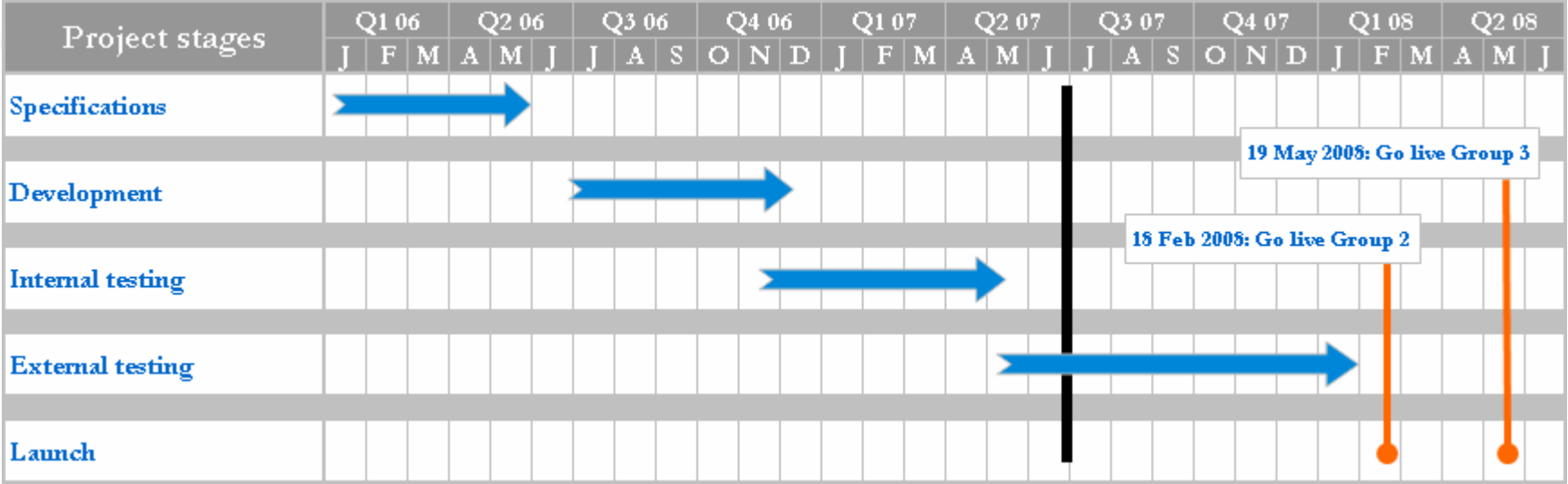
Next steps ...



# TARGET 2 & LCH.Clearnet Project status

- LCH.Clearnet Internal tests are now finalised
- External tests with Paying Agents are currently in progress

## LCH.Clearnet TARGET 2 planning:



Group 2 : Belgium, France, Netherlands, Portugal

Group 3 : Italy

# TARGET 2 & LCH.Clearnet Testing (1/4)

## Detailed planning

Tests phases	Q2 07			Q3 07			Q4 07			Q1 08		
	A	M	J	J	A	S	O	N	D	J	F	M
Connectivity free tests		➡										
Connectivity certification tests			➡									
Interoperability free tests		➡										
Interoperability certification tests			➡									
Country free tests				➡								
Country certification tests							➡					
Business day free tests						➡						
Business day certification tests								➡				

- ➡ Free tests with Paying Agents
- ➡ LCH.Clearnet certification tests

# TARGET 2 & LCH.Clearnet Testing (2/4)

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## Test phases reports & status

### Figures:

41 Paying Agents

97 Contacts

First free testing phase completed and satisfactory with 2 critical players

Second free testing phase underway with 18 Paying Agents

Third free testing phase announced with 41 Paying Agents

# TARGET 2 & LCH.Clearnet Testing (3/4)

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- Connectivity free tests

LCH.Clearnet is able to connect the Single Shared Platform, Information and Control Module with the Web-station, and performed FIN exchanges successfully.

We are now ready for the connectivity certification test.

- Interoperability free tests

Underway, 18 Paying Agents are currently involved and they could:

- Verify if flows are correctly debited or credited to their RTGS accounts in line with the ancillary system and the FIN messages transmitted by LCH.Clearnet
- Check their treasury reports

We are investigating some registration issues with the Euro-system, for few members, but we are ready for the interoperability certification test ahead of time.

# TARGET 2 & LCH.Clearnet Testing (4/4)

- LCH.Clearnet Certification tests

Connectivity certification tests

Interoperability certification tests



To be scheduled with Banque de France

- Country free tests

41 out of 67 Paying Agents did provide LCH.Clearnet with their test BIC codes.

These tests are not mandatory, but we recommend all Paying Agents to test with LCH.Clearnet, by sending us their test BIC codes.

This phase is the one that allows to test the Straight Through Processing functionality (STP), enabling you to split out your client's flows.



At the moment, there is a Euro-System bug on this functionality, but we expect Euro-System to correct it before we start testing.

# TARGET 2 & LCH.Clearnet

## Next steps

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### Target 2 ... next steps ...

- Free tests feedback
- LCH.Clearnet Certification tests
- Production BIC codes collection (Paying Agents & Paying Agents' clients)
- Next GMM ...

# Agenda

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## Clearing of Luxembourg Stock Exchange

Scope of the project

Stakes

Customers impacts

Roadmap



# Clearing on Luxemburg Stock Exchange

## Scope:

- Implement LCH.Clearnet clearing services, for the "Luxembourg Stock Exchange" markets, with a settlement on Euroclear Bank only in a first step.
- Guaranteed and non-guaranteed transactions .
- 19 trading Member Firms, 4 already settling in Euroclear Bank.

## Stakes:

- 42000 products listed on the Luxembourg Market representing 60% of the bonds traded in Europe and 4100 issuers over 100 countries.

May 2007 figures

Type	Euro (incl. IN currencies)	15 selected currencies	TOTAL
Corporate Bonds	16 845	10 118	26 963
Governmental & Sovereign bonds	980	1 364	2 344
Shares	61	239	300

# Clearing on Luxemburg Stock Exchange

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## Customer Impacts:

- Trading member firms are not familiar with the clearing process.
- Timing for setting-up together CMF and TMF (mid September).
- A new dedicated clearing segment for “Luxemburg” is created.

## Roadmap:

- Go-Live 8th December 2007.
- Member’ testing period, from 22nd October to 7th December 2007.
- Account structures to be returned for the 15th September.

# CCW replacement project

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- CCW replacement: 800 workstations to replace
  - The commercial name of the the new solution is: eCCW (Central Counterparty Webservices)
- Main principle
  - eCCW Server access by URL (4)
  - Testing platform cash & derivatives
  - Production platform cash & derivatives
  - Access by eCCW card (completely secured by RSA Secure ID)
  - Access by user ( name, surname)
  - Each clearing member nominate one eCCW Security Administrator (EMSA)
- Actions underway & to come
  - Dedicated order form and technical documents (Token & infrastructure) to be sent this week
  - Member answers awaited before end of July 2007
  - Send eCCW access cards as of September 2007
  - Members testing phase will start on October 2007

# LCH.Clearnet - Customer support

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## Product Implementation team

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