

Press Release

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LCH.Clearnet named "clearing house of the year" by Risk Magazine for second consecutive year

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LCH.Clearnet Group (LCH.Clearnet) has been named "clearing house of the year" for the second year in a row by Risk Magazine, in recognition of its market leading OTC derivative risk management capabilities, client-focused service and development of innovative clearing solutions.

The annual Risk awards recognise best practice and innovation in the derivatives markets. Judging criteria included risk management, client service, forward-thinking on regulatory issues and liquidity provision.

Ian Axe, CEO, LCH.Clearnet said: "We are delighted to have been recognised by Risk Magazine as a leading provider of OTC derivative clearing solutions. To receive this prestigious award for the second consecutive year is a testament to our leading risk management capabilities. We will continue to work with our clients to reduce risk, extend our broad product range and improve market transparency."

2011 has been a year of continuous development, innovation and opportunity for LCH.Clearnet.

The resilience of LCH.Clearnet's default management process was demonstrated when it managed the MF Global default, involving the transfer of approximately 300 clients' positions across a range of markets in multiple asset classes. A significant exposure was in MF Global's fixed income positions, with a combined nominal value of € 14.7 billion, which were successfully resolved in an orderly and timely manner. Across all markets, the default was managed within the MF Global margin held with no recourse to the default fund.

There were a number of notable accomplishments throughout the year for SwapClear, LCH.Clearnet's market leading interest rate swap clearing service. A technology refresh program was delivered successfully in April providing enhanced flexibility, scalability and performance. This enabled further products and services to be introduced to clearing; the range of currencies cleared was extended to 17 and in August the service became the first to revalue JPY trades using overnight index swap curves.

SwapClear was the first to launch clearing for the buy-side in 2009, prompted by the regulatory changes aimed at strengthening financial stability. Following extensive consultation with both the buy-side community and Futures Commission Merchants (FCMs), further major SwapClear enhancements were made in December to include a broader range of collateral accepted for initial margin, risk-free

compression, variable notional swaps, flexible trade submission and increased connectivity using SwapClear's ClearLink API. Since the enhancements a further \$45 billion of buy side trades have been cleared, taking the total buy side open interest to over \$300 billion. SwapClear's membership now stands at 61 with 11 clearing members and 13 FCMs joining the service since January 2011. SwapClear clears more than 50% of all OTC interest rate swaps globally and the one million trades in SwapClear have an aggregate notional principal amount of more than \$283 trillion, with a further \$89 trillion of cleared transactions removed through multilateral trade compression.

CDSClear, LCH.Clearnet's credit default swaps clearing service for four French banks has cleared €30.9 billion in notional over the last 12 months, with €58.7 billion cleared since launch in March 2010. Throughout 2011, an international clearing offering has been developed and is anticipated to launch in 2012.

LCH.Clearnet's management of sovereign risk this year highlighted clearing's critical role within the financial markets. LCH.Clearnet's approach to managing risk provided market participants with the confidence to continue trading whilst benefitting from the risk management and stability that clearing provides.

About LCH.Clearnet

LCH.Clearnet Group Limited 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, commodities, energy, freight, interest rate swaps, CDS, 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 members' 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.