

# Program and Project update

## Achievements and roadmap 2011

LCH.Clearnet SA

**13 April 2011**

# Content

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- Introduction
- Achievements Q1 2011
- Key programs 2011
- Projects 2011
- Macroplan
- Studies

# Introduction

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- As an update of the “Roadmap 2011”, this document summarises LCH.Clearnet SA’s achievements and roadmap for 2011 as at end of Q1 2011.
- This document encompasses initiatives with benefits and impacts for our Clients. Our internal initiatives are not covered by this document.
- Following client request, this document will be issued to our Clients on a regular basis.
- For questions regarding this document please contact your account manager.

Please note that this document should be treated as indicative and subject to change, not least because most initiatives remain subject to Regulatory approval.

# Achievements Q1 2011

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## Spanish debt

- Following the launch of the Spanish debt on our Bond and Repos service on 17 December 2010, we decided to further extent and enhance our service in the course of 2011.
  - Two new MTF's i.e. MTS S.p.A and ETCMS have been added to the Spanish debt service on Monday 17 January 2011;
  - The settlement instructions are settling on LCH.Clearnet SA direct account in Iberclear as from Friday 25 February 2011.
- ***For further enhancements to the service in 2011, please refer to slide 10***

# Key Programs 2011

CDS

UCS

Fixed Income and Borrowing & Lending

# CDS

**CDS Program:** CCP services for Credit Default Swaps (CDS) contracts denominated in €

## CDS : next phases

- Following the launch of our Inter-Dealer CDS Clearing offer for iTraxx indexes → next goal is to onboard more Clients in the CDS Phase 2 target phase;
- Extensive discussions are ongoing with a group of the main CDS dealers with respect to welcoming them as members and extending our service to cover: Intraday novation of trades, CDS Single Names and Buy-side participants.
- **Client benefits:** Extension of the CCP guarantee to CDS products, providing protection from counterparty risk and enabling more efficient use of regulatory capital;
- **Current status:** An enhanced version of the clearing platform, based on the T+1 novation model will be launched early May 2011. Client testing with current and new members has started on this version. New members are expected to join the service as soon as the regulatory and legal aspects have been ironed out, expected in Q3 2011.
- **Target launch:**
  - Enhanced platform: 6 May with current members and new members expected to onboard in Q3 2011.
  - Intraday novation of trades: End of 2011 (date to be confirmed).
  - Other enhancements: Roadmap is being defined with clients

# UCS Derivatives

**UCS Program:** Replacement of Cash equity / Derivatives clearing system and implementation of a harmonised cash equity model (TDN)

## UCS Derivatives

- Following the launch of UCS Cash in December 2010, we will replace the current Derivatives system by an enhanced clearing platform;
- The implementation concerns all Clearing members on NYSE Liffe derivatives and BlueNext markets. However there are no identified technical or functional impacts for Clearing members.
- **Client benefits:** UCS enables us to better serve our Clients and partners i.e. greater capacity and scalability, making it easier to increase the system's capacity to connect new platforms **more rapidly**, an enhanced modular architecture facilitating us to easily and rapidly respond to our Clients' and market partners' demands, economies of scale for exchanges with one platform serving multiple markets.
- **Current status:** A few pilot clients agreed to perform exhaustive internal tests, whilst the majority of clients can perform tests in a free testing mode. We will also perform parallel testing with the pre-production and production platform to validate the new system. The system developments are expected to be completed in April, which will trigger the start of our extensive and exhaustive internal tests. The tests with Pilot clients will take place 6 weeks prior to the launch and the free tests for all members 3 weeks prior to the launch.
- **Target launch:** 9 December 2011 (to be confirmed).

# UCS Cash – Stream 2

**UCS Program:** Replacement of Cash equity / Derivatives clearing system and implementation of a harmonised cash equity model (TDN)

## UCS – Stream 2 study

- The re-shaping of the International Markets and the accrued competitive environment have urged us to meet the market's demands and implement a full Trade Date Netting Model for the Cash equity markets we clear;
  - Implement a harmonised model on the continent in priority i.e. the current CNS model will be disconnected and a TDN model has to be implemented with Euroclear, Interbolsa and NBB;
  - We are preparing to work with settlement agents. A RFI process has already been achieved.
- **Client benefits:** TDN implementation will allow us to capture new business and to facilitate clearing of trades coming from MTFs. This will allow our Clients to generate internal cost savings through operational, technical and organisational synergies;
- **Current status:** In this new context, Euroclear, Interbolsa, NBB (National Bank of Belgium) and LCH.Clearnet are defining a set of enhancements and changes permitting such evolutions to be implemented. The study will continue in S1 2011 to assess various options and related planning.
- **Target launch:** to be confirmed

# Fixed Income and Borrowing & Lending

**FIBL program:** Covering all projects on the Bonds & Repos and Borrowing & Lending markets

## Fixed Income platform renewal

- The Kondor+ system will be replaced by new technology. Our goal is to minimise the impacts on members;
- **Client benefits:** Increase performance to cope with the growth of volumes in these markets and reduce the time to market for future developments;
- **Current status:** There is a study ongoing to decide on the new system to be used to clear the Fixed Income activity.
- **Target launch:** 2012 (date to be confirmed)

## Harmonisation of French Debt Denomination

Please refer to slide 14

# Fixed Income and Borrowing & Lending

**FIBL program:** Covering all projects on the Bonds & Repos and Borrowing & Lending markets

## Spanish government debt

- The Bonds & Repos service on Spanish government debt will be further enhanced with additional features (target solution) i.e. cash transactions, direct settlement in Iberclear and net settlement under Power of Attorney. It will allow to offer clients a similar service as the one provided on the French debt today.
- **Client benefits:** Improved and enhanced service;
- **Current status:** Discussions with Iberclear are in the final stage and client testing is expected to start mid May 2011. Further information about the service and client presentations will be provided in April 2011;
- **Expected launch:** Friday, 1 July 2011
  
- Connections to Trading and Matching platforms are due to be extended with Tullett Prebon Repo. The discussion with Tullett Prebon Repo on the planning is ongoing.
- Expected launch: 2011 => date to be confirmed.

# Fixed Income and Borrowing & Lending

**FIBL program:** Covering all projects on the Bonds & Repos and Borrowing & Lending markets

## Collateral basket with Pledge

- Clearing of cash loans secured by security basket of collateral, with the possibility to refinance with National Central Banks by pledging collateral. The initiative is supported by Euroclear as the service provider for collateral management and settlement, and by BdF as the refinancing entity.
- **Client benefits:** More liquid and secure alternative to existing traditional money market.
- **Current status:** Three parallel working groups respectively lead by BdF, Euroclear and LCH.Clearnet have been set up to define the business model and the terms and details of the service.
- **Target launch:** February 2012 (to be confirmed following the outcome of the study along with subsequent phases if any).

## SecFinex – Subsequent phases

- Following the implementation of SecFinex, we intend to enhance the service with important functionalities: Corporate Events processing, re-rates and partials (non cash collateral would be covered in a subsequent phase);
- **Client benefits:** Improved and enhanced service;
- **Current status:** SecFinex and us have agreed to undertake the second phase of the project. The project is in a start up and the planning is being finalised between the infrastructures.
- **Target launch:** End of Q1 2012 (to be confirmed following the planning assessment)

# Projects list 2011

## **Ongoing projects**

Cassiopeia – new corporate bond service  
NYSE-EN IT roadmap (UTP Derivatives)  
Harm. French Debt denomination  
Financial statements in XML format  
Electronic invoices and evidences

## **Pipeline initiative**

Liffe Asian trading hour

# Ongoing projects

2011

## Cassiopeia – new corporate bond clearing service

- European Cassiopeia Committee has expressed the need to improve transparency in the euro-denominated bond market, liquidity, post-trade services and reporting. In response to this, LCH.Clearnet SA is launching a new clearing service to support Cassiopeia approved MTFs i.e. NYSE Bondmatch and TradingScreen (Galaxy) on the Cash Equity clearing system.
- **Client benefits:** CCP service, risk management, more efficient use of regulatory capital, netting facility and settlement through Euroclear, Interbolsa and Clearstream.
- **Current status:** The test platform is open to facilitate client testing with NYSE BondMatch. The discussions with TradingScreen to add the Galaxy platform to our service are ongoing.
- **Target launch NYSE Bondmatch:** End of Q2 2011
- **Target launch Galaxy:** To be confirmed

## NYSE Euronext IT roadmap (UTP Derivatives)

- This program was initiated by NYSE Euronext in 2008. All Cash market migrations have been completed. We are following NYSE Euronext closely with their migration of the Derivatives trading system to UTP in 2011. As far as we are concerned the migration is transparent and **no impacts are foreseen for our Clients.**

# Ongoing projects

2011

## Harmonisation of French Debt Denomination

- The French market place project aims at harmonising French debt denomination with International standards. The French market place will therefore move from unit (UNT) to facial amount (FMT) processing for bonds quoted in % and which CSD of reference is Euroclear France. At the same time, the project aims at harmonising the calculation rule of the French bonds accrued coupon with the international usage i.e. commercial rounding at 7 decimals;
- The project will both impact the Cash equity and the Bonds and Repos platform. There will be limited impact for clients, as the report/files format will not change;
- **Client benefits:** Harmonisation of French bonds following international standards. The harmonisation is expected to make the French bonds markets more liquid and competitive;
- **Current Status:** We are conducting the internal tests before the start of the client tests. Pilot clients have been engaged to prepare the tests starting in May. The tests with all clients will take place in June and September 2011;
- **Target launch:** 24 October 2011.

# Ongoing projects

2011

## Financial statements in XML format

- Our financial statements are currently available for our Clients in printable and non standardised format file (txt). STP of these files is difficult and following Clients' requests, we decided to provide the financial reports in XML format using the ISO 20022 standard;
- The XML reports will be available on Clients access means in addition to the current printable reports in order to ensure a smooth implementation for our Clients;
- **Client benefits:** STP processing of Financial statements;
- **Current status:** A few modifications to the ISO 20022 standard have been requested to SWIFT in order to be able to report all financial statements data in the XML files, which lead to changes and a delay in delivery of the service. The specifications will be published to clients in April and client testing is expected to start in May 2011.
- **Target launch:** Q3 2011 – date to be confirmed in April

## Electronic invoices and evidences

- Invoices and evidences are currently sent by post to our Clients. We will improve our communication and exchange process with Clients, by implementing a new service in order to make invoices and related evidences available for members on a portal:
  - In a first phase on dematerialization of monthly invoices (signed pdf) and invoicing evidence report (xml);
  - In a second phase to have a possibility to dematerialize others communications or documents.
- **Client benefits:** Service improvement;
- **Current status:** The project has been initiated and the work is ongoing. We have conducted client survey to verify and shape the service; the supplier for the client portal has been selected after a RFP process.
- **Target launch:** Q3 2011 (date to be confirmed)

# Pipeline projects

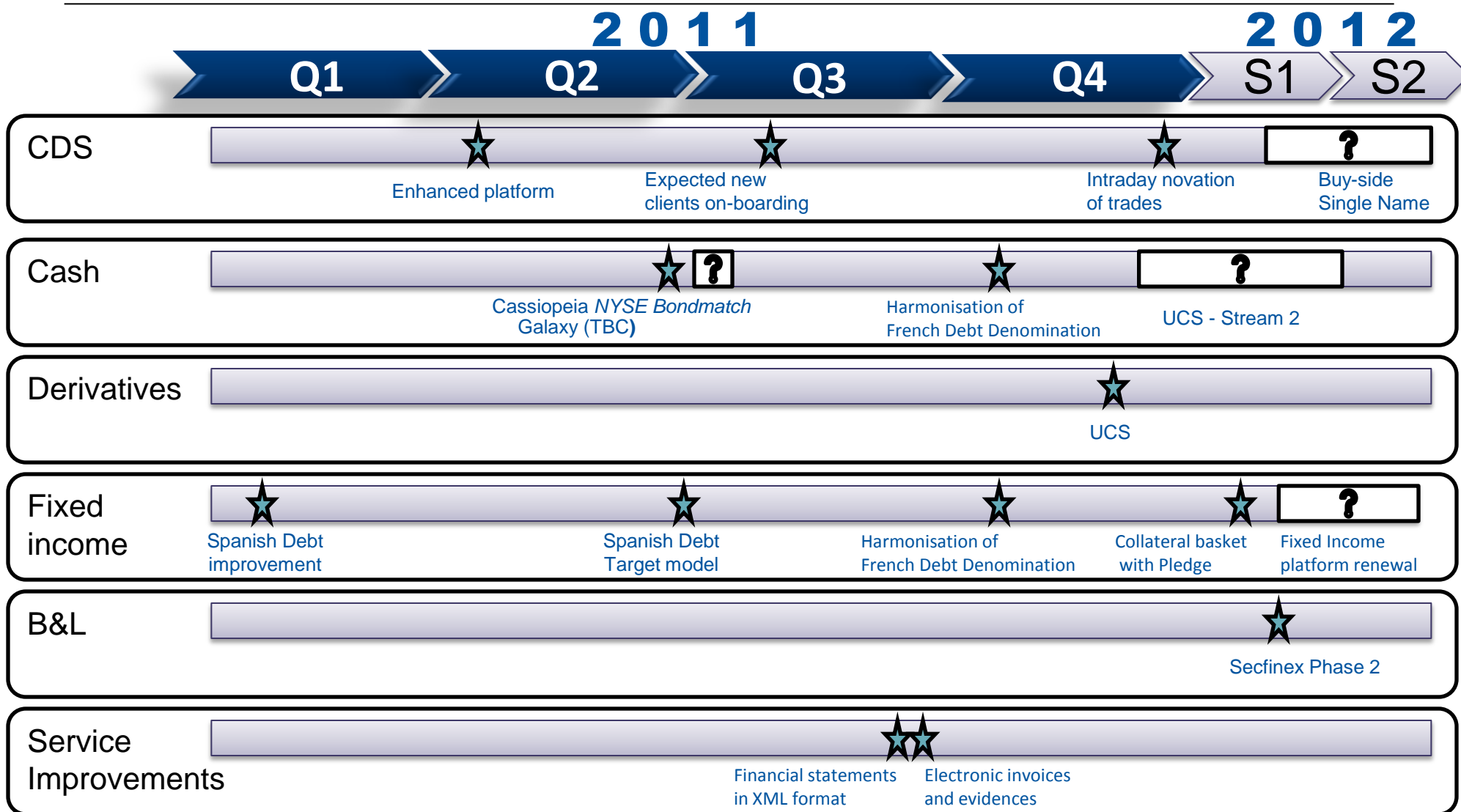
2011

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## Liffe Asian trading hours

- NYSE Liffe wishes to bring the opening times of its trading platform forward from the current time of 8:00 a.m. to 2:00 a.m. CET for CAC40 and AEX Futures;
- **Client benefits:** The project will enable Asian firms to trade on CAC40 and AEX Futures and bring additional volume and liquidity.
- **Target launch:** This project has recently been put on hold by NYSE Liffe.

# Macro Plan



# Studies

Spanish Cash equities

Equities / Indices OTC Derivatives

Target2 securities specifications analysis

European affairs

Giovannini barrier 1

Corporate Event Standard

# Studies

2011

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## Spanish Cash equities

- Spanish regulators have issued a second consultation on the implementation of a CCP on the Spanish equities market in Q1 2011, we responded to this consultation and offered our contribution. Changes in the Spanish law are required for a CCP to be launched, this change is a priority but timing is still to be confirmed (RFP expected in early 2012).

## Equities / Indices OTC Derivatives

- Following the CDS program approach, we are now thinking about enlarging our clearing service offer on other OTC markets, including Equity/Index derivatives;
- Meetings with interested clients will be held to initiate a feasibility study.

## Target2 securities specifications analysis

- T2S published its planning and one important date is December 2013 when the platform will be opened for user testing. We now have to study the interaction with T2S. To do so, we are in contact with several NCSDs partners (i.e. Euroclear ESES, Monte Titoli, Interbolsa, NBB and Iberclear).

# Studies

2011

## European affairs

- This item covers EMIR, Short selling future directive, Basel III and CPSS-IOSCO Principles, move to TD+2 settlement. We are following the developments closely and verifying the opportunities and impacts.

## Giovannini barrier 1

- In 2010 we contributed to the definition of ISO and FIX standards regarding “clearing messages” between CCP and Clearers and the definition of the “T2C” messaging between MTF,s Trading PFs and CCPs. Finally, we provided our support to the “SWIFT ISO reverse engineering” initiative to define the ISO20022 standard;
- We have leveraged this study to implement new Financial reports in 2011 (see slide 15). In the future, we should also provide ISO messages to clearers or settlement messages to (I)CSDs. The ultimate deadline should be Target2 Securities in 2015.

## Corporate Event Standard

- Euroclear ESES announced a progressive implementation of Corporate Event (CE) standards along 2011 and 2012. Priorities have been set during the summer by users (including LCH.CN SA).
- Specifications and developments are scheduled for 2011 with a deployment in production in Q4 2012 in the ESES markets.