

Program and Project update

Achievements and roadmap 2011

LCH.Clearnet SA

July 2011

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Introduction

- As an update of the “Roadmap 2011”, this document summarises LCH.Clearnet SA’s achievements and roadmap for 2011 as at end of Q2 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 H1 2011

Spanish government 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.
 - MTS S.p.A and the Matching platform 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 11***

CDS

- An enhanced version of the CDS platform, based on the T+1 model has been launched on 6 May. New clients are expected to join the service on the basis of this version of the platform.
- A market wide Restructuring Credit Event test was performed from the middle of March until early April 2011. All current and future clients have successfully participated in this “Dry-Run” that included most of the CDS clearing functionalities.

Achievements H1 2011

New corporate bond service

- Technical launch of the new corporate bond clearing service for NYSE BondMatch at the end of June.

Key Programs 2011

CDS

UCS

Fixed Income and Borrowing & Lending

CDS

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

CDS program - next phases

- Following the launch of the Inter-Dealer CDS Clearing offer for iTraxx indexes our next goal is to onboard more Clients and further extent our service;
- **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:** 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.
- New members are expected to join the service as soon as the regulatory and legal aspects have been ironed out, expected at the end of Q3 2011.
- **Target launch:**
 - New members expected to onboard at the end of Q3 2011 based on the current T+1 Clearing model up-graded with the End of Day Price Contribution;
 - Intraday novation of trades: End of 2011;
 - Other enhancements, i.e. Single Names and Buy side: 2012 (roadmap is being defined with current and future clients).

Exchange & Commodities Derivatives

Listed Derivatives - UCS Derivatives

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 will be completed at the of Q2 2011, 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:** December 2011 (date is being re-assessed at present).

Cash equities

UCS- Stream 2 study

UCS – Stream 2

- 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 SA are defining a set of enhancements and changes permitting such evolutions to be implemented. The study to assess various options and related planning is ongoing.
- **Target launch:** to be confirmed

Fixed Income and Borrowing & Lending

Fixed Income platform renewal and Harmonisation of French debt denomination

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 15

Fixed Income and Borrowing & Lending

Spanish government debt

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:** Clients' testing has started mid May 2011;
- **Expected launch:** 30 September 2011
- Connections to Trading and Matching platforms are due to be extended with Tullett Prebon Repo.
- **Expected launch:** Early Q4 2011.

Fixed Income and Borrowing & Lending

Collateral basket with Pledge and SecFinex

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 & 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. The project has started and the business model is being finalised.
- **Target launch:** February 2012 as far as the LCH.Clearnet service is concerned (to be confirmed following the outcome of the study along with the planning for subsequent phases).

SecFinex – Subsequent phases

- Following the implementation of SecFinex, we will 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 ongoing and further details of the service will be communicated to clients shortly.
- **Target launch:** End of Q1 2012

Projects list 2011

Ongoing projects

Cassiopeia – new corporate bond service
NYSE-EN IT roadmap (UTP Derivatives)
Harm. French Debt denomination

Service Improvement

Financial statements in XML format
Electronic invoices and evidences

Ongoing projects

2011

Cassiopea - 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 Galaxy on the Cash Equity clearing system.
- **Client benefits:** CCP service, risk management, more efficient use of regulatory capital, netting facility and settlement in a first step through Euroclear and Interbolsa and in a second step in Clearstream.
- **Current status:** The client tests have been successfully completed for NYSE BondMatch. The tests with the Galaxy platform are ongoing.
- **Launch NYSE BondMatch:** 11 July 2011
- **Target launch Galaxy:** Q3 2011

NYSE Euronext IT roadmap (UTP Derivatives)

- This program was initiated by NYSE Euronext in 2008. All Cash market migrations have been completed. We are now following NYSE Liffe 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. Bonds remaining in UNT will be removed from the Cash clearing scope and listed on the Trade Confirmation System of NYSE Euronext.
- The project will both impact the Cash equity and the Bonds and Repos platforms. 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:** The first launch rehearsal with pilot clients took place in May. The second launch rehearsal, open to all clients went well in June. We would encourage all clients active on French bond segment to take part in the last launch rehearsal in September 2011.
- **Target launch:** 24 October 2011.

Service Improvement

2011

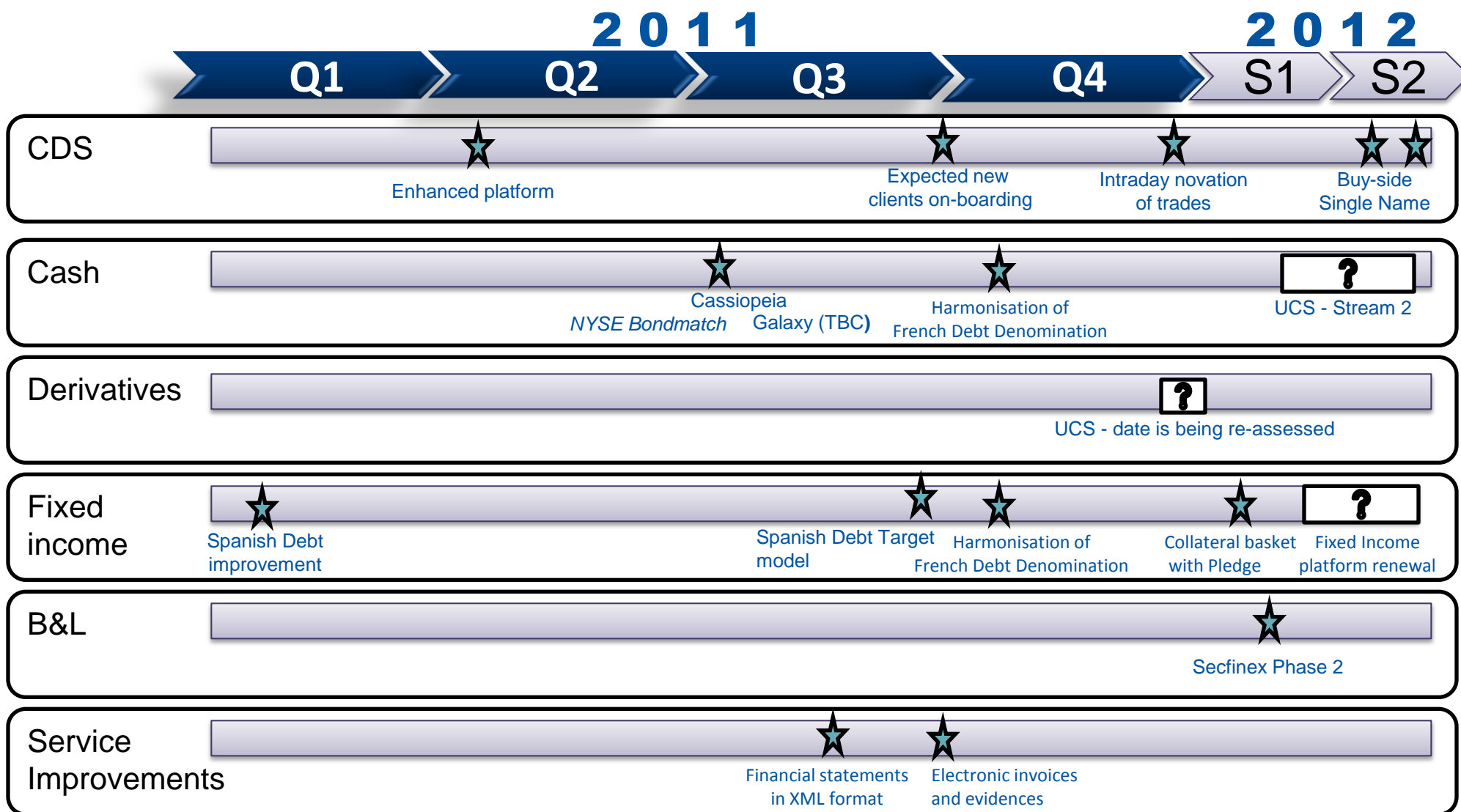
Financial statements in XML format

- 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 and automatic reconciliation;
- **Current status:** The service is available for clients testing as of early June and will be available on production on Monday 11 July, initially for testing purposes until the full business go live.
- **Full business go live:** End of August 2011

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 to dematerialise monthly invoices (signed pdf and xml) and invoicing evidence report (xml). The invoices and evidence reports will be available for client on a web portal or peer to peer connection (SFTP);
- **Client benefits:** Service improvement;
- **Current status:** The project is underway and the suppliers are in the process to deliver the service. Further details of the service will be provided to clients at early July.
- **Target launch:** Phased delivery starting in Q3 2011.

Macro Plan



Studies

Spanish Cash equities

Equities / Indices OTC Derivatives

Target2 securities specifications analysis

European affairs

Giovannini barrier 1

Corporate Event Standard

Studies

2011

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. 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 are being organised to confirm if there is a business case.

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 16). 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.