

CLEARING EQUIDUCT Service Offer

14 April 2008

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ABBREVIATIONS

CMF	Clearing Member Firm
TMF	Trading Member Firm
CCP	Central Counterparty
CSD	Central Securities Depository
ICSD	International Central Securities Depository
Equiduct	Börse Berlin Equiduct
ETS	Equiduct Trading System
COE	Corporate Event
ISD	Intended Settlement Date
PB	Performance Bonds
PA	Position Account

INTRODUCTION

Current moving European Markets environment

The European Markets environment is currently under complete re-shaping and moving fast from a regulated and protected towards an accrued competitive environment (Mc Greevy Code of Conduct, MIFID European Directive).

Equiduct is a pan-European venture created by Easdaq N.V. – incorporated in Belgium – and recently acquired in majority by Börse Berlin – formerly known as the Berlin Stock Exchange.

Equiduct acts as a Multilateral Trading Facility (MTF) as per MiFiD regulation.

Equiduct's trading platform

Equiduct provides a trading platform for investment firms offering best execution and transparency to their clients on most liquid equity instruments listed on the European Economic Area Regulated Markets.

Equiduct's market divided into several geographical segments, each following the trading schedule and characteristics of their home markets, gives access to the local post-trade CCP environment of the major markets and competitive clearing and settlement solutions for other markets.

In the above mentioned and MiFiD contexts, Equiduct approached LCH.Clearnet by presenting its global service offer and requesting LCH.Clearnet's CCP services.

Equiduct's trading business model offers its participants the possibility to clear and settle trades in domestic securities, in domestic post-trade locations.

Therefore, for transactions on securities listed on the NYSE Euronext markets, LCH.Clearnet SA will provide its central counterparty services.

Likewise, Equiduct requested LCH.Clearnet Ltd to be the central counterparty for the London Stock Exchange Plc (and Virt-X) securities market.

Importance of post-trading activities

Equiduct understands the importance and the development of the central counterparty in the transactions cycle as well as the benefits for its clients including the novation principle, risk management, netting and direct access to the settlement venues.

Equiduct has considered the need of addressing the question of these activities within the scope of its new services.

By using LCH.Clearnet SA as a CCP, Equiduct will therefore deliver a competitive automated and fully integrated solution as well as secured and organised Securities market for equities.

Document's goal

Further to Equiduct's business proposition, Equiduct and LCH.Clearnet SA signed an agreement under which LCH.Clearnet SA will provide Equiduct with CCP services.

This Service Offer description intends to provide comprehensive and practical answers to queries of existing and future LCH.Clearnet SA's CMFs. This document will present how the clearing of Equiduct is implemented on LCH.Clearnet SA's platform and how LCH.Clearnet SA's CMFs will be able to access this new clearing segment.

“LCH.Clearnet SA will provide by mid 2008 full CCP services for transactions executed on the Börse Berlin Equiduct Trading platform for liquid European equities.

*Börse Berlin Equiduct Trading will provide, from mid-2008, a pan-European regulated market offering cross-border trading services and market data for all equity instruments listed on the EEA Regulated Markets, starting with the most liquid securities.”**

***Extract of LCH.Clearnet press release of 10 March 2008**

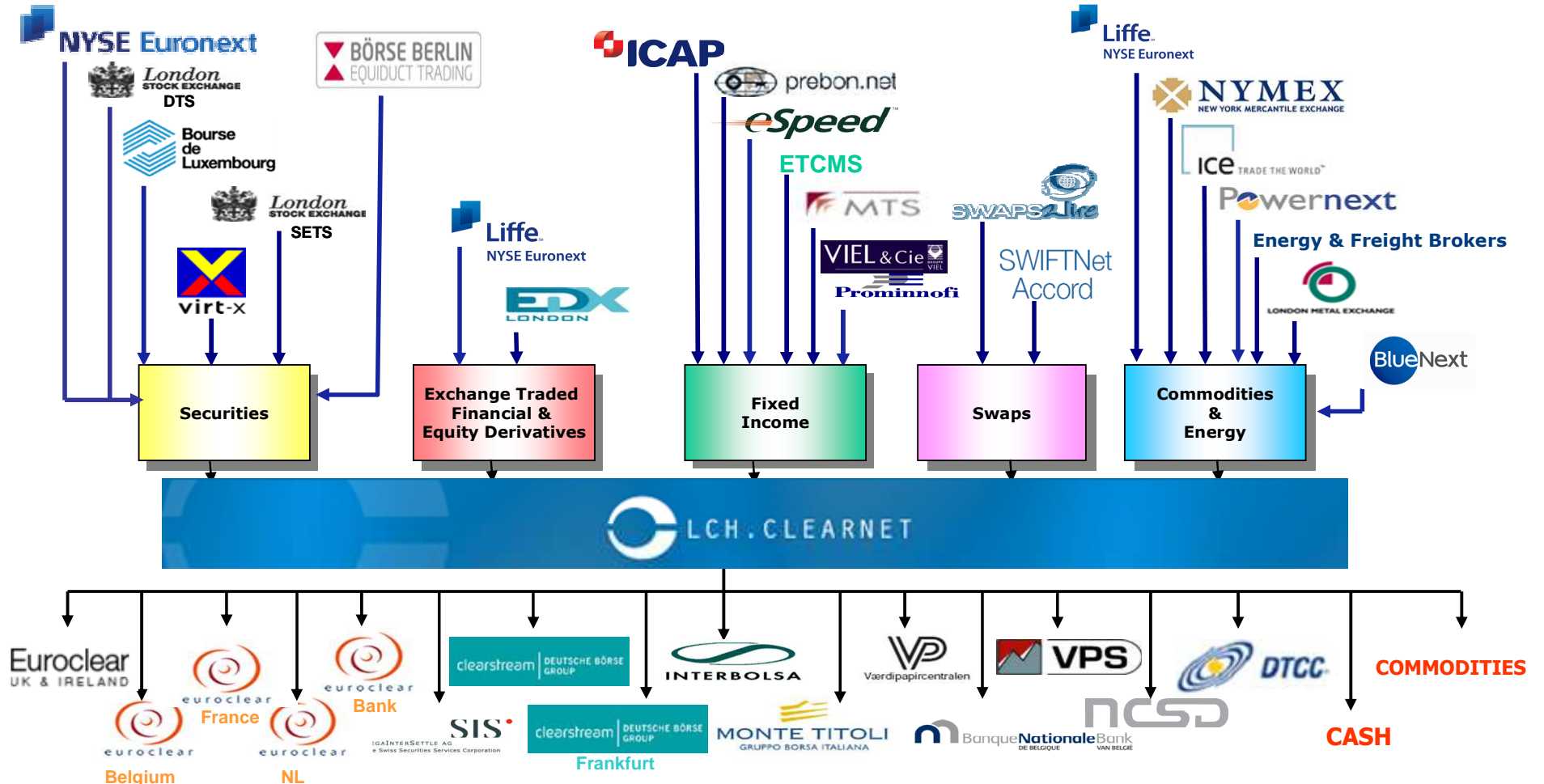
This document is intended in particular for participants wishing to make use of LCH.Clearnet SA services on Equiduct and does not address the clearing service offered by LCH.Clearnet SA in any other market.

This Service Offer description concentrates on clearing. It does not cover the specific characteristics of trading in Equiduct.

Further information can be obtained from:

- Equiduct at **www.equiduct.eu**
- LCH.Clearnet SA at **www.lchclearnet.com**
- Euroclear at **www.euroclear.com**

Clearing Services: Broad range of markets served (Group level)



1. Reminder of what is LCH.Clearnet SA and its main functions

1.1 What is LCH.Clearnet SA?

LCH.Clearnet SA has an essential role in risk management by reducing counterparty risk, ensuring anonymity of transactions, and cost reducing.

LCH.Clearnet SA as Central Counterparty (CCP) acts as an interface between trading and settlement activities assuming the risk coming from a defaulting counterparty avoiding any negative consequence for its CMF.

The 3 main functions LCH.Clearnet SA fulfills are:

- Novation (anonymity)
- Guarantee (risk management)
- Multilateral netting

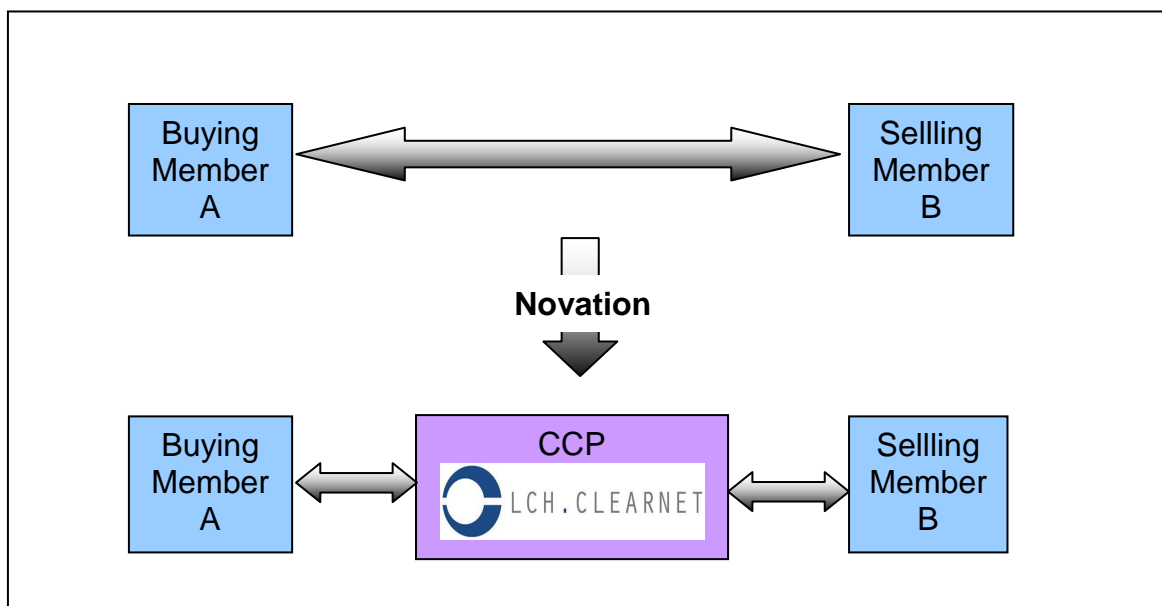
1.2 Detailed main functions

Novation

LCH.Clearnet SA registers the trades cleared by its CMFs and therefore becomes the buying counterparty of the seller and the selling counterparty of the buyer. LCH.Clearnet SA interposes itself between the seller and the buyer. This process is known as novation.

With the development of electronic trading platforms and the general acceptance of the order-driven market model, a clearing house plays a strategic role by systematically guaranteeing trading anonymity. This would not be possible without the clearing house standing as central counterparty.

So by enhancing market security and ensuring anonymity, clearing houses also ensure straight-through processing, since no situation can arise that will bring the mechanism to a standstill or prevent delivery and payment.



Guarantee

The purpose of having trades cleared by a CCP is to guarantee the full performance of contracts for all market members.

As soon as the CCP interposes itself in the transaction process, it assumes the risk of default by one of the parties and guarantees the non-defaulting party that it will respect the terms of the trade in lieu of the defaulting member.

As a result, systemic risk (i.e. the risk that one members' failure will trigger a chain reaction) is significantly reduced.

To be able to offer such a guarantee, a CCP needs to ensure optimum financial strength. There are two main solutions to manage risks corresponding to this guarantee:

- *The defaulter-pays model:*

A member's default is covered firstly by the collateral posted by the member itself and, if this is inadequate, by the clearing house's equity. Consequently, if one member defaults, the other members are not affected financially. In other words, default risk is not shared.

- *The survivors-pay model:*

A member's default is covered firstly by the collateral posted by the member itself and, if this is inadequate, the additional amount in default is covered on a loss-share basis by all members, even those that are not in default, via a joint guarantee fund known as Clearing Fund.

→ LCH.Clearnet SA's guarantee model is a combination of both schemes. Potential losses incurred by a defaulting member are covered by a 3-level system of financial buffers: CMF's collateral deposits, Clearing Fund, LCH.Clearnet's net equity capital.

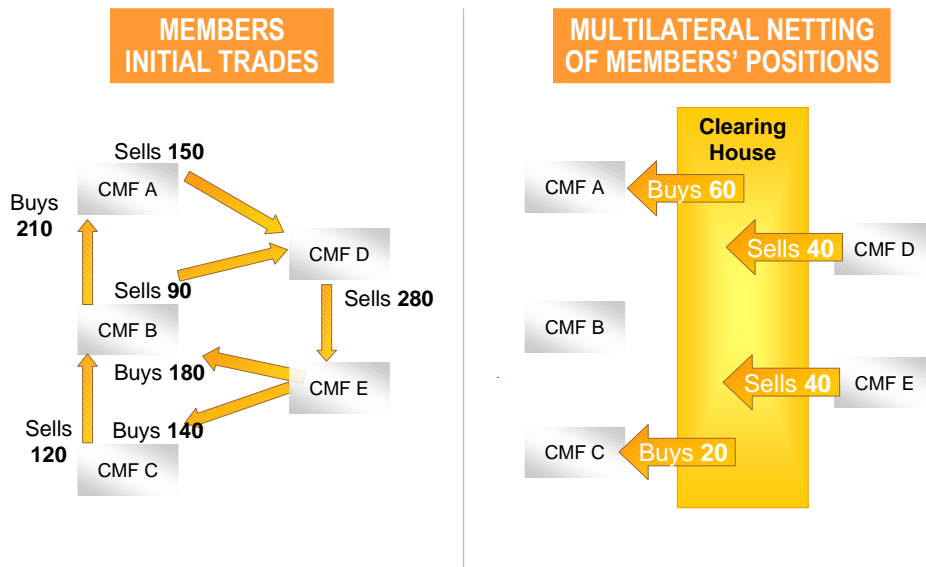
Multilateral Netting

CCP interposition between sellers and buyers brings the possibility to net positions and therefore participates to reducing the number of instructions sent to settlement.

LCH.Clearnet SA performs multilateral netting of each member's positions. This netting function consists of managing for each CMF (per House or Client account) net positions that correspond to a particular settlement date, a particular security and a particular currency.

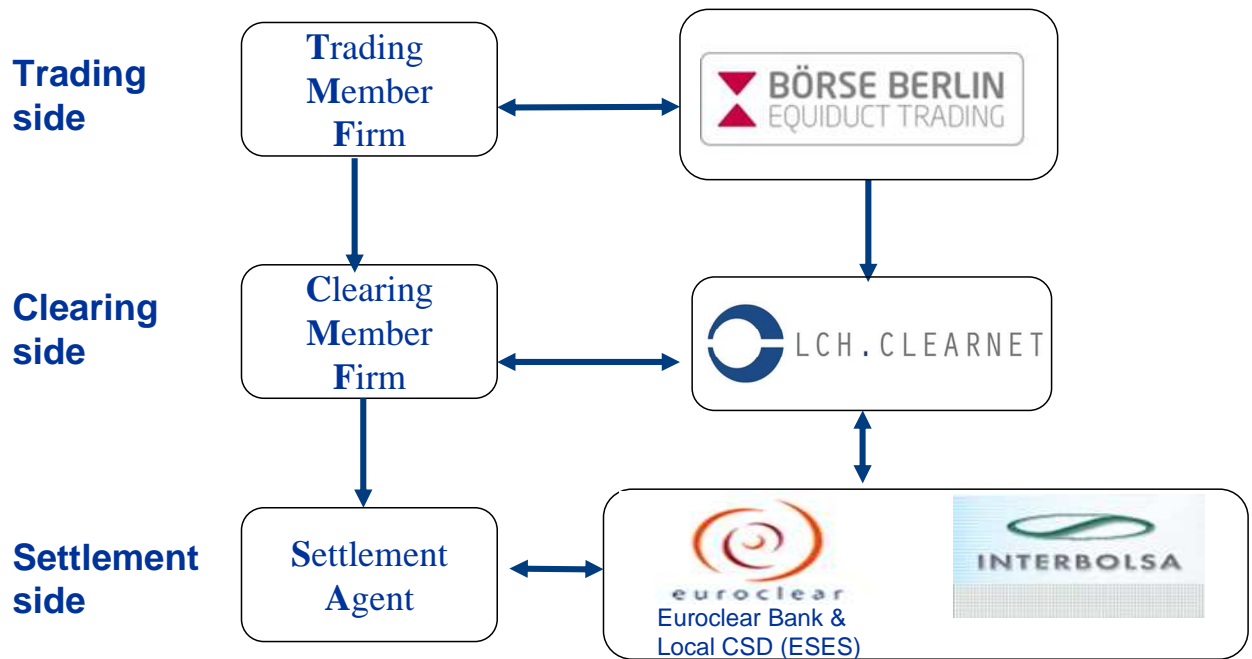
LCH.Clearnet SA also offers Continuous Netting Settlement (CNS), a sophisticated solution enabling the netting of new instructions to be sent to settlement with fails.

LCH.Clearnet SA as central counterparty achieves more than 90% reduction in the number of transactions processed by settlement organisations. For financial market participants, this is a big advantage in terms of administrative costs. It also enables them to reduce the amount of regulatory capital they are required to hold against counterparty risk.



2. How does Equiduct’s market come within LCH.Clearnet SA’s business?

2.1 Structure and organisation of the Equiduct market



2.2 Implementation of the service

Membership

- A specific clearing membership is required (see “how to participate?”) but no specific codification. Current CMFs are required to keep their existing membership code.

Products

The breakdown of Equiduct’s traded instruments is as followed:

- Securities are negotiated on the Equiduct’s Trading System (ETS) and sent to the clearing system (except for PartnerEx bilateral trades, or decision not to use CCP in PartnerEx)
- All instruments listed on ETS will be guaranteed (equities)
- Only ISIN codification will be used by Equiduct.
- For securities subject to multi-listing, should Equiduct be launched before Single Order Book (SOB), Equiduct will only quote domestic securities bearing ISIN codification or by exception not quote some securities until SOB becomes effective.
- Equiduct’s products are cleared using the current LCH.Clearnet SA systems and under the same methods (operations, risks, fees, treasury ...).
- Equiduct’s transactions will be identified by a new trading venue: “ETS”

Position management

- There is no fungibility with other markets open positions. Members will be given dedicated position account(s) for ETS positions. A systematic posting rule will direct trades to this position account.
- Regarding fails and buy-in procedures, existing LCH.Clearnet SA’s rules on equities are applicable.

Corporate Events management

- Application of the existing rules.

Settlement functions

- The CSDs and ICSDs for the EQUIDUCT market are the current and existing ones for NYSE-Euronext markets.
- Fungibility is authorized and recommended at the settlement level. Using existing delivery account and settlement addresses is recommended. Therefore members will benefit of the netting of settlement instructions.
- Instructions are sent to settlement following existing channels.

Risk management

- LCH.Clearnet SA's existing rule is applicable in terms of collateral accepted and financial requirements.
- The margin required in treasury on the cash market covers two notions:
 - The margin required for the liquidation risk
 - The margin required for the negotiation risk
- These margins are calculated for guaranteed positions that are not yet settled. It is calculated at the level of the performance bond account (PB Account). Fungibility will apply at that level.
- The clearing fund used for Equiduct is the one dedicated to any regulated markets cleared through LCH.Clearnet SA's clearing system.
- As far as margin calls are concerned, CMFs keep using their account already opened in one of the National Central Bank accepted by LCH.Clearnet SA (see instruction 1.5-1).
- For more information: http://www.lchclearnet.com/risk_management/sa/default.asp

Tariff and fees

- The applicable fee grid is identical to the one applied on the other securities markets cleared by LCH.Clearnet SA.

REMINDER AND SUMMARY OF THE GUARANTEE SOLUTIONS*** Full CCP Service Description (Guarantee)**

The full CCP service encompasses the following elements:

- Registration of transactions executed on Equiduct's products
- Supervision and netting of the open positions of the CMFs
- Calculation of the associated risks
- Call of margins to cover these risks
- Guarantee of proper settlement of positions
- Management of Corporate Events
- Management of fails
- Sending and monitoring of settlement instructions to local markets CSDs or ICSDs.
- Sending of SIF, BIF, PR3, TLRF...(please refer to the "Gap Analysis Functional Detailed Specifications").

3. How to participate?

3.1 Membership

CMFs wishing to have a Membership on Equiduct's market need to meet the following criteria:

- New CMFs have to fill out an application form.
- LCH.Clearnet SA's existing CMFs need to send to LCH.Clearnet SA a clearing membership extension on Equiduct's market. Template will soon be available on our website.
- Have a technical, administrative and legal access to Settlement Systems (Euroclear Bank and/or local CSDs) either by itself (direct access) or by the service of a third party (indirect access). In all cases, the CMF has to provide LCH.Clearnet SA with a Power of Attorney authorising LCH.Clearnet SA to input settlement and money transfer instructions in the CMF's account in EB or CBL. In the case where the CMF uses the service of a third party, it has to provide LCH.Clearnet SA with a Settlement Agent Agreement for approval.
- Send to LCH.Clearnet SA the Clearing Agreement with each TMF it intends to clear
- Send the relevant account structure for set up in LCH.Clearnet SA's systems.

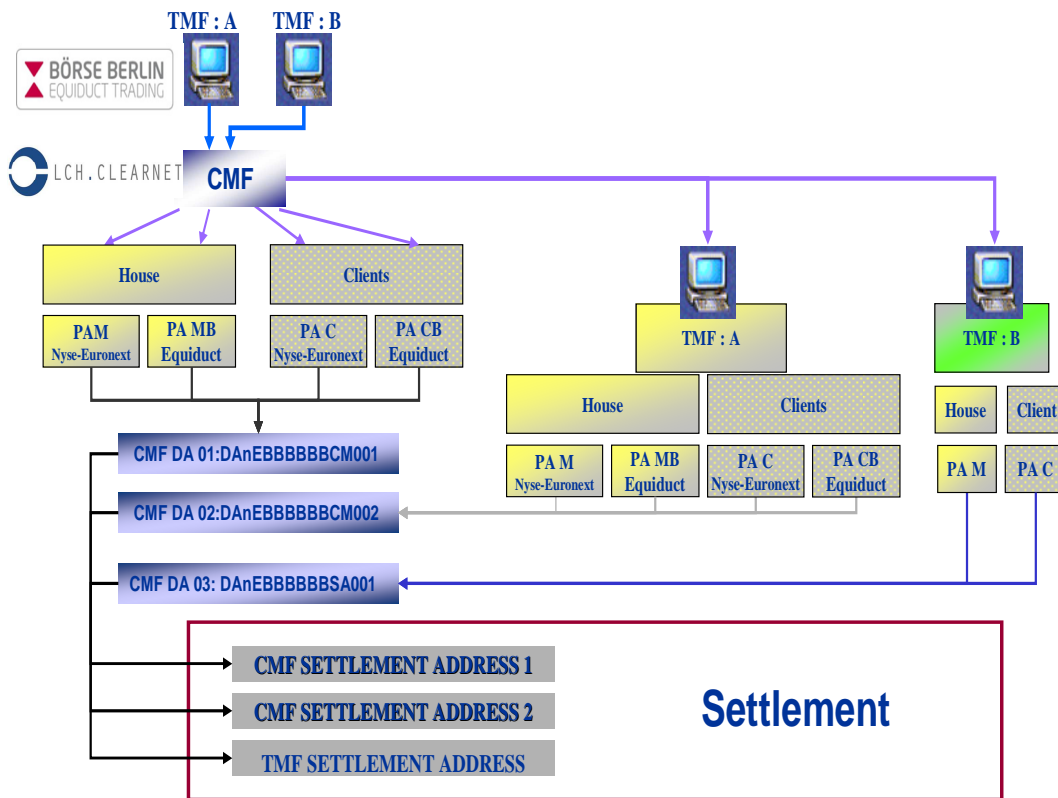
3.2 Account Structure

Please find below a chart showing the simplicity for a CMF to organise its account in coherence with its own business architecture.

As mentioned previously, for Equiduct positions a dedicated Position Account has to be created.

It has to be noticed that positions will be registered in Performance Bonds Account (House or Client) for the margins calculations purpose (see Risk management part). In order to simplify the diagram PB accounts are not shown below. PB accounts are linked to PA accounts. There is at least one House and one Client PB account.

Example of account structure:



3.3 Fees

The applicable fees for guaranteed trades are the ones applied on the other cash markets cleared by LCH.Clearnet SA:

- Clearing Fees: same principle as for the other securities markets cleared by LCH.Clearnet SA.
- Clearing Services Fees (Fail penalty, Buy-in, Give-up/Take-up): same principle as for the other cash markets cleared by LCH.Clearnet SA except for the Delivery Fees (see below).
- Delivery Fees: LCH.Clearnet SA's policy is applicable i.e. recharge CMFs with delivery fees as charged by the ICSDs (DVP costs).

You will find all the information on the dedicated section implemented on <http://www.lchclearnet.com/tariffs/sa/products/default.asp>.

3.4 Contacts

If you are interested in clearing Equiduct, do not hesitate to contact your LCH.Clearnet SA's Sales Manager or Relationship Manager who will be pleased to inform you about all what you need to know and what you need to do to become a LCH.Clearnet SA's CMF.

For existing CMFs:

Please contact your local Relationship Manager.

For new CMFs:

Please contact your Sales Manager:

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