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the **LCH.Clearnet** newsletter

AMSTERDAM BRUSSELS LISBON LONDON PARIS

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Editorial

This issue of ECHO is published at yet another pivotal point in the development of the post-trade infrastructure, coming as it does on the heels of implementation of the second and, so far as central counterparties are concerned, key phase of the Code of Conduct, the introduction of interoperability. LCH.Clearnet has made applications for access to the trade flows of Deutsche Börse and Borsa Italiana, and has received requests to interoperate from Eurex Clearing, Clearstream and SIS x-clear.

The task now, as described in our article later in this issue, is to establish precisely what the legal and regulatory requirements are in each of those cases to enable interoperability to occur. If it can be made to work, LCH.Clearnet, as a strong supporter of the Code, will be delighted.

In addition to member information, performance data and articles on LCH.Clearnet developments, this issue looks at other key industry milestones – readiness for MiFID and the implementation of Target 2 Securities. We also carry a guest feature from Jean-François Conil Lacoste, profiling Powernext.

We hope you will find this an interesting and rewarding issue, but, as always, please let us know if there are other areas on which you would like us to shine a spotlight – we will be very happy to do so.



→ eCCW... > **page 7**



> The European Clearing & Settlement Code of Conduct

Europe's exchanges, clearing houses and settlement systems are in the midst of implementing the "McCreevy Code", so named in honour of EU Internal Market Commissioner Charlie McCreevy. The Code itself (available at http://ec.europa.eu/internal_market/financial-markets/docs/code/code_en.pdf) was concluded in November 2006 and set out a number of principles together with deadlines for implementation.

The Code states that "The ultimate aim is to offer market participants the freedom to choose their preferred provider of services, separately at each layer of the transaction chain (trading, clearing and settlement) and to make the concept of "cross-border" redundant for transactions between EU member states."

The Code only applies to post trading activities in cash equities in Europe. However there is pressure from both the Commission and users to extend the Code to other asset types such as bonds, and potentially to exchange-traded derivatives. Some signatories, including LCH.Clearnet, have already extended its initial application, regarding price transparency, to the full range of their activities.

However, the Code is not intended to be legally binding or enforceable from a regulatory perspective. It is voluntary, and seen by the Commissioner as a key test of the "Better Regulation" approach which is seen as faster, more efficient and more flexible (and therefore more effective) than legislation. It has been signed by over 60 institutions, and it is argued that the threat of detailed regulation gives very practical reasons for wishing to comply.

There are three main sections of the Code, which however should be seen as a complete package and only fully effective when all are implemented:

- Applying price transparency – implemented by 31 December 2006;
- Establishing access and interoperability conditions – delivered by 30 June 2007;
- Unbundling services and implementing accounting separate - this is to take effect from 1 January 2008.

Price Transparency

Price transparency is designed to enable customers to compare prices and therefore stimulate competition, the effect of which should be to drive down prices. Not only is each organisation required to publish prices for all relevant services, there are also specific provisions relating to discount and rebate schemes. However following a speech by Competition Commissioner Kroes, the Commission has clarified that

organisations "can offer private discounts and rebates provided that the purpose of so doing is not to abuse market power and foreclose competition" (see http://ec.europa.eu/internal_market/financial-markets/docs/code/mog/20070420_private_deals_en.pdf). Although signatories have agreed in the Code to apply their published price lists, many market participants view this statement as legitimating undesirable practices in the industry more widely.


Access and Interoperability

The meaning of the terms "Access" and "Interoperability" and the distinction between the two gave rise to a lot of discussion. The intention is to enable providers at all levels (trading, clearing and settlement) to interact with each other on a level playing field.

Key to the incentives to seek and provide access and interoperability are the business cases of the organisations concerned. The Code states that development costs should be paid for by the requesting party on a cost-plus basis; and the Commission has stated that the receiving party cannot take into consideration any loss of market share as a result. Therefore, in theory, both parties should have incentives to collaborate.

As defined in the Code, access and in particular standard unilateral access should be easier to achieve than interoperability. This access is sometimes little more than a codification of what are often in practice existing rights. However, Transaction Feed Access – e.g. the ability of a CCP to provide clearing services to a trading platform of its and its users' choice – will be constrained by the need to respect the rules and practices of the market that it is entering and the need to link with related infrastructures such as the local CCP and CSD.





■ ■ ■ This limitation is exacerbated by the fact that, for example, there is a wide variety of clearing processes in Europe (even where there is a CCP, and some major markets do not (yet) have a CCP); there is no European passport for CSDs and some CCPs, and there are currently no industry standards for inter-CCP risk management procedures – although Chris Jones, Director, Head of Risk Management at LCH.Clearnet Ltd and Ernest van der Hout, Director, Head of Risk Management at LCH.Clearnet SA are participating in an EACH (European Association of Clearing Houses) working group that is tasked with establishing agreed principles for risk management and collateralisation between CCPs. These obstacles, superimposed on the Giovannini barriers and, last but not least, the distortions presented by the existence of a mix of horizontal and vertically-integrated firms, will continue to present challenges after the agreement of access & interoperability principles.

Despite these concerns, the European market infrastructures, after a period of intense negotiation over the first half of the year, succeeded in agreeing the “Access and Interoperability Guideline” on 28 June and it has been published at http://ec.europa.eu/internal_market/financial-markets/docs/code/guideline_en.pdf.

LCH.Clearnet Ltd was then the first infrastructure publicly to request access and interoperability under the terms of the Code and the Guideline. Requests were sent to all three layers in both Germany and Italy: for a trade feed from the market authorities, peer-to-peer interoperability to the CCPs (Eurex Clearing and CC&G); and access to the settlement systems Monte Titoli and Clearstream Banking Frankfurt. At the time of writing LCH.Clearnet SA has received an interoperability request from SIS x-clear AG; and both LCH.Clearnet Ltd and LCH.Clearnet SA have received interoperability requests from Eurex Clearing and Access requests from both Clearstream Banking Frankfurt and Clearstream Banking Luxembourg. Furthermore LCH.Clearnet Ltd has requested access to a trade feed from Euronext and to the relevant domestic CSDs within the Euroclear Group and Interbolsa, which will need the development of an operational clearing link between Ltd and SA. Christophe Hémon, CEO at LCH.Clearnet SA and Alberto Pravettoni, Managing Director, Corporate Strategy at LCH.Clearnet Ltd are leading the respective workstreams which involve a considerable degree of intra-Group co-ordination.

Service Unbundling and Accounting Separation

Under this provision, organisations are required to unbundle their prices and services. In particular the services of trading venues, CCPs and CSDs must be unbundled from each other, and there is a list of services which an individual CSD must unbundle.

Users must be allowed to purchase services on an unbundled basis and each unbundled service must have a transparent price. Price transparency and unbundled services will enable users to make an informed choice based on price and in principle enable them to purchase previously bundled services separately and from a range of service providers.

Importantly, Accounting separation need only be disclosed to regulators and not to users.

» Summary

The Council of Europe has welcomed the Code and called for its swift implementation. However the prospect of legislative action has not disappeared. The Council has stated that it “recognises that the strategic approach by the Commission based on self-regulation is an attempt in trying to enhance competition and reduce costs for users of post-trading services; that the enforcement of the Code of Conduct needs to be closely monitored with a view to considering other measures, including regulatory actions, if progress is not monitored; and that further steps by different parties will be necessary in parallel in order to enhance efficiency and soundness of post-trading infrastructures taking into account the evolution in the markets”.

Price Transparency, Service Unbundling and Accounting Separation present their own challenges, but they appear so far to be relatively easy to achieve because they are solely dependent upon the organisation itself. However the concepts of Access and Interoperability have given rise to the greatest debate. These require the cooperation of organisations who in many instances will be direct competitors. There are therefore powerful economic incentives in place that could frustrate the aims of the Code, and LCH.Clearnet will work strenuously to overcome these.



T2S a brief description



The aim of Target 2 Securities - T2S - is to offer a centralised, harmonised, efficient and secure settlement service for European securities transactions in Central Bank Money (CeBM), mainly in euro although other currencies can be supported by the system. The ultimate objective of this common platform is to settle current cross-border transactions as simply as domestic ones, exactly if they were domestic ones. T2S is based on the Target 2 (T2) architecture and platform, the Single Shared Platform (SSP) in terms of performance, overall resilience, business continuity and contingency of the 3CB model.

However, T2S will constitute a separate service from T2 : T2 for large-value euro-payment and T2S for securities settlement in CeBM . The proximity of those two services will ease liquidity management from T2 to T2S and vice-versa.

T2S will not resolve all the current discrepancies and Giovannini barriers observed in Europe but will be a driving force to help in their removal:

- > **Barrier 1** - standard and interface,
- > **Barrier 3** - corporate action, harmonisation,
- > **Barrier 9** - national restriction on the location of securities,
- > **Barrier 13** - transfer of ownership.

Finally, the real benefit for the user will be reached once the large majority of European CSDs have joined T2S. As a reminder, T2S will not be compulsory and each CSD is free to decide to join T2S and therefore to out-source the settlement activity to T2S.

Governance of T2S:

T2S is an ambitious initiative of the ECB and the Eurosystem that requires the close participation of the securities settlement industry ((I)CSDs, exchanges, CCPs, banks, global custodians) to benefit from their significant expertise and resources. The T2S governance structure relies on 3 layers: 6 Technical Working Groups (TWG) comprising of highly skilled professionals. Each TWG is responsible for assisting the T2S project team in the definition of User Requirements (UR).

The Advisory Group (AG) (comprising 52 experts) helps orient the discussion and decision process. It reports directly to the Governing Council (GC) which remains the final decision body for the project.

Main milestones

The first public consultation (first draft of high level proposals) started in April 2007.

Based on the 60 responses received, T2S is now entering the second phase and should issue the UR by the end of 2007. This will be followed by a second consultation period lasting 3 to 6 months enabling the GC to take the final decision to proceed by the end of Q2 2008. The project should go live in 2013.

LCH.Clearnet's involvement in the project

The current phase of this project is the opportunity to design the future of the European post-trade industry and therefore it is important that, as a CCP, we participate actively. LCH.Clearnet is represented in the TWGs and is also the only CCP to participate in the AG. In addition LCH.Clearnet is contributing to the various mini-consultations that are providing the necessary input to the T2S team to write the UR. LCH.Clearnet also works closely with the National User Group to ensure a correct understanding of their needs and expectations and vice-versa.

Globally speaking, the "first draft high level functional design" of T2S reflects our CCP activity (we agreed with 80% of their initial proposals which is higher than the average of agreed answers - 65% - indicated by the respondents.)

LCH.Clearnet would be able to access and instruct T2S directly without going through a CSD. It would allow LCH.Clearnet to decommission its current links and as such to rationalise its IT infrastructure.

However LCH.Clearnet must carefully follow the progress and the publication of the findings of each TWG and explicitly express its needs and constraints to ensure it continues to offer a state of the art clearing service in Europe.

There will be other opportunities to report on this key project and to issue other publications but for those who are interested, visit the ECB website : www.ecb.europa.eu where all the consultation, progress and decisions are accessible.





MiFID: commentary by Emmanuel de Fournoux,

Director - Markets Infrastructure
AFEI - Association Française des
Entreprises d'Investissement



→ Flash-back on M2F

The MiFID Forum France (M2F) was created by the **Association Française des Entreprises d'Investissement (AFEI)** 18 months ago in order to work on common technical issues related to the implementation of MiFID. M2F comprises all parties interested in MiFID, banks, investments firms, asset managers, IT providers, data vendors and also market infrastructures such as LCH.Clearnet. Professional associations (AFEI, AFG, AFTI, FBF, FDVA) are also members of M2F.

M2F works on various technical issues such as transaction reporting, client reporting, reference and market data, consolidation of data, relationship between brokers and asset managers. M2F has produced a "Code of Good Practises on Market Data" in order to harmonise the display of market data by the market venues.

M2F answered technical level 3 consultations on transaction reporting and data consolidation.

Approximately 15 task forces have been created, involving more than 80 people working on technical issues.

M2F is dedicated to sharing its work with other MiFID technical groups in Europe. In particular in the UK, M2F liaises with the MiFID Joint Working Group and MiFID connect. Experience shows that on most issues, the French and UK approaches are almost the same.

→ Less than one month before MiFID

Banks, investment firms, market infrastructures and other French market participants are working hard in order to ensure a smooth roll out on 1 November. Various aspects that need to be considered include reassessing the relationship with customers, adapting IT systems to comply with market pre-and post-trade transparency rules, reorganising the execution of orders process and introducing a new organisation to comply with the organisation rules.

Being prepared also means taking into consideration the many new business opportunities that the new rules of the directive provide. Take, for example, Investment Firms. One of the issues that they face is whether or not to become systematic internalisers, and whether or not to create a multilateral trading facility. When a project has been announced and implemented, such as Chi-x or Turquoise, banks and investment firms become reluctant, due to competition considerations, to communicate on such topics.

→ Following 1 November

We do not anticipate a big bang. November is the starting point of a new regulatory framework with many opportunities for market participants. Professional organisations such as AFEI or technical bodies like M2F will have to continue to work on various subjects. Many issues will remain open and the implementation of MiFID will certainly raise other issues following the 1 November deadline. Another global issue for the European markets will be to verify that the new environment created by MiFID is consistent with the Directive's objectives, especially in the area of market transparency.

➤ LCH.Clearnet's Group strategy

At its core, operating a Clearing House is about managing risk, providing operational efficiencies and enabling the growth and development of new products and markets by offering a reliable service at competitive prices. Whenever we think about strategy, we look at opportunities to excel in these categories in order to fulfil our mission and remain "the central counterparty of choice".

As a result, we have officially requested access to the Italian and German cash equity markets, where we would be able to offer a compelling service proposition to our clearing members – these requests, and the requests that we have received, are discussed further [on page 2]. We plan to communicate and work with our cash equity member community in the next few weeks, in order to establish a clear roadmap for access and interoperability.

A simple observation of the growth in the number and types of financial instruments traded around the world concludes that successful market infrastructures in general – and we are no exception - need to keep increasing their ability to add new products, new markets and process additional volumes to retain or improve their market value and position. We are making strategic investments in our technology platforms across the Group in order to achieve such goals. We believe this to be paramount in strengthening the relationship we have with our current exchange clients, whose demand for innovative and creative products we have been serving over many years.

The recent share buyback has been instrumental in establishing LCH.Clearnet Group as a truly horizontal organisation. We are uniquely positioned to attract partnership interest from new ventures that have a desire to establish themselves as trading venues in new markets and new products through an independent CCP. We proudly clear for a wide range of established exchanges as well as many OTC businesses, we keep helping new ventures to the market and our strategy is ultimately to remain committed to working with the marketplace in its entirety to play a leading role in the continuous development of the global capital markets.

The events of recent weeks, when volumes have broken records across all the products that we clear without any issue across our services, are an indication that we have been moving in the right strategic direction, both in terms of building resiliency and capacity and returning value to our members.

The recently announced fee cuts for LCH.Clearnet Ltd - implemented on 1 July - are generating important savings for members; these average 35% on the cash equity markets. Similar substantial fee cuts for LCH.Clearnet SA implemented on 1 October, and while we have received strong positive feedback from our members both on the size and the methodology of the intervention, we are already planning the next round of fee cuts across cash and derivatives products.

An important part of the fee strategy is harmonisation within LCH.Clearnet Group. Not only have we converged on the methodology (i.e. the concept of "banding" fees in the cash equity markets), but we are also actively developing a common financial model and a new common Group technology to process fees and deliver the information to our clients.

Looking at market events and their strategic implications, the recent signing of the Code of Conduct Guiding Principles has provided LCH.Clearnet with an opportunity to refine its thinking around interoperability and access to other European markets.

We welcome...



Martin Taylor

In July 2006, Martin Taylor joined LCH.Clearnet as Interim Chief Information Officer, and in January 2007 that placement was confirmed as permanent when Martin was appointed Group CIO.

Martin joined LCH.Clearnet from Cable & Wireless plc where he insourced IT from IBM, exited the US markets, revitalised the UK IT operation by consolidating data-centres and refreshing the infrastructure, and insourced billing in the international division to radically reduce cost and give a common billing solution in that very competitive marketplace.

Martin's entire career has been devoted to IT and includes appointments at companies such as British Airways, Mars, Courtaulds plc., and EMI Music. In June 2007, Martin was recognised by silicon.com as one of the UK's top 50 CIOs.

In today's world, a strong commitment to IT is behind most successful businesses. LCH.Clearnet is no different.

After a difficult period for the company's IT, Martin is leading a new technology focus - evidenced by a commitment to success and to delivery.

> LCH.Clearnet implements eCCW, the new technical access solution

LCH.Clearnet is committed to optimising and rationalising its processes. In this context, LCH.Clearnet SA has launched a new technical initiative, eCCW, which will provide clearing members with a simpler and cheaper access solution to CLEARING 21®.

The new technical solution replaces the current LCH.Clearnet workstation (CCW). It is based on more flexible technology and is a less expensive solution. The eCCW provides a simple client solution via the internet including:

- > A different URL for Test and Production platforms,
- > A different page for Cash and Derivatives Markets,
- > Access control through Secure ID technology.

The eCCW solution no longer requires clearing members to possess a dedicated PC. The CLEARING 21® member window will be moved from the current PC-embedded solution to a new Internet browser-based interface with the same functionalities. Furthermore, the access to CLEARING 21® will be secured by RSA SecureID® tokens.

The eCCW solution's main highlight is the ability for clearing members to access CLEARING 21® via the internet. Members will also be able to maintain the eCCW on their current secured network access solutions (MSA).

Future eCCW Options

Clearing members will have several choices when implementing the eCCW product:

- > Internet-based eCCW,
- > eCCW over MSA (*Customer private LAN*),
- > eCCW over MSA (*LCH.Clearnet public LAN*),
- > eCCW over dedicated access (*Customer private LAN*),
- > eCCW over dedicated access (*LCH.Clearnet public LAN*).

Secure access via RSA SecureID® tokens

The security of the new service will be ensured through SecurID cards, which will be allocated to nominative users. The eCCW access card generates a pass code which can only be used once. The pass code is a combination of the PIN code - only known by the user - and the eCCW code displayed by the eCCW access card every 60 seconds. Each clearing member must nominate at least one eCCW Security Administrator (EMSA) who will manage user access for their organisation through local procedures.

For further information > on the eCCW project, please visit > http://www.lchclearnet.com/projects/connectivity_update/eccw/default.asp

> Securing our Capability - New Data Centre in London

At the beginning of this year LCH.Clearnet initiated a programme to procure and deliver a new data centre facility to cater for anticipated growth in demand for IT systems.

The data centre is required to accommodate new systems arising from ongoing technology refresh programmes as well as systems such as the Storage Area Network.

An additional benefit of the new data centre is that it will provide increased physical separation of IT from other corporate activities, thus improving our Business Continuity and Disaster Recovery capabilities. After an extensive research effort, we identified a new data centre in North London that delivers an additional 50% capacity, whilst

also meeting the stringent security and resilience demands of our organisation. Following some complex negotiations, our IT and SSM teams secured an option on the site and a contract was signed with the service provider on Friday 1

June (a major milestone!).

Of course, the procurement of the data centre space is only the first half of the story. There then followed detailed design work, specification of requirements, migration planning, project planning, and, of course, implementation.

Thanks to the concerted effort of the data centre delivery team the project has progressed as scheduled and we anticipate a full transition into the new centre in 2008.



> Shorter Dated Prompts and Regional Plastic Contracts for the London Metal Exchange

The LME has asked LCH.Clearnet to undertake work on the LME Matching and Clearing System and related systems in relation to additional prompt dates for LME Plastics contracts and to Regional contracts.

First, IT undertook major work on the Matching and Clearing System to allow for Plastics contracts with shorter dated prompts to be traded and cleared. Previously, plastics contracts had monthly prompts, with trading during the current month for delivery the following month. The new prompt date structure is now identical to that used in metals contracts.

In January 2007, the LCH.Clearnet Change Board approved a request to proceed with delivery of the Shorter Dated Prompts Plastics Contracts project on behalf of the LME. Within a month the scope of this project had doubled - with the inclusion of Regional Plastics Contracts - and the launch date was brought forward by two months to meet market pressures.

Needless to say, this was a challenge, but in the end, as David Farrar, Senior Manager at LCH.Clearnet and key liaison with the LME said "Everything went to plan, and the project was delivered on time and on budget."

This LME project included two major components.

Secondly, after reviewing the previous Plastics contracts with their members, the LME identified a need for providing pricing at a regional, not just global, level. So, for each of the polypropylene (PP) and linear low density polyethylene (LL) contracts, in addition to a global price for each contract, prices are now established and published by the Exchange for Asia, North America and Europe, bringing the total number of LME plastics contracts to eight.

On 25 June 2007, we delivered, as promised, to the LME who continue to offer us positive feedback as they look towards the future and discuss plans for follow up projects.

> Intraday on Powernext

Successful launch of Powernext® Day-Ahead's Continuous and Intraday trading segments on Wednesday 11 July 2007.

In today's Power Markets, market participants increasingly need Intraday trading. It allows more flexibility to balance, manage and fine-tune positions in quasi real-time (loss of production units, real-time production such as wind farms, weather changes and cross-border arbitrages).

Powernext SA responded to these new needs by creating

two new segments in its Day-Ahead Power Market, completing the existing daily Auction:

- > Powernext® Day-Ahead Continuous, for standard day-ahead block trading from 7:30 am to 11:30 am
- > Powernext® Day-Ahead Intraday, for hourly and block trading from 11:30 am and up to one hour before delivery

These new segments are open to trading 7 days a week, from 7:30 am to 11:00 pm on Global Vision, Trayport's electronic, anonymous and secure platform.

Just as for the daily Powernext® Day-Ahead auction, financial security is ensured by LCH.Clearnet SA, and the delivery guarantee by Réseau de Transport d'Electricité (RTE), the French Transmission System Operator.

The Powernext® Intra-Day project implied a few functional and technical adaptations of the clearing model used for Powernext® Day-Ahead. LCH.Clearnet SA saw the opportunity to harmonise some operational processes with existing ones, mainly with regard to intra-day treasury call management.

Today, those segments are on a ramp-up phase, liquidity and traded volumes are continuously increasing, as 22 trading members were present at the launch, and 11 additional companies have joined since then.



By Jean-François Conil Lacoste

Powernext is six years old. Born in July 2001 during the wake of the February 2000 French law on electricity liberalisation, its primary objective was to deliver competition within an integrating European market with appropriate market mechanisms.

To fulfil the new needs of the energy market participants, Powernext first implemented a spot electricity auction, Powernext® Day-ahead. Available 365 days a year, this auction mechanism allows its current 62 members to balance their electricity portfolio for each of the 24 hours of the following day in the most favourable economic conditions. This provides a critical service, as electricity is not storable, and the smooth functioning of the network relies on such efficient balancing facilities.

With volumes growing 100 times since its debut, Powernext® Day-ahead has become a key player in the European landscape. In this respect, Powernext was instrumental in conceiving and achieving the first continental market coupling between France, Belgium and the Netherlands, while becoming a 10% shareholder of Belpex, the new Belgian spot exchange. Set up late 2006, the trilateral market coupling optimises the cross border flows of electricity, therefore enhancing security of supply and favouring one single price over the three countries. The next step was the official signature of a memorandum of understanding in June 2007 to extend this coupling to Germany and Luxemburg by January 2009, a milestone in the building of the integrated market. It will undoubtedly push for a consolidation and rationalisation move among the spot exchanges in order to build a truly pan-European entity. It is time for France and Germany to clearly join forces in this field!

In the meantime, Powernext increased its offer of services with the launch of a Futures electricity market, Powernext® Futures, in June 2004, an OTC clearing service and an intraday continuous market early 2007. All these initiatives have been accomplished with the help and support of LCH.Clearnet SA. Unfortunately, the French political drive to maintain regulated tariffs far below real

market prices is heavily penalising the development of the French forward wholesale market, which, in spite of an almost equal electricity domestic consumption, remains 13 times smaller than its German equivalent. In proportion, our listed Futures with 34 members and 8 general clearers compare quite honourably in terms of liquidity and volumes with the German listed Futures, only 2 to 3 times larger. But there are massive OTC clearing transactions registered at the newly created European Commodity clearing house, ECC, a spin off of the German exchange EEX.

Powernext is also very active in non-cleared activities. In June 2005, Powernext® Carbon, a spot CO2 market launched with Caisse des Dépôts, became a leader in Europe with over 50% of the market share. It offers its 74 members the possibility to trade European CO2 allowances and match their annually verified CO2 emissions. A spot CER market (emissions credits generated by international Clean Development Mechanisms) will be launched as soon as the Kyoto phase starts. This cap and trade system becomes worldwide and provides immense opportunities for clearing houses such as LCH.Clearnet, as forward and futures CO2 instruments attract more and more financial institutions and exchanges.

Last but not least, Powernext and the largest French gas network, GRTgaz, launched a spot balancing gas platform in April 2007, there are currently 12 members. This could pave the way for a promising diversification in the gas area.

Exercise process improvement: implementation of controls

LCH.Clearnet SA will implement a new tool permitting clearing members to significantly reduce their risk of financial losses in the context of exercises and abandonment without interfering with their decision mechanism.

A control will be added through the implementation of a new field in CLEARING 21® messaging (such as a field being set up by default to "yes" based on the previous Clearing Day closing price). The new field will require a control. The Clearing Members will receive an error message each time an exercise / abandonment is rejected. It remains the Clearing Members' responsibility to either modify their exercise / abandonment or bypass the control request and re-send their exercise / abandonment. Other developments are planned and studies are in progress relating to the potential introduction of the "obvious error" concept. LCH.Clearnet SA will submit this solution to its regulatory bodies and adapt its Clearing Rules accordingly. Deployment into production on eCCW and CCW is scheduled in the coming months.

KEY FIGURES

Treasury

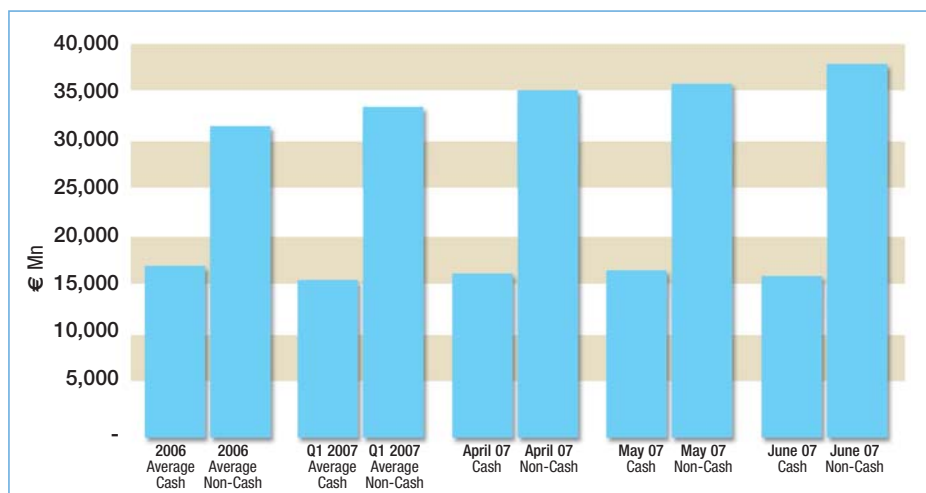
Cash funds under management within the Group have held steady over the last year, although there has been an increase in non cash collateral.

The breakdown of cash funds held shows that the vast majority is member cash margin, with a further significant amount held in default funds.

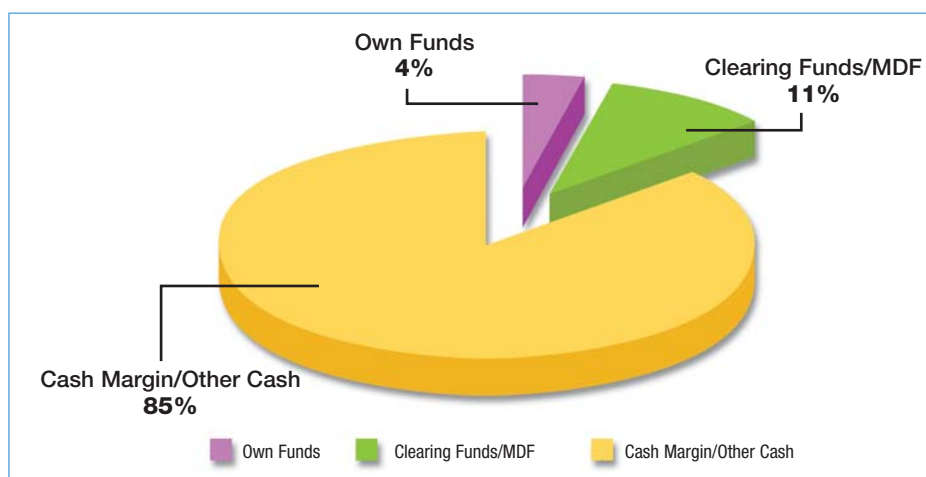
Only a very small proportion is the Group's own capital base. This balance informs a highly conservative investment policy, focussing on the preservation of the capital value of these funds. Investment is therefore restricted to highly rated financial institutions, with a significant proportion of the Group's assets being lent on a secured basis against AAA rated collateral.

Group - Treasury Portfolio

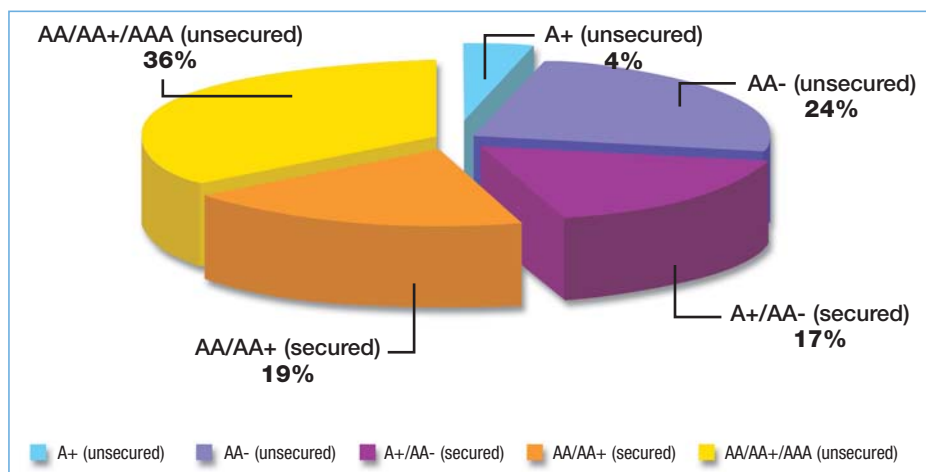
(Total Cash Collateral, Non-Cash Collateral and Own Funds Held)



Q2 2007 - Average Group Cash By Source

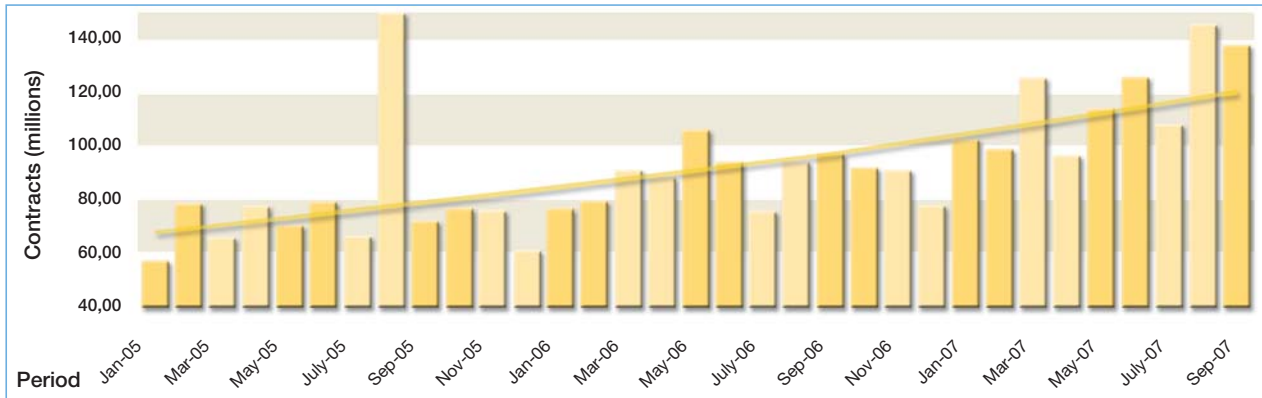


Group Investments as at June month end 2007 by Counterparty Credit Rating

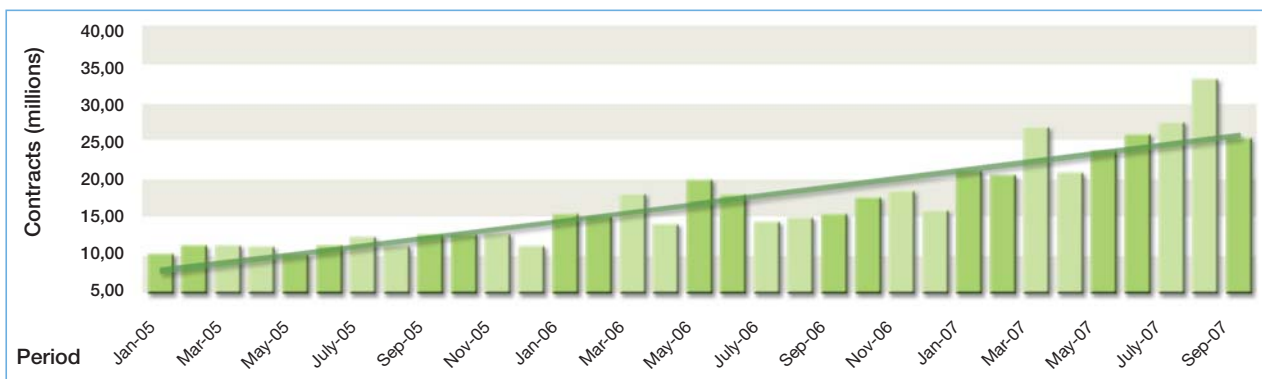


> Volume Statistics

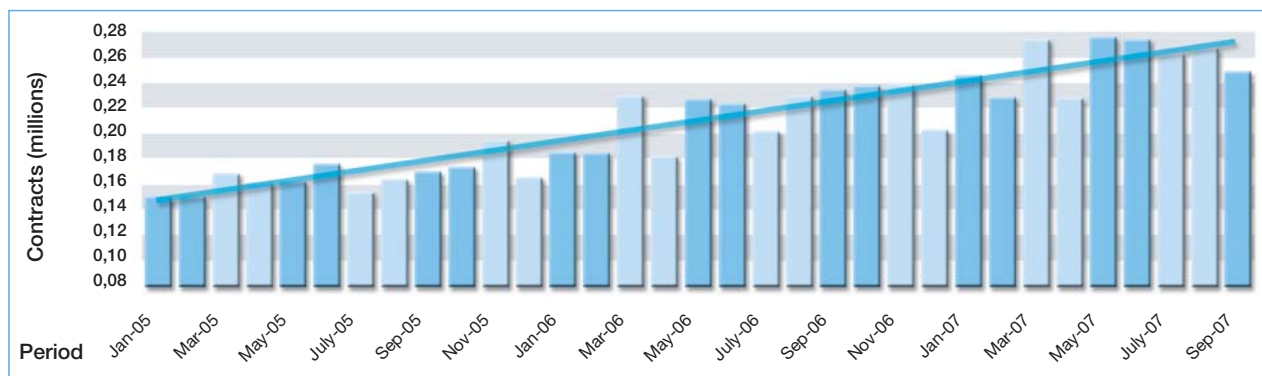
> LCH.Clearnet - Futures & Options Volumes



> LCH.Clearnet - Equities Volumes



> LCH.Clearnet - Fixed Income & Swap Volumes



> LCH.Clearnet Transactions Cleared, Single Counted ('000)

	September	2007 YTD	2006 Total
Equities	25,455	238,075	197,620
Exchange & Commodity Derivatives	138,449	1,058,716	1,067,150
Fixed Income	235	2,219	2,410
Swaps	15	102	90
Total	164,154	1,299,112	1,267,360

MEMBERSHIP



New members / membership extensions

From June to September 2007

CITIGROUP GLOBAL MARKETS LIMITED	LCH EnClear OTC Energy Services: Freight Division	15 June 2007
CONSTELLATION ENERGY COMMODITIES GROUP, Inc	Powernext® Day Ahead	28 May 2007
DEUTSCHE BANK AG, (London Branch)	Powernext® Day Ahead	11 June 2007
EZPADA S.R.O	Powernext® Day Ahead	19 February 2007
FREE ENERGIE SAS	Powernext® Day Ahead	9 July 2007
GAZ DE FRANCE	Powernext® Day Ahead	29 June 2007
JUMP TRADING LLC	ICE Futures	20 June 2007
JUMP TRADING LLC	ICE	9 July 2007
LEHMAN BROTHERS INTERNATIONAL (Europe)	Powernext® Day Ahead and Futures	2 April 2007
LOUIS DREYFUS COMMODITIES SUISSE SA	LIFFE	1 August 2007
MACQUARIE BANK LIMITED	LCH EnClear OTC Energy Services: Freight Division	6 July 2007
MERRILL LYNCH COMMODITIES (Europe) LIMITED	Powernext® Day Ahead	23 July 2007
MERRILL LYNCH INTERNATIONAL	LCH EnClear OTC Energy Services: Freight Division	1 June 2007
ROYAL BANK OF CANADA EUROPE LIMITED	Euronext Amsterdam, Brussels, Lisbon, Paris Securities and Derivatives markets	11 June 2007
ROYAL BANK OF CANADA EUROPE LIMITED	EDX London	20 August 2007
SORGENIA S.P.A	Powernext® Day Ahead	5 March 2007
TRX FUTURES LIMITED	ICE Futures	11 June 2007
UBS CLEARING AND EXECUTION SERVICES Limited (ex ABN AMRO FUTURES Limited)	Euronext Brussels Securities market	11 June 2007
UBS LIMITED	Powernext® Day Ahead	28 May 2007
VITOL SA	Powernext® Day Ahead	6 August 2007

contact



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