

Press Release

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LCH.Clearnet set to clear European equity CFDs

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LCH.Clearnet Limited (LCH.Clearnet), working with Chi-X Europe Ltd, will launch a unique contract-for-difference (CFD) clearing service. Investors will be able to benefit from clearing for European equity CFDs; a market that, in 2007 accounted for 30% of all UK equity transactions according to the FSA¹.

The service, which is in line with the European Commission's aims to increase the proportion of cleared OTC contracts, will still enable investors to access the best market price for a trade and, in addition, to benefit from:

- Reduced counterparty risk – LCH.Clearnet becomes the counterparty
- Cost efficiencies – due to Straight Through Processing, reduced costs and the removal of the OTC give-up trade
- Margin efficiencies – cross margining with equities
- Financing and corporate actions management – centrally managed, reducing administrative costs and processing

It is anticipated that the service will be launched in the third quarter of 2010, subject to regulatory approval. It will initially cover UK blue chip equities and will be extended to further European markets shortly after launch.

To access the service, participants will execute their equity hedge, as now, with the broker sourcing the best price in the market. The broker will then register the equity hedge and associated equity CFD with Chi-X Europe's Chi-Clear CFD service, which automatically routes the CFD vs equity trade through to LCH.Clearnet's EquityClear CFD service. All combined trades will require offset allocation to LCH.Clearnet nominated finance firms.

This will enable standardisation of contracts, processes and rules for users. The centrally cleared CFD instrument will trade with all the standard CFD benefits, including the ability to long or short a position, leverage, infinite duration, stamp exemption and reduced settlement costs.

Wayne Eagle, Director, Equity Services, LCH.Clearnet Ltd said: "This new service will facilitate CFD and Equity trades to be matched against each other; it is a revolutionary step in trading and clearing. It brings central clearing and the associated risk management and processing benefits to the CFD market."

Commenting on the announcement, Alasdair Haynes, CEO of Chi-X Europe said: "We are delighted to work with LCH.Clearnet Limited to launch the Chi-Clear CFD service. This will complement the existing range of services to our participants. The combination of Chi-X pan-European liquidity and a Central

Counterparty solution for CFDs will provide participants with additional choice in this important market segment.”

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1 Financial Services Authority, “Disclosure of Contracts for Difference. Consultation and draft Handbook text”. Nov 2007

About LCH.Clearnet

LCH.Clearnet 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, energy, freight, interbank interest rate swaps and 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 member’s 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.

About Chi-X® Europe

Chi-X Europe Limited is an FSA-authorized securities firm operating a multilateral trading facility (MTF) for the trading of a wide range of European equities in both a visible order book and the Chi-Delta™ non-displayed order book. Chi-X Europe also offers Chi-Vision™, a separate routing service. Chi-Clear, Chi-X Europe’s CFD service, allows wholesale market participants to bring CFD versus Equity hedge trades on-exchange passing them through to a Central Counterparty. Chi-X Europe’s low-cost, streamlined operating model is designed to help trading participants achieve ultra-low execution, clearing and settlement costs, and benchmark tests have shown Chi-X Europe to be significantly faster than Europe’s traditional equity exchanges. Chi-X Europe disseminates real-time market data at no cost to trading participants, and off-exchange trade reporting is available for a low monthly fee. For more information, please visit www.chi-x.com.