

Press Release

LCH.Clearnet to launch client clearing for OTC interest rate swaps

London, 27 May 2009

LCH.Clearnet Ltd (LCH.Clearnet) is pleased to announce the planned extension of its proven OTC interest rate swap clearing service, SwapClear, to the broader buy-side trading community.

For the first time, the buy-side community will have access to clearing for OTC interest rate swaps, a key pillar of the market changes that regulators are contemplating.

The new client clearing service, scheduled to be launched in the second half of 2009, will be based on the current successful clearing model, but will have additional functionality to support the segregation of client portfolios and margin. Clients will be able to access the service through a SwapClear clearing member, thereby reducing their counterparty credit risk.

Joe Reilly, Director of SwapClear, LCH.Clearnet said: "This important development will help reduce systemic risk and improve market transparency. The broadening of SwapClear's offering to include buy-side trading clients will significantly increase the proportion of important entities able to access clearing in the rates market. We are working hard with our membership to produce a solution that is supported both by the key liquidity providers in the market and the buy-side, thereby ensuring our offering is fully attuned to the whole market's needs."

SwapClear is the only clearing service for OTC interest rate swaps and it offers a global solution. Since 1999, SwapClear has improved the market structure for interest rates by providing the clearing framework within which major global swap dealers have reduced both risk and processing costs. It currently clears over 60%, or \$85 trillion outstanding notional, of the global interbank interest rate swap market, clearing trades in 14 currencies with a tenor of up to 30 years.

The resilience of SwapClear's default management process was demonstrated in September 2008 when it successfully handled Lehman's \$9 trillion interest rate swap default. The highly effective default management process ensured that over 60,000 trades were hedged and auctioned off to other clearing members in a timely fashion and that the default was managed well within the margin held and with no recourse to the default fund.

LCH.Clearnet is both a Financial Services Authority (FSA) Recognised Clearing House and a Commodity Futures Trading Commission (CFTC) registered Designated Clearing Organization (DCO).

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Notes to editors

*Source: BIS Report, December 2008/LCH.Clearnet

About SwapClear

SwapClear currently clears more than 1.28 million interest rate swaps with a notional value of US\$163 trillion trade sides and approximately 90% of all new intra-dealer swap activity. It offers the market many benefits including reduced counterparty and operational risk and a secure and standardised mechanism for handling collateral. It also offers a unique default management process which successfully closed out the Lehman Brothers' US\$9 trillion interest rate swap portfolio last September.

About LCH.Clearnet

LCH.Clearnet is the leading independent clearing house in Europe, 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.

As a clearing house, LCH.Clearnet sits in the middle of a trade, assuming the counterparty risk involved when two parties (or members) trade. When the trade is registered with LCH.Clearnet, it becomes the legal counterparty to the trade, ensuring the financial performance; if one of the parties fails, LCH.Clearnet steps in. By assuming the counterparty risk, LCH.Clearnet underpins many important financial markets, facilitating trading and increasing confidence within the market.

Initial and variation margin (or collateral) is collected from LCH.Clearnet members; should they fail, this margin is used to fulfill their obligations. The amount of margin is decided by LCH.Clearnet'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.