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World first as LCH.Clearnet and Chi-X Europe launch clearing for equity CFDs

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LCH.Clearnet Limited (LCH.Clearnet) and Chi-X Europe, the largest pan-European equities exchange, will this week launch the world's first contract-for-difference (CFD) clearing service for institutional investors.

The centrally cleared CFD (ccCFD) service has been designed to fit with existing market practices. Institutional investors will be able to source best execution from the broker of their choice and transform this into an on exchange centrally cleared CFD. The service complements regulators' stated aims to increase the proportion of OTC trades cleared and provides additional choice to institutional investors concerned about counterparty risk or regulatory developments.

The ccCFD contract has been developed by LCH.Clearnet and is accessed through Chi-X Europe's ccCFD service. Benefits of this unique service include:

- In line with regulators' stated aims to increase clearing of OTC trades
- Wholesale fungible and standardised LCH.Clearnet defined CFD contract
- Cost efficiencies through automated post-trade execution
- Cross margining with equities and netting efficiencies
- Reduced counterparty risk through central risk management

The service initially covers UK blue chip equities, but will be extended to include continental European and further UK equities at a later stage.

Commenting on the announcement, Alasdair Haynes, CEO of Chi-X Europe said: "We have always sought to bring innovative and efficient products to the market and the launch of centrally cleared CFDs is a continuation of that trend. In the same way as Chi-X Europe launched its cash equities market ahead of MiFiD's transformation of the trading landscape, we hope centrally cleared CFDs will help address the European Commission's aim of bringing more OTC trades on-exchange ahead of any regulatory imperative. This is an exciting new opportunity for us to expand our business into new areas."

Wayne Eagle, director of EquityClear at LCH.Clearnet said: "LCH.Clearnet has long sought to reduce risk in OTC markets by developing clearing solutions which complement existing market practices. This unique offering provides real choice to participants and addresses buy-side concerns around OTC counterparty

risk. Clearing through the service, participants can benefit from our robust risk management processes and 11 years of experience of clearing OTC products.”

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About LCH.Clearnet

LCH.Clearnet is the leading independent clearing house group, the world’s largest clearer of OTC derivatives and in addition serves major international exchanges and platforms. It clears a broad range of asset classes including: securities, exchange traded derivatives, commodities, energy, freight, interest rate swaps, credit default 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-authorised securities firm operating a multilateral trading facility (MTF) for the trading of more than 1,300 of the most liquid securities across 24 indices and 15 major European markets, as well as ETFs (exchange traded funds), ETCs (exchange traded commodities) and IDRs (international depositary receipts) in both a visible order book and the Chi-Delta™ non-displayed order book. Chi-X Europe’s low-cost, streamlined operating model is designed to help trading participants achieve ultra-low execution and clearing and settlement costs.

For more information, please visit www.chi-xeurope.com.