



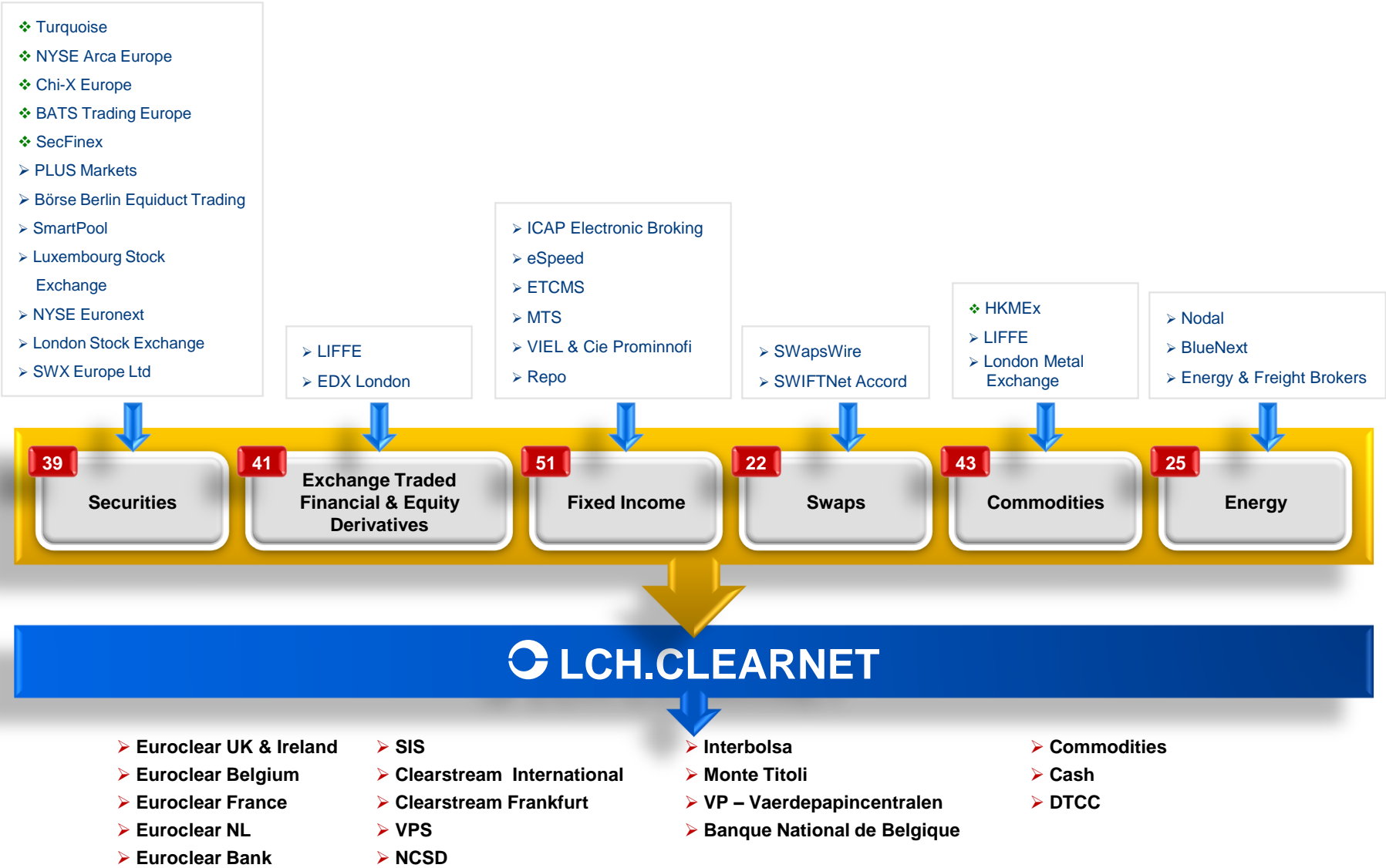
# SwapClear

**LCH.Clearnet Ltd**

**European Central Bank**

**9th July 2009**

# LCH.Clearnet: unique breadth of expertise

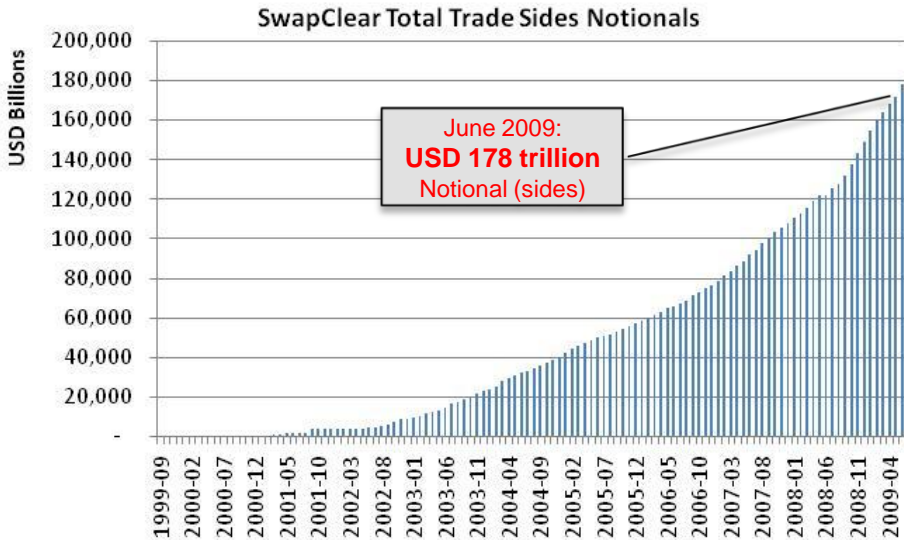
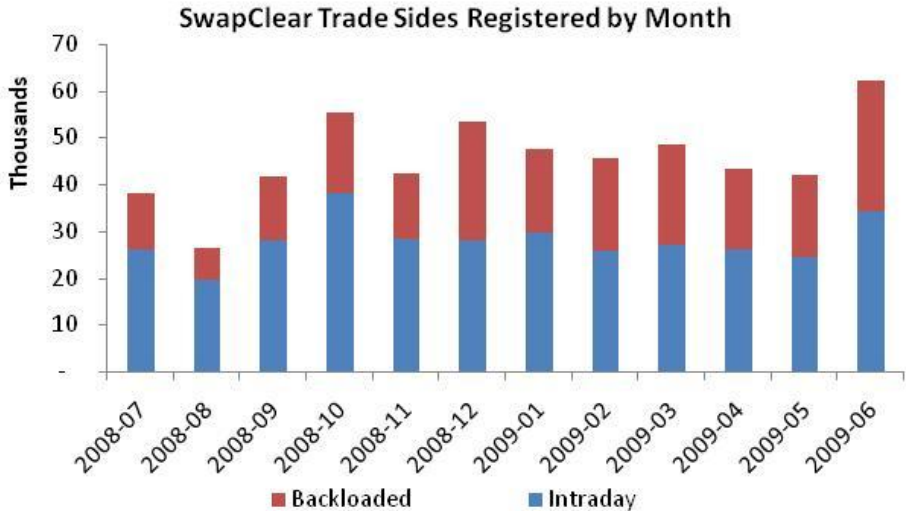


**X** Indicates # of Market Members. Data accurate at time of print but is not legally binding. Please refer to [lchclearnet.com](http://lchclearnet.com) for current membership status.

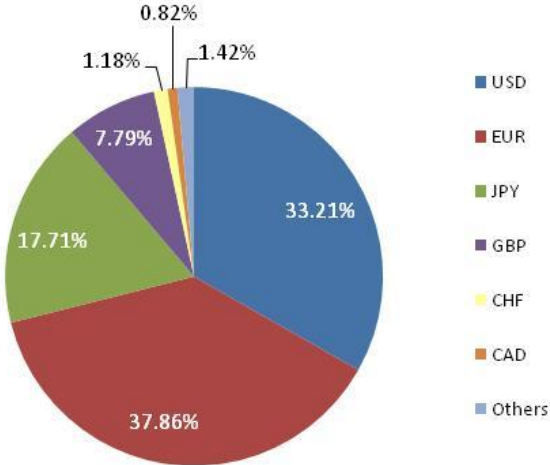
# SwapClear: a successful clearing solution

- Established in September 1999 as IRD G4 10 yr service
- Developed into a rich G14 30 Yr service for IRD market
- Since June 2001, partnered with OTCDerivNet \*
- **Planned introduction of buy side access through SwapClear clearing member in H2 2009**

\* OTCDerivNet is a limited liability company owned by 14 banks which work with LCH.Clearnet in the development of the post trade environment for the benefit of the OTC derivative industry



SwapClear Trade Sides Notional Distribution by Currency



# SwapClear: service coverage

## Today

- Vanilla Interest Rate Swap up to 30 yrs
- Overnight Index Swaps
- Euribor and Libor Basis Swaps
- Compounding Swaps
- 14 Currencies eligible for clearing:

USD	EUR	JPY	GBP	CHF
AUD	HKD	NZD	CAD	NOK
SEK	DKK	PLN	ZAR	

- Trade registration from Markit Wire:  
08:30-18:00 GMT / BST
- Regular Trade Tear-ups using Tri-Optima

## Under development

- **Extending SwapClear to buy side**
- Tenor extension to 50 yrs and beyond for major currencies (August 2009)
- Extending operating hours to cover global time scale (Q3 2009)
- Forward Rate Agreement
- Cross Currency Swaps
- Expanding Currency set
- Planning the next generation of clearing technology

# SwapClear :dealer membership criteria

## Clearing Member Eligibility

- Swap Portfolio minimum size of USD1 trillion
- Minimum capital USD5 billion in Clearing Entity or in Parent providing Guarantee
- Credit Rating single A or better
- Margin multipliers applied if existing member downgraded below A
- Compulsory participation in Default Management Process

## Current Clearing Members

- Bank of America NA\*
- BNP Paribas\*
- Credit Suisse International\*
- Credit Suisse Securities (Europe) Limited
- Commerzbank AG
- Dresdner Bank AG
- HSBC Bank PLC\*
- HSBC France
- Societe Generale\*
- UBS AG\*
- Merrill Lynch International Bank Limited\*
- Banca IMI S.p.A.
- Barclays Bank PLC\*
- Citibank NA\*
- Deutsche Bank AG\*
- Goldman Sachs Bank USA\*
- JP Morgan Chase Bank NA\*
- Morgan Stanley Capital Services, Inc\*
- The Royal Bank of Scotland PLC\*
- Calyon
- Nomura International PLC
- ABN AMRO Bank NV
- Rabobank NV
- Natixis SA
- ING Bank NV

\* OTCDerivnet Member

# SwapClear : for the buy-side

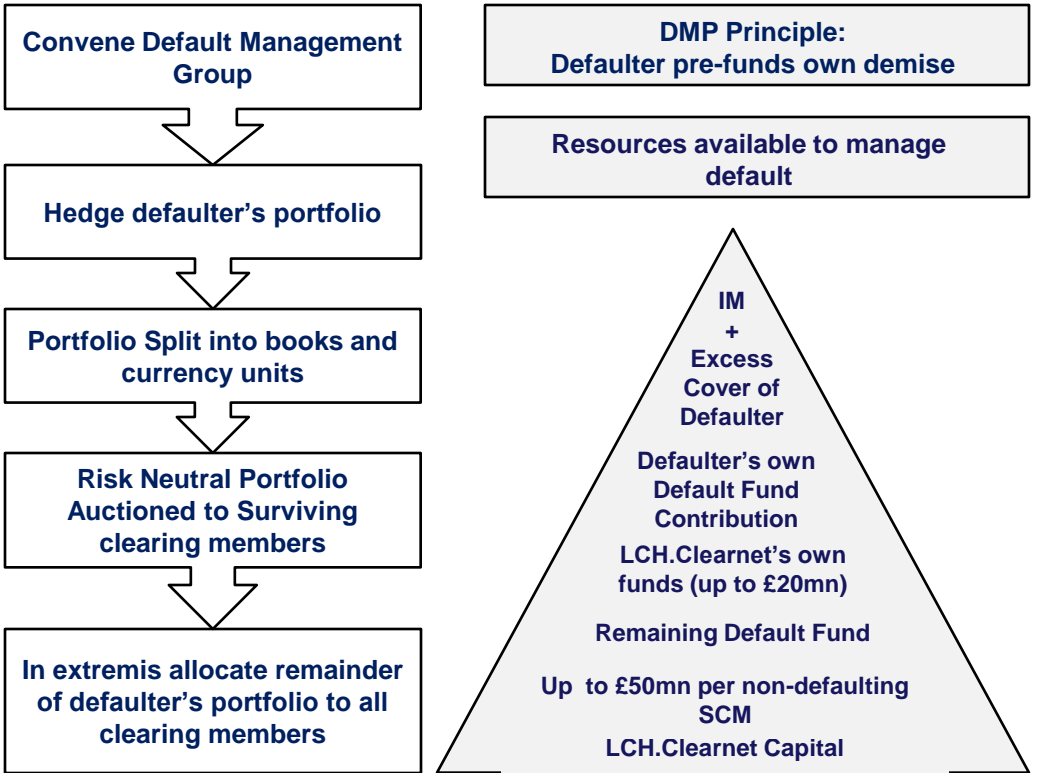
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- The SwapClear default management process demonstrated its resilience in September 2008 by successfully handling Lehman's USD9 trillion interest rate swap default
- The market requested that we extend the benefits of the existing dealer to dealer SwapClear offering to the buy-side
- The buy-side needs the ability to:
  - Reduce counterparty exposure
  - Achieve portability of contracts
  - Segregate initial margin
  - Gain the operational benefits of net settlement

with the continued capability to manage post-trade events.

# SwapClear : default management process (DMP)

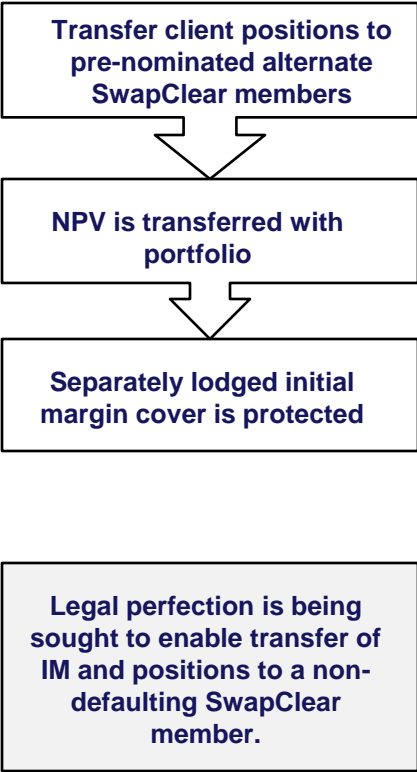
## House positions



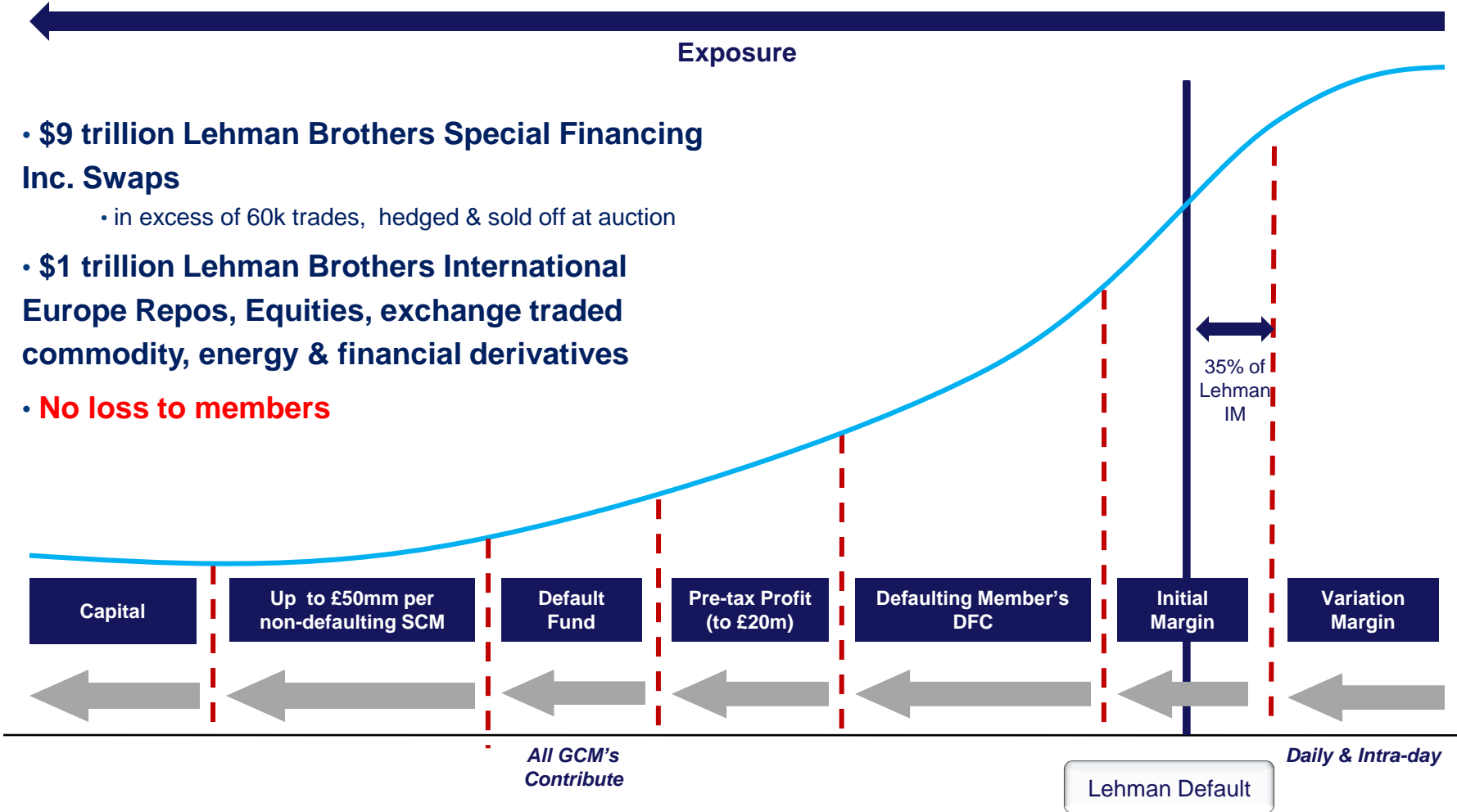
Lehman Default (Sep 08): All auctions were successful  
 66,000 trades with a total \$9tr notional portfolio

**No Default Fund contributions were touched**

## Client positions



# Management of Lehman interest rate Swap default



“Lehman’s failure cost its trading partners in the OTC CDS market hundreds of millions of dollars, whilst its trades backed by clearing houses were unwound without incident” *Moody’s Investors Service*

# SwapClear contacts

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