



Bourse de Luxembourg Clearing Services

Presentation to Trading
Members, Clearing Members &
ISV

28/06/2007

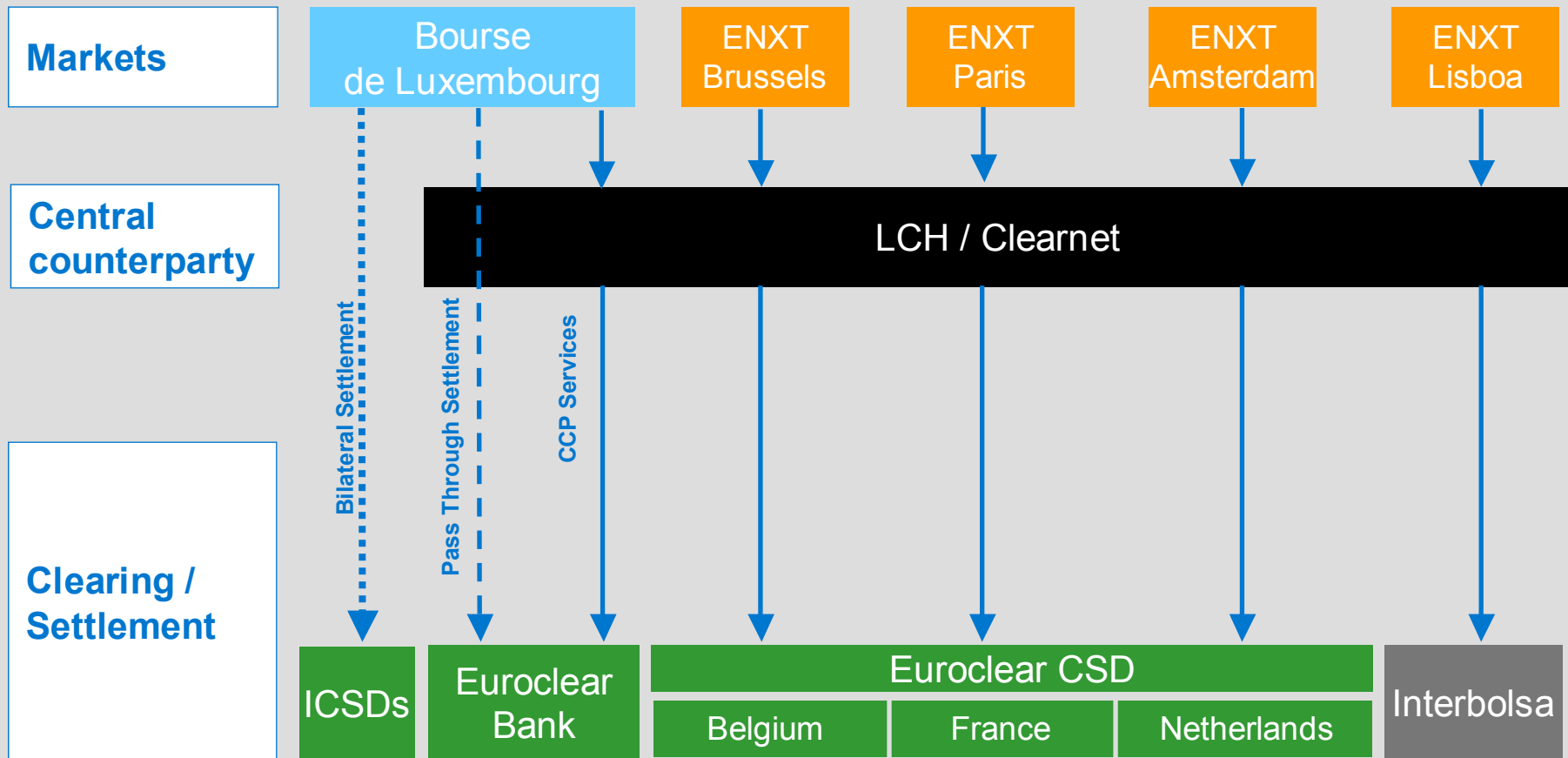
Objectives of this meeting

- Deliver **technical details on the future post-trade model** of the Luxembourg Stock Exchange
- Introduce the role of **ISV and Clearing Members** to the Trading Members of the Luxembourg Stock Exchange
- Provide Clearing Member Firms and Trading Member Firms with **an implementation roadmap** until the GoLive Date.

Strategic Objectives

- Increase overall liquidity on BdL markets
- Promote corporate bonds trading segment
- Provide best execution through a cost-efficient and STP post-trade model
- Develop a European standard for listing

Central counterparty and clearing & settlement To-be situation



Description of the new Clearing & Settlement services

LCH.Clearnet will provide Pass Through Settlement and CCP services on the Luxembourg Stock Exchange for shares and bond instruments.

	Billateral Settlement	Pass Through Settlement	CCP services
Delivery versus Payment	✓	✓	✓
Anonymity of transactions		✓	✓
STP Settlement		✓	✓
Novation			✓
Netting			✓



Eligible criteria for Clearing services of LCH.Clearnet

Shares and Bond instruments which will be cleared and settled through LCH.Clearnet will be selected on the basis of the following criteria:

Technical & Operational criteria

- ✓ Eligibility of the **trading currency** in Clearing and Settlement systems (16 currencies)
- ✓ Eligibility of the instrument in **Euroclear Bank**

Market criteria

- ✓ Presence of **market makers** (see Trading manual)
- ✓ **Sufficient volume** of trades (Min. 2000 trades / year)

Principles of the Luxembourg Stock Exchange Post-trade model

Financial instruments will remain allocated to trading groups. This allocation will consider the following principles:

- ✓ LCH.Clearnet will provide **clearing services on Shares and Bond instruments**
- ✓ **Continuous trading and CCP services** for liquid instruments
- ✓ **Fixing and Pass Through settlement** for instruments with low liquidity

Instruments	Liquidity	Trading groups	Clearing services	Estimated number of instruments
Shares	High	Continuous trading	CCP Services	10
Bonds				5 000
Shares	Low	Fixing	Pass Through Settlement	300
Bonds				24 000
Warrants	Low	Fixing	Bilateral Settlement	5 200
Investment Funds				7 200
Bonds*				1 000

* Bond instruments not eligible in LCH.Clearnet or Euroclear Bank

Financial instruments allocation to trading groups will be **reviewed on a regular basis** in order to promote the overall market liquidity on the Luxembourg Stock Exchange.