

General Members Meetings

Single Order Book, ESES Stream 3 & LCH.Clearnet Flux Bourse

April Members workshops feedback Testing and launch detailed arrangements

- Amsterdam: 27 May 2008
- Brussels: 30 May 2008
- Paris: 03 June 2008
- Lisbon: 05 June 2008
- London: 06 June 2008

Agenda

- April Members workshop feedback and launch detailed arrangements
- Fallback scenario
- Impacts relatives to SOB on derivatives « Clearing »
- Detailed testing plan

Members workshop feedback

Report

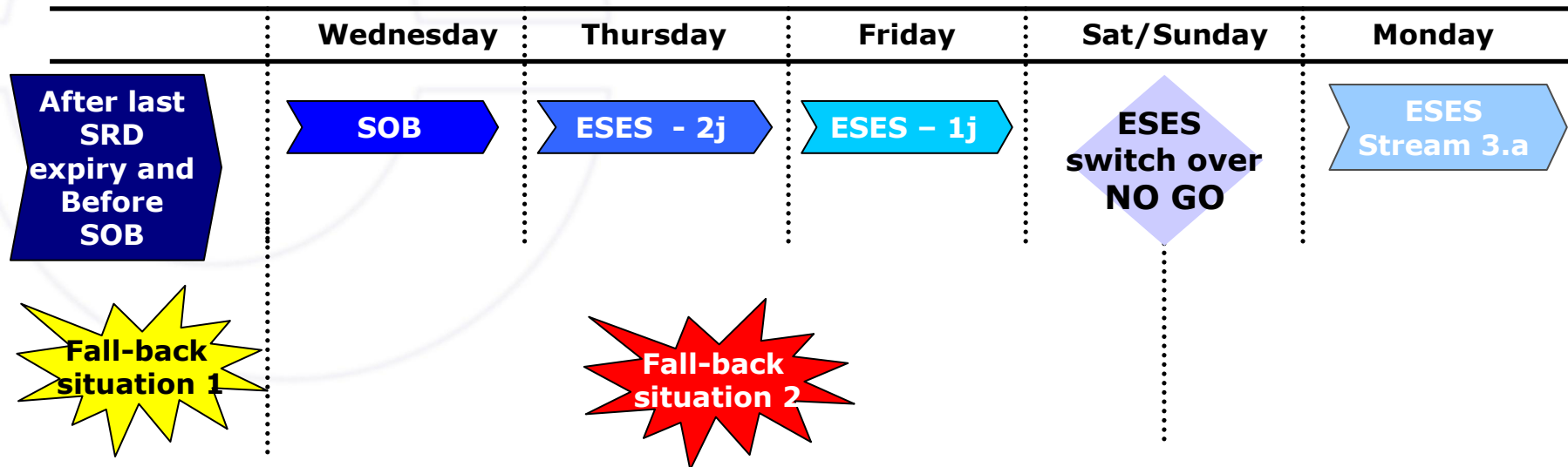
- Meetings held in April in Amsterdam, Paris, Brussels and London
 - ➔ Good participation of all the members and ISVs
74% of the market shares represented
- The common (Euroclear, Nyse Euronext and LCH.Clearnet) launch strategy principles have been well received
- Members to pay attention:
 - Reporting of positions for all CSDs in the same SIF file in case the market of reference is not in the same place as the CSD of reference
 - Members would have to put in place processes to inform their settlement agents
- Account structure management status report

Members workshop feedback

Actions/Decisions

- Conversion/Transfer of positions at the launch of ESES stream 3
 - ➡ Initial ISD will be maintained on the migrated positions
- Currency conversion during the Launch of ESES stream 3
 - ➡ Converted currency will be mentioned in the book entry
- Black windows
 - ➡ No change in account structures from 2 weeks before and until 2 weeks after Launch

2 Fall back situations



Fall-back situation 1



No Impact on Members

- ⦿ LCH.Clearnet postpones SOB/ESES stream3 launches operations
- ⦿ NYSE-Euronext does not intend to reintegrate SRD products

Fall-back situation 2

(1/2)



- No update to:
 - CSDs of reference (planned on Friday)
 - Members' account structures
- Multi listed securities
 - "Delisted" securities re-authorised to trading by NYSE.Euronext on next trading day
 - No conversions/transfers of positions (No launch book entries)
 - Positions related to trades made from SOB launch would be cleared on the clearing segment = new market of reference for the security (still under study)
- SIF files reports of Friday (positions to settle on Monday) will remain the same as now
- Members must pay attention
 - LCH.Clearnet requests Members to have a clearing solution linked to a settlement solution (according to the rule book section 1.4.2.5)
 - In case that few Members would not have a clearing solution
 - Manual workaround solution would have to be found to settle positions for the trades made since SOB launch
 - Use temporary the services of another clearing Member
 - LCH.Clearnet would give support to Members concerned to find the solution

Fall-back situation 2 (2/2)

- ⦿ A Crisis management committee would be immediately setup with all the entities of the market
- ⦿ Information in due time to Members
- ⦿ Members' reports and files might be delayed

Derivatives clearing & SOB



Single Order Book principles on **CASH** market:

- ▣ No more multi trading on security
- ▣ 1 market of ref per security
- ▣ 1 CSD of ref per security

Principles

- LIFFE's multi listed equity options will remain multi listed after SOB
- The implementation of SOB project on the cash market will impact the derivatives market, as far as equity option exercise is concerned
- Only few multi listed equity options are concerned

Derivatives clearing & SOB

Option classes impacted (to be confirmed)



	AMSTERDAM	BRUSSELS	PARIS
FORTIS	FOR	FRB	
AIR FRANCE	AFA		AF1 - American style AF2 - European style
ARCELOR MITTAL	MT		MI1 - American style MI3 - European style
DEXIA		DXB	DX1 - American style DX2 - European style
NYSE EURONEXT	NYE		NY1 - American style

Reminder of existing codes



Market place	Financial market	Code id.	Financial market	Code id.
☑ PARIS	DERIVATIVES	274	CASH	025
☑ BRUSSELS	DERIVATIVES	280	CASH	278
☑ AMSTERDAM	DERIVATIVES	281	CASH	279

Derivatives clearing & SOB

Example: Fortis option

TODAY 

DERIVATIVES MARKET

Overlying

AMSTERDAM

FOR

BRUSSELS

FRB

EXERCISES/ASSIGNMENT EXERCISES/ASSIGNMENT

CASH MARKET

Underlying

AMSTERDAM

FORTIS shares

BRUSSELS

FORTIS shares

DERIVATIVES MARKET

Overlying

AMSTERDAM

FOR

BRUSSELS

FRB

EXERCISES/ASSIGNMENT EXERCISES/ASSIGNMENT

CASH MARKET

Underlying

BRUSSELS

FORTIS shares



AFTER SOB

Derivatives clearing & SOB

Creation of new links between derivatives and cash markets at LCH.Clearnet's level



DERIVATIVES MARKET

CASH MARKET

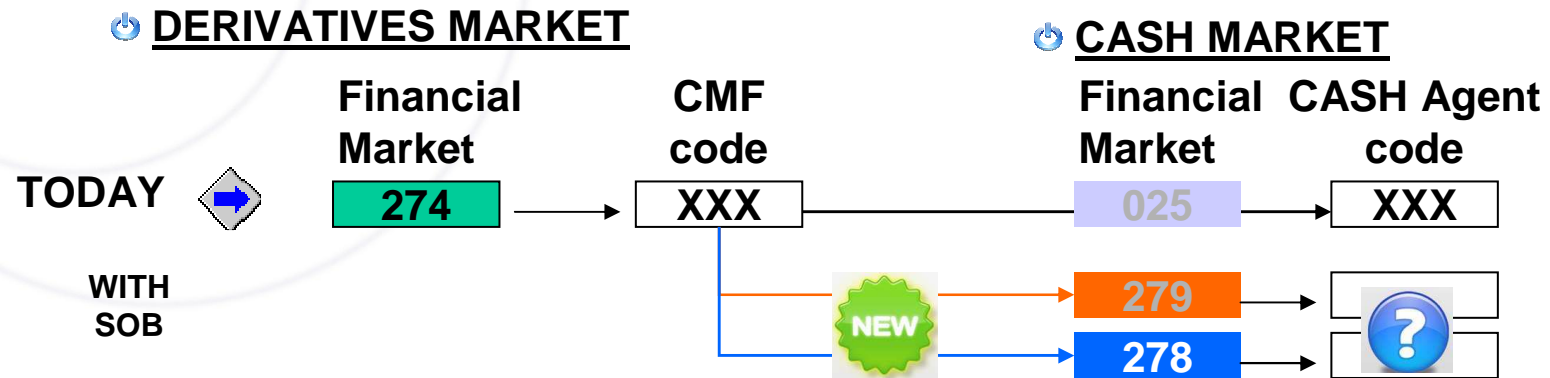


Derivatives clearing & SOB

Definition of cash agents for each CMF active on derivatives



- Example: a CMF is active on Paris only



- CMF: XXX will have to choose a cash agent who will receive and manage the cash position resulting from exercises and assignments on equities.
- The cash agent can be the same across markets or a cash member already active on the dedicated financial market.
- If a member is already a cash agent on all financial markets, he can be the cash agent for all financial market.

Derivatives clearing & SOB

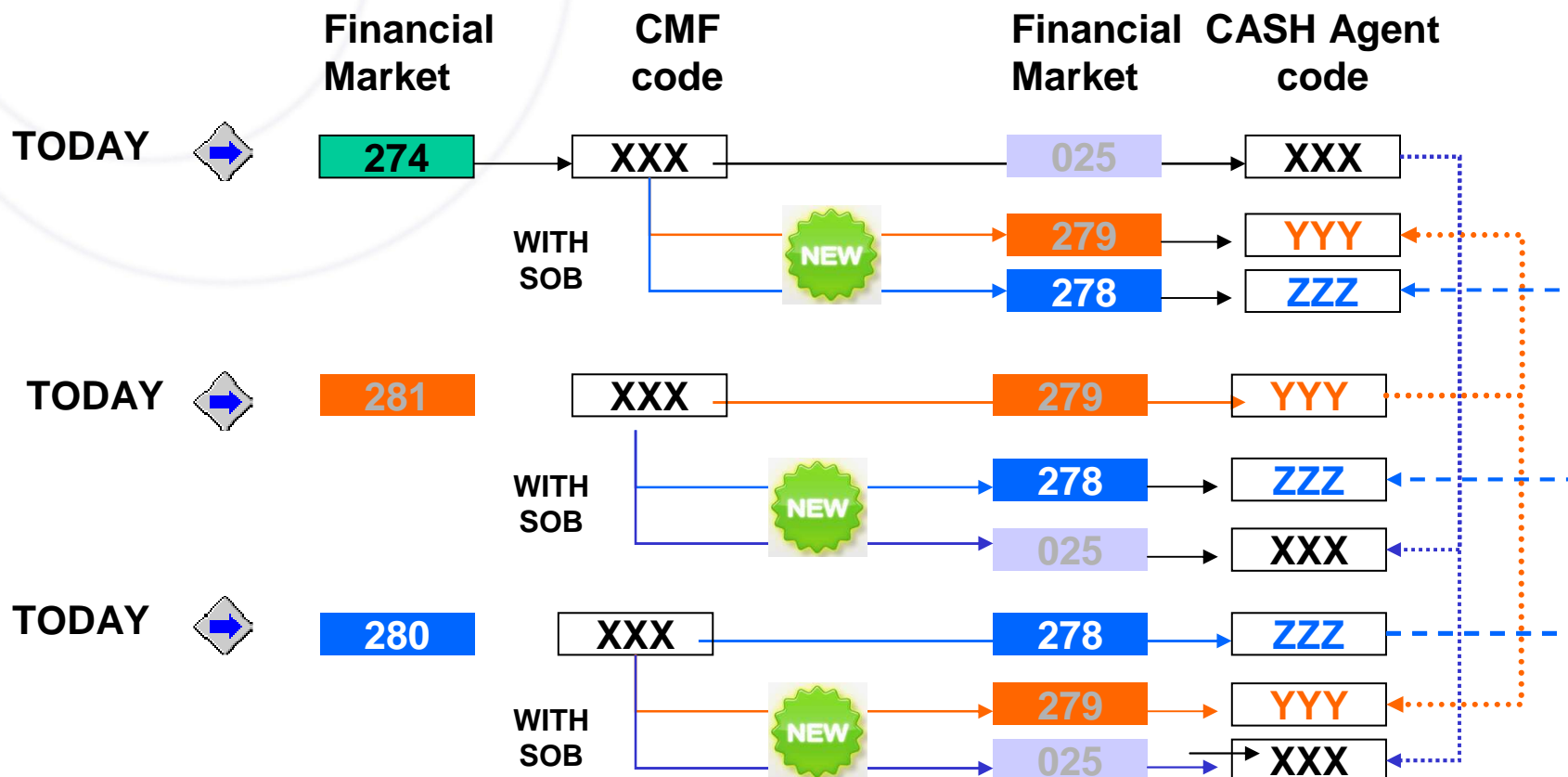
Duplication of links for each CMF active on derivatives



Example: a CMF is active on all market places with a dedicated Cash agent

DERIVATIVES MARKET

CASH MARKET



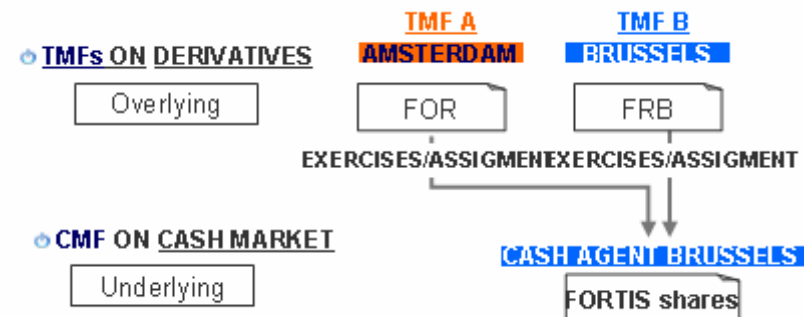
Derivatives clearing & SOB

Impacts

- Members' side
 - Additional agreements between derivatives members and Cash agents
 - To be planned
 - Ex: a member active on French derivatives has to have an agreement with a cash member active on the Belgian and Dutch clearing segments
- LCH.Clearnet side
 - The option classes impacted by the change of underlying will be isolated in a dedicated financial market

HIGHLIGHT POINT:

Reconciliation process between Cash and Option following exercises & assignments



Detailed testing plan

Overview

Reminder of general principles

- Mandatory « End to end testing » in free test mode
- 2 Launch rehearsals
 - Organised at week-ends
 - Definitive milestones details will be sent 2 weeks before the rehearsal
 - Communication via Info flashes and SMS messages for all relevant events
 - Regular check points between NYSE.Euronext, Euroclear and LCH.Clearnet
 - PR3 file expected to be sent around 11:00pm on Friday evening
 - SIF/BIF files expected to be sent on Saturday around noon
 - LCH.Clearnet support available on Saturday (all day) and potentially on Sunday if needed
 - Clients feedback requested on Saturday afternoon
- 4 Monitored tests to ease the conversion/transfer of positions scenarios
 - ➡ Launch book entry management
- Script test periods: ➡ Prepare launch rehearsals with guidelines
- Free tests periods: ➡ Use these periods to pursue the script tests and to process your own test cases
- Corporate events on the 3 markets will be processed at the clearing level

Detailed testing plan

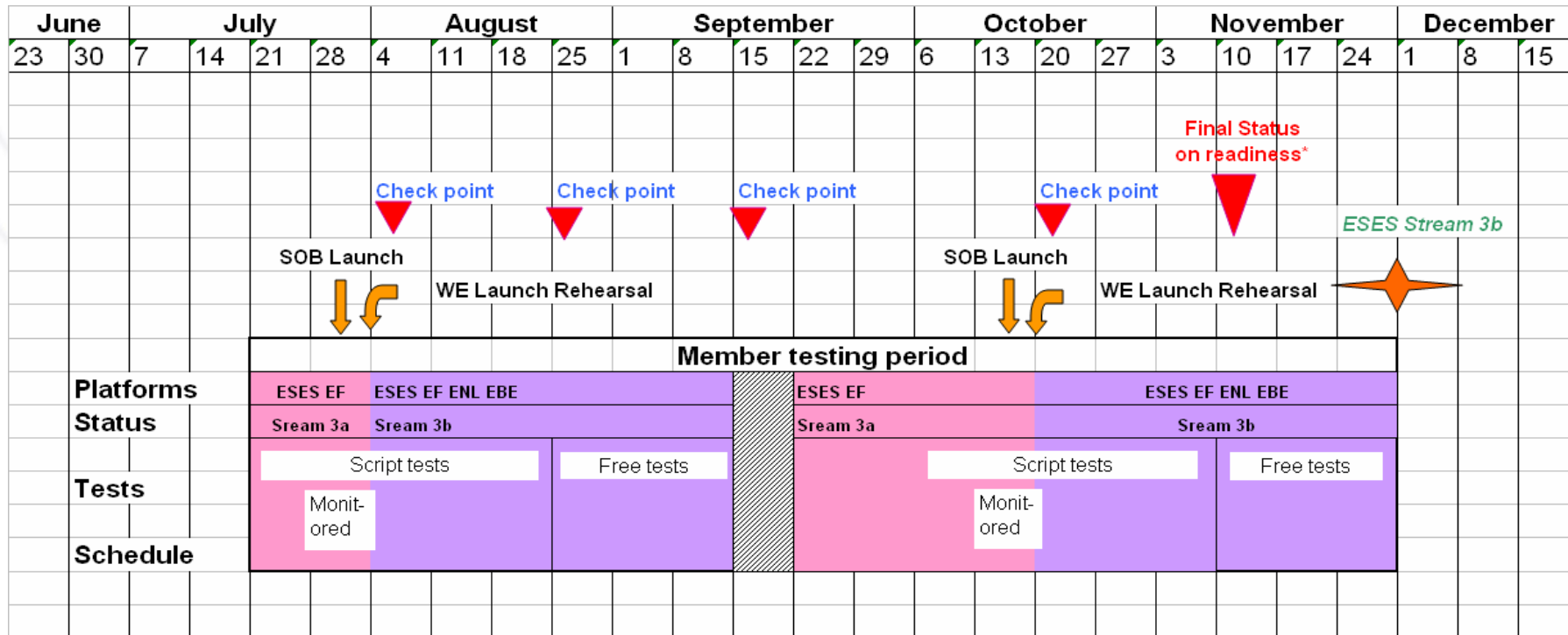
Overview

Members' involvement


- Member participation is **mandatory** for each of the 2 launch rehearsals and in script/free test periods
 - Tests Contacts
 - Week-end launch rehearsal contacts
 - Members' test results checklist expected after each check point
 - Final Member readiness checklist returned must be signed
- } Expected end of June

Detailed testing plan

Planning



* Not a GO NO-GO decision

 Technical closure at LCH.Clearnet only

Detailed testing plan

Principles

Monitored tests

- To get used to the management of launch book entries
- 4 main functional scenarios created to aid Members
 - Fails Positions Transfer Linked to SOB
 - Currency conversion of fails
 - Fails Positions Transfer Linked to change of QTY type
 - Change of CSD of reference
- Trades injected at the clearing level per Member and per test case:
 - 1 trade/member 3 days before SOB launch on “delisted” securities
 - 1 trade/member on SOB launch day on the security selected as market of reference
- Balances initialised to 0 in EF, EBE and EB
- Quantity to trade on Amsterdam market to get fails, balance to be checked in ENL
- Trades injected 3 days before SOB launch will be returned failed
- Positions are converted/transferred (LDE and LCR)
- Members validate and/or integrate the book entries from SIF files into their internal applications

Detailed testing plan Principles

Monitored tests scenarios: July 2008

TRADES									TESTING SCHEDULE											
Trade #	Test case #	Test case	Clearing segment	Trading instrument	ISIN code	Qty	Price	Buy/Sell code	JULY 2008				AUGUST 2008							
									24	25	26	27	28	29	30	31	1	2	3	4
										SOB -3				SOB -1	SOB launch	ESES -2	ESES -1	ESES Launch	ESES Launch	ESES
1	1	Currency conversion	AMSTERDAM	US1941621039	US1941621039 COLGATE PALMOLIVE	2000	46 €	B		Trade				Fail		Pos. Trans. ↓	Check SIF			
2	PARIS		NSCFR0COLGP3		1000	51\$	S						Trade			New pos.				
3	2	Place of CSD different to trading one	AMSTERDAM	NSCNL0122107	ANN757371433 RORENTO	2000	43	B		Trade				Fail		Pos. Trans. ↓	Check SIF			
4			BRUSSELS	NSCBE012107		1500	43,2	S						Trade				Pos. Trans. ↓		
5			PARIS	ANN757371433		1000	43,1	B							Trade				New pos.	
6	3	Qty type change UNT to FMT	AMSTERDAM	NL0000118594	NL0000118594 ING GROEP 6 1/8% 11	2000	104%	S					Trade			New pos. ↑	Check SIF			
7			PARIS	NSCFR00IG61P6		1000	103%	B							Trade				Pos. Trans. ↑	
8	4	Position transfers linked to SOB	BRUSSELS	BE0003853703	BE0003853703 MONTEA	2000	34	B					Trade			New pos. ↑	Check SIF			
9			PARIS	NSCFR0MONTP1		1000	31	S							Trade				Pos. Trans. ↑	

Detailed testing plan

Principles

Monitored tests scenarios: October 2008

TRADES									TESTING SCHEDULE												
Trade No	Test case No	Test case	Clearing segment	Trading instrument	ISIN code	Qty	Price	Buy/Sell code	OCTOBER 2008												
									9	10	11	12	13	14	15	16	17	18	19	20	
									SOB -3					SOB -1	SOB launch	ESES -2	ESES -1	ESES Launch	ESES Launch	ESES	
1	1	Currency conversion	AMSTERDAM	US1941621039	COLGATE PALMOLIVE	2000	46 €	B		Trade					Fail		Pos. Trans. ↓	Check SIF			
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4				BRUSSELS		NSCBE012107	1500	43,2	S		Trade					Fail			Pos. Trans. ↓↓		
5				PARIS		ANN757371433	1000	43,1	B							Trade				New pos.	
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7				PARIS		NSCFR00IG61P6	1000	103%	B		Trade					Fail				Pos. Trans. ↑	
8	4	Position transfers linked to SOB	BRUSSELS	BE0003853703	BE0003853703 MONTEA	2000	34	B						Trade			New pos. ↑	Check SIF			
9				PARIS		NSCFR0MONTP1	1000	31	S		Trade					Fail				Pos. Trans. ↑	

Detailed testing plan

Principles

Script tests at the clearing level (1/2)

- Free test mode
- Dedicated support on a sample of multi listed securities:
 - Trading side
 - Order entry at TMF level
 - NYSE.Euronext assures the liquidity at the end of the day
 - On request, exceptional trading support by NYSE.Euronext
 - Order entry scenario to be sent to NYSE.Euronext one week before execution
 - Last reference price of production recommended for order entries
 - Scenario limited to 10 orders maximum
 - Service available 2 weeks before and after launch to be defined
 - Clearing
 - Dedicated Member support team
 - Settlement
 - Balances initialised in EF, EBE and EB

Detailed testing plan

Principles

Script tests at the clearing level (2/2)

- Multi listed securities selected depending on the functional characteristic changes before/after ESES

Event before/after ESES stream 3	Multi listed securities impacted in production	TO GET FAILS		TO GET SETTLEMENT	
		- Balances set to 0 at EF, EBE and EB - Balances to be checked and managed by Members in ENL to get fails		- Balances set to 1000 in EF, EBE and EB - Balances to be checked and managed by Members in ENL to get settlement	
		ISIN Code	Description	ISIN Code	Description
Change of currency	< 15	AN8068571086	SCHLUMBERGER	JP3973400009	RICOH
Change of qty type FMT to UNT	< 10	FR0000481616	SNCF 5 7/8%10	FR0000491367	EDF 5%09
Change of qty type UNT to FMT	< 15	NL0000288918	Vastened Retail	IE00B14X4M10	iShares MSCI North America
CSD and Market of reference not on the same place	<5	XS0087184312	DRB 5 1/4%09	IE0008470928	ISHARES STOXX 50
Multi listed sec. where market of reference becomes Paris	< 40	FR0000062796	Vranken Pomery	FR0000133308	FRANCE TELECOM
Multi listed sec. where market of reference becomes Brussels	< 20	BE0005587580	DEXIA strip	XS0290764728	ORCOBSAAR0314
Multi listed sec. where market of reference becomes Amsterdam	< 100	GB00B0CTWC01	ETFS Brent Oil	NL0000289213	WERELDHAVE

Detailed testing plan

Next steps

Documentation

- Detailed testing guide available soon
- Documentation available: <http://www.lchclearnet.com/projects/eses/default.asp>

Detailed testing plan

Support

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