

Press Release

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LCH.Clearnet set to clear for FEX

LCH.Clearnet Ltd (LCH.Clearnet), the global clearing house, and Australia's Financial and Energy Exchange Group (FEX), have agreed initial terms for LCH.Clearnet to provide clearing for the FEX Exchange Traded Derivatives Market, subject to regulatory approval.

LCH.Clearnet will clear energy, commodity and environmental derivatives listed on FEX. Participants will benefit from LCH.Clearnet's global operational capabilities, providing a robust and reliable service during the Asia-Pacific trading day.

FEX is a market infrastructure and services group operating electronic markets for exchange-traded-derivatives, over-the-counter products and Clean-Tech equities. FEX is focused on facilitating and providing access to the rapidly developing and expanding Asian energy and commodity markets, linking local growth with global demand.

Roger Liddell, CEO, LCH.Clearnet said; "Our global clearing capabilities and unrivalled expertise in clearing exchange traded contracts will support the growth of the FEX Exchange, which has the potential to play a key role in the continuing growth of commodity derivatives markets in the Asia-Pacific region. We are delighted to be working with FEX to bring efficiency and security to commodity and energy focused derivative users in the region."

Thomas Price, CEO, FEX Derivatives, commented; "At FEX the security, stability and efficiency of clearing was not only of operational importance, but essential to the utmost integrity of our exchange traded market. LCH.Clearnet's extensive global capabilities and experience provide FEX with a clearing service that extensively provides for all our requirements and more"

LCH.Clearnet has a long history of clearing commodities and energy trades, providing services for the London Metal Exchange and NYSE Liffe and the North American electronic commodities exchange, Nodal exchange. Dedicated to providing innovative clearing solutions to new markets, LCH.Clearnet also clears a range of OTC commodities including, FFAs, Steel, Iron Ore, Containers, Fertilizer, Emissions, Coal and Gold.

A consultation paper summarising the details of the application by FEX for an Australian market license was published by the Australian Securities and Investments Commission (ASIC) on March 7 2011. To view the consultation paper [click here](#).

About LCH.Clearnet

LCH.Clearnet (then The London Produce Clearing House Limited) began clearing commodity futures in 1888. Today it is the leading independent clearing house group, 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, 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.

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, reducing risk, facilitating trading and increasing confidence within the market.

Initial and variation margin (both 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; in IRS, six times intraday. 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.