



London
Stock Exchange Group

London Stock Exchange Group plc

Post Trade Update

20 May 2015



Xavier Rolet – CEO

London Stock Exchange Group

Welcome and introduction

Agenda

LCH.Clearnet:

- **Strategy and Ambition** – Suneel Bakhshi (LCH.Clearnet Group CEO)
- **Financial Update** – Gordon McNair (LCH.Clearnet Group CFO)
 - Steve Briscoe (LCH.Clearnet Global Head of Technology & Operations)
- **Market Environment, Opportunities and Focus** – Michael Davie (LCH.Clearnet Group COO)
- **Opportunities and Developments** – Daniel Maguire (Global Head – SwapClear)
 - Bruce Kellaway (Global Head – RepoClear)
 - Gavin Wells (Global Head – ForexClear)

Settlement:

- **Introduction to globeSettle** – Serge Harry (Chairman, globeSettle)
- **Target2Securities** – Mauro Dognini (CEO, Monte Titoli)

Strategic focus

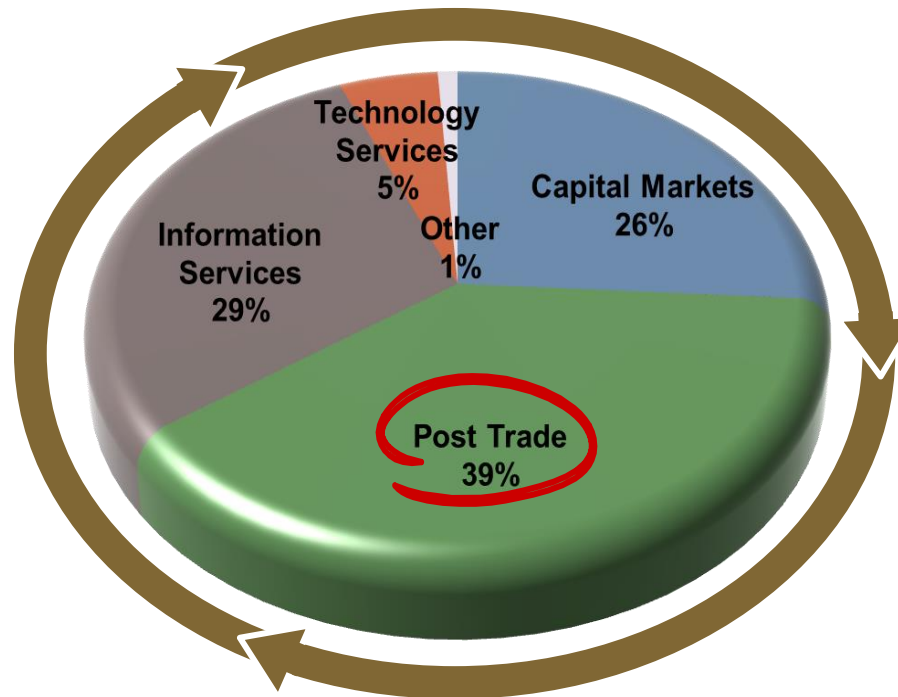
Unique open-access model - working in close partnership with our customers; open to competitors

Intellectual property	Indices, Data and Technology	<ul style="list-style-type: none"> • FTSE • Russell • MillenniumIT
Capital formation	Primary and Secondary markets	<ul style="list-style-type: none"> • Global listings • Trading; equity, fixed income and derivatives
Risk and balance sheet management	Clearing, Settlement and CSD services	<ul style="list-style-type: none"> • LCH.Clearnet & CC&G • UnaVista • Monte Titoli & globeSettle

Post Trade Services – core part of interconnected Group

Group Adjusted Total Income

CY 2014: £1,381.1m



Interconnected markets infrastructure business

Note: Chart excludes Russell Investment Management revenues

Multiple growth opportunities

- Cost efficiencies – incremental **€40m** Phase 2 savings, plus further IT saves
- Incremental revenue opportunities in our Post Trade businesses, totalling **€175m to €250m**
- Additional opportunities from US Repo clearing and Portfolio Margining



Suneel Bakhshi – LCH.Clearnet Group CEO

Strategy and Ambition

Delivering growth through significant transformation

LCH.Clearnet Vision

- To be the most trusted clearing house in the markets we serve

Priorities for our unique, open access CCP

- Resiliency
- Efficiency
- Innovation

Delivery of improved operating performance

- Re-organised the leadership team
- Commenced a programme of simplification of IT and business architecture
- Leverage and deepen our customer partnership approach
- Grow our leadership position in SwapClear and European repo across all LCH.Clearnet

Highly experienced & expanded senior management team

1
&
2

Resiliency & Efficiency



Christophe Hémon
Chief Executive Officer
LCH.Clearnet SA



Martin Pluves
Chief Executive Officer
LCH.Clearnet Ltd

Q1 2015



David Weisbrod
Chief Executive Officer
LCH.Clearnet LLC



Diane Bouwmeester
Group Head
Legal & Compliance
LCH.Clearnet Group

Q2 2014



Gordon McNair
Chief Financial Officer
LCH.Clearnet Group

Q2 2014



Dennis McLaughlin
Chief Risk Officer
LCH.Clearnet Group



Steve Briscoe
Global Head of Tech & Ops
LCH.Clearnet Group

Q2 2015



Ajit Samaranayake
Chief Scientist & Adviser
LCH.Clearnet Group and MillenniumIT

Q1 2015

3

Innovation



Ali Hackett
Global Head of Sales and Relationship Management

Q2 2015



Michael Davie
Chief Operating Officer

Q2 2015



Daniel Maguire
Global Head of SwapClear + Listed Rates

Q1 2014



Gavin Wells
Global Head of ForexClear



Cécile Nagel
Global Head of Equities

Q3 2014



Bruce Kellaway
Global Head of Fixed Income

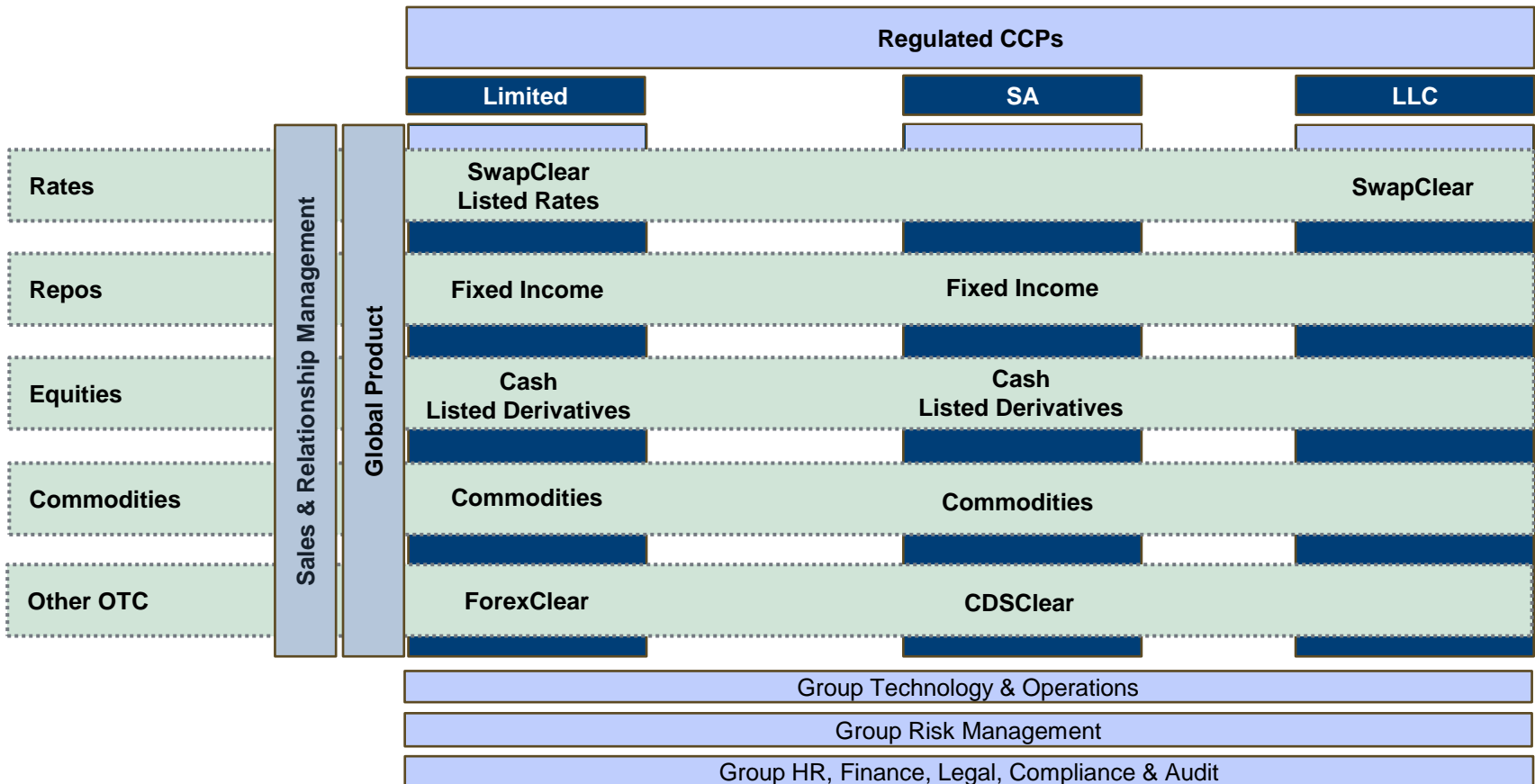
Q3 2014

 *New roles*  *New people*  *New people & roles*

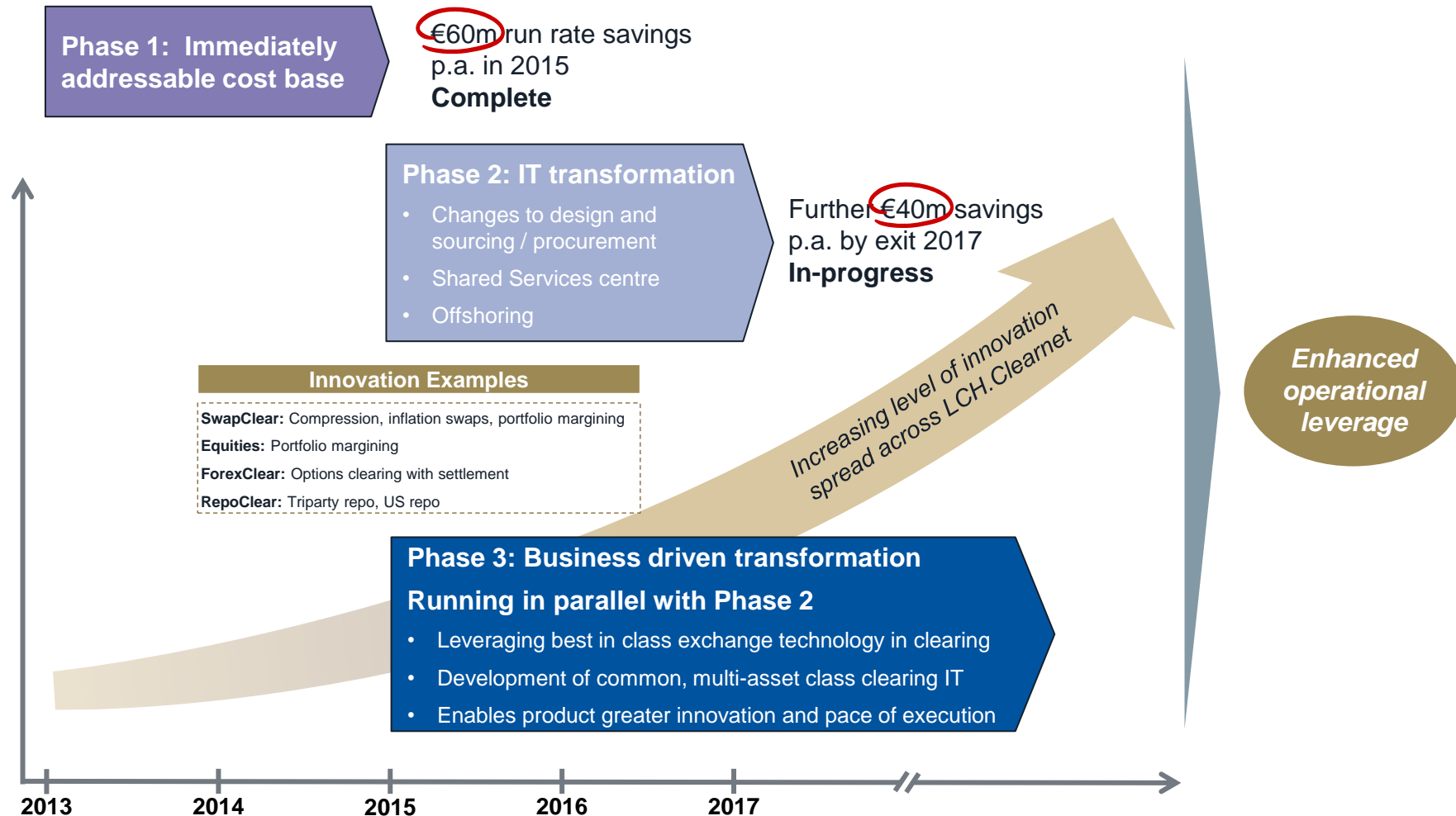
Note: The above represents a select number of LCH.Clearnet ExCo members; LCH.Clearnet has Global Heads of CDS/Clear and Commodities; Full biographies in appendix

LCH.Clearnet Group Operating Model

Building the most trusted CCP in the markets we serve



Growth through continued efficiency and innovation



Affirmation of LCH.Clearnet competitive positioning

CCP	Multi-asset class	Global footprint	Unique open access model	Most trusted risk management	Operational Efficiency	Margin Model Stability
LCH.Clearnet	✓	✓✓	✓✓	1 st	1 st	1 st
CME Clearing	✓	✓	✗	2 nd =	2 nd	2 nd
Eurex Clearing	✓	✓	✗	2 nd =	3 rd =	3 rd =
ICE Clear	✓	✓✓	✗	4 th	3 rd =	3 rd =

*** Customer survey
Greenwich Associates March 2015**



**Gordon McNair – LCH.Clearnet
Group CFO**

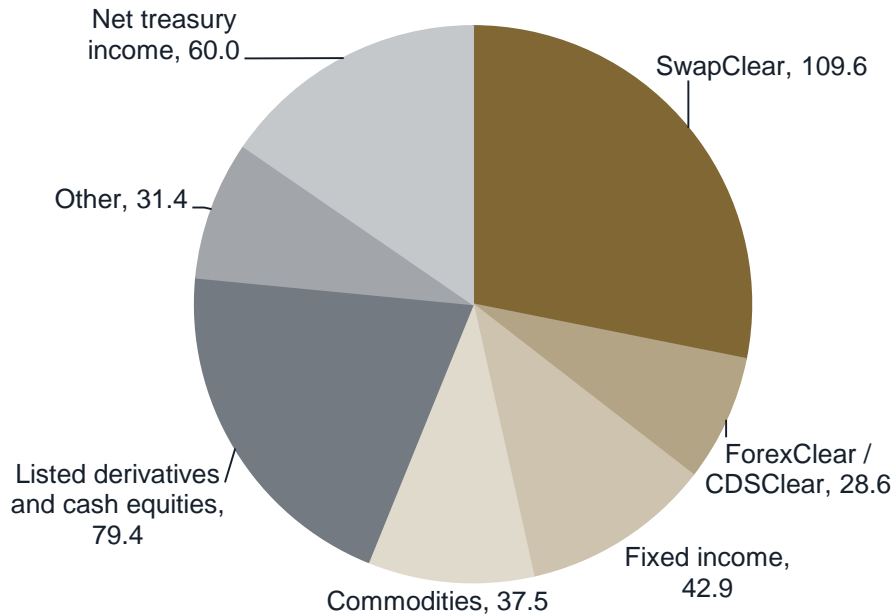
**Steve Briscoe – LCH.Clearnet
Head of Technology & Operations**

Financial Update

Strong and diversified financial performance

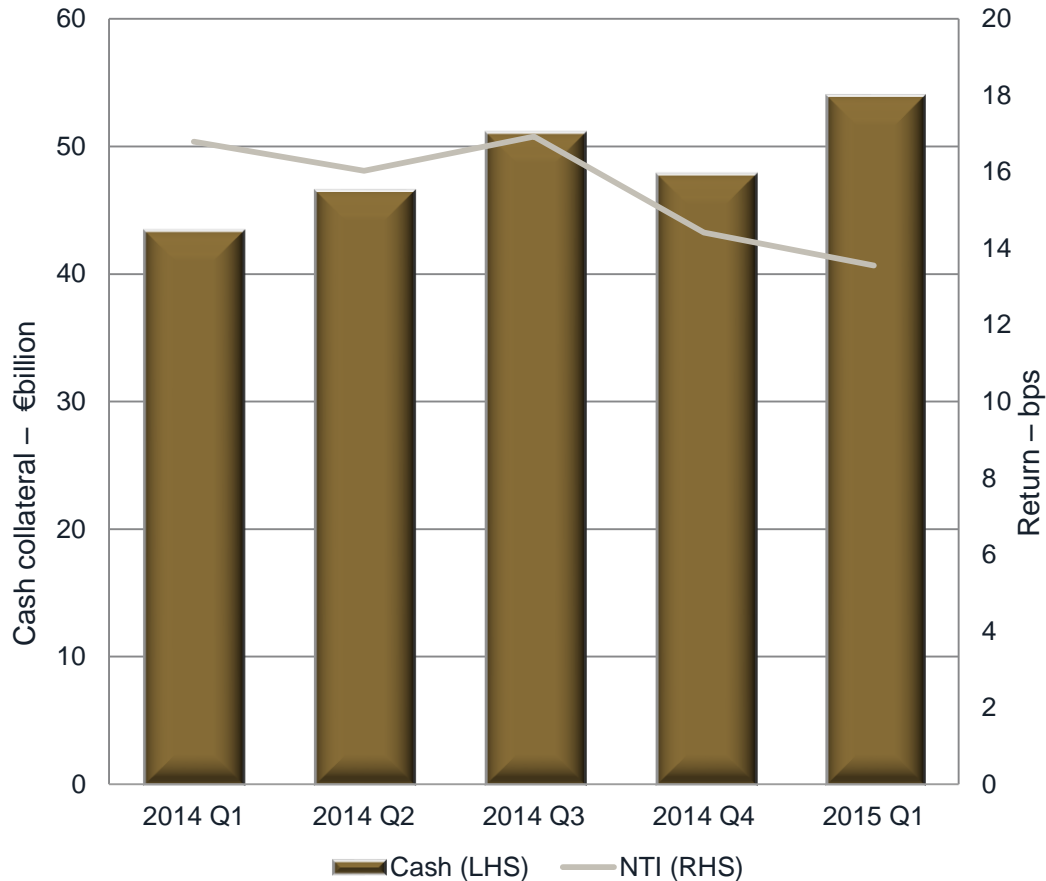
Adjusted Income up 23% at organic and constant currency

LCH.Clearnet 2014, Income £389.4m



- Successfully grown SwapClear business to £100m+ revenue line
- SwapClear revenue share arrangements successfully re-negotiated
- Strong clearing offering in repo / fixed income, listed derivatives and equities
- Enhanced Forex and CDS clearing services

Cash collateral & NTI returns - LCH.Clearnet



Net Treasury Income (NTI)

Drivers:

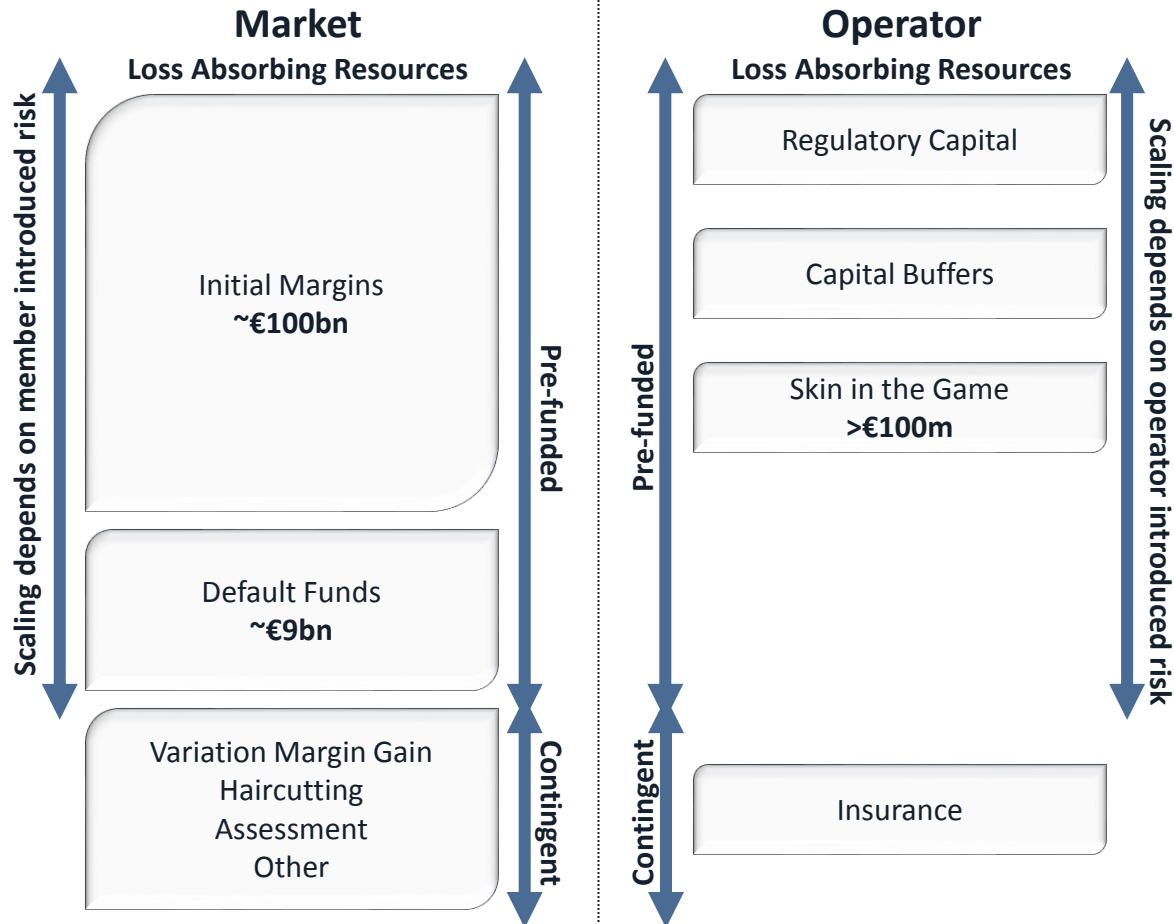
- Quantum of cash collateral
- Spread between rate paid and received

NTI returns:

- Low impact from negative rates
- Mix of Euro, USD, and Sterling investments

Risk Management & Capital Strength

CCPs as a circuit breaker



• Capital requirements fully EMIR compliant	✓
• Skin in the game set	✓
• Proven risk and margining models	✓

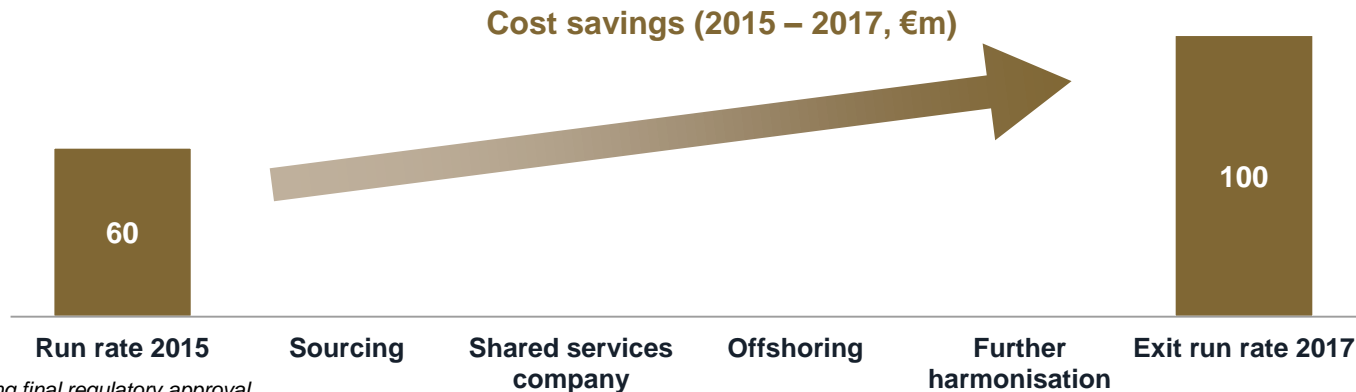
Phase 1 - Successful cost reduction programme achieved

- Originally targeted €23m of savings by year 3 (2015)
- **Increased cost synergy target of €60m now successfully reached**
 - **€30m** achieved in year 2 (2014)
 - **€45m** achieved programme to date
 - **€60m** full run-rate in 2015
- Staffing reduced by almost 200 – including contractors
- Consolidation of property and contracts with third parties

Phase 2 - Accelerate pace of change and deliver €40m incremental savings

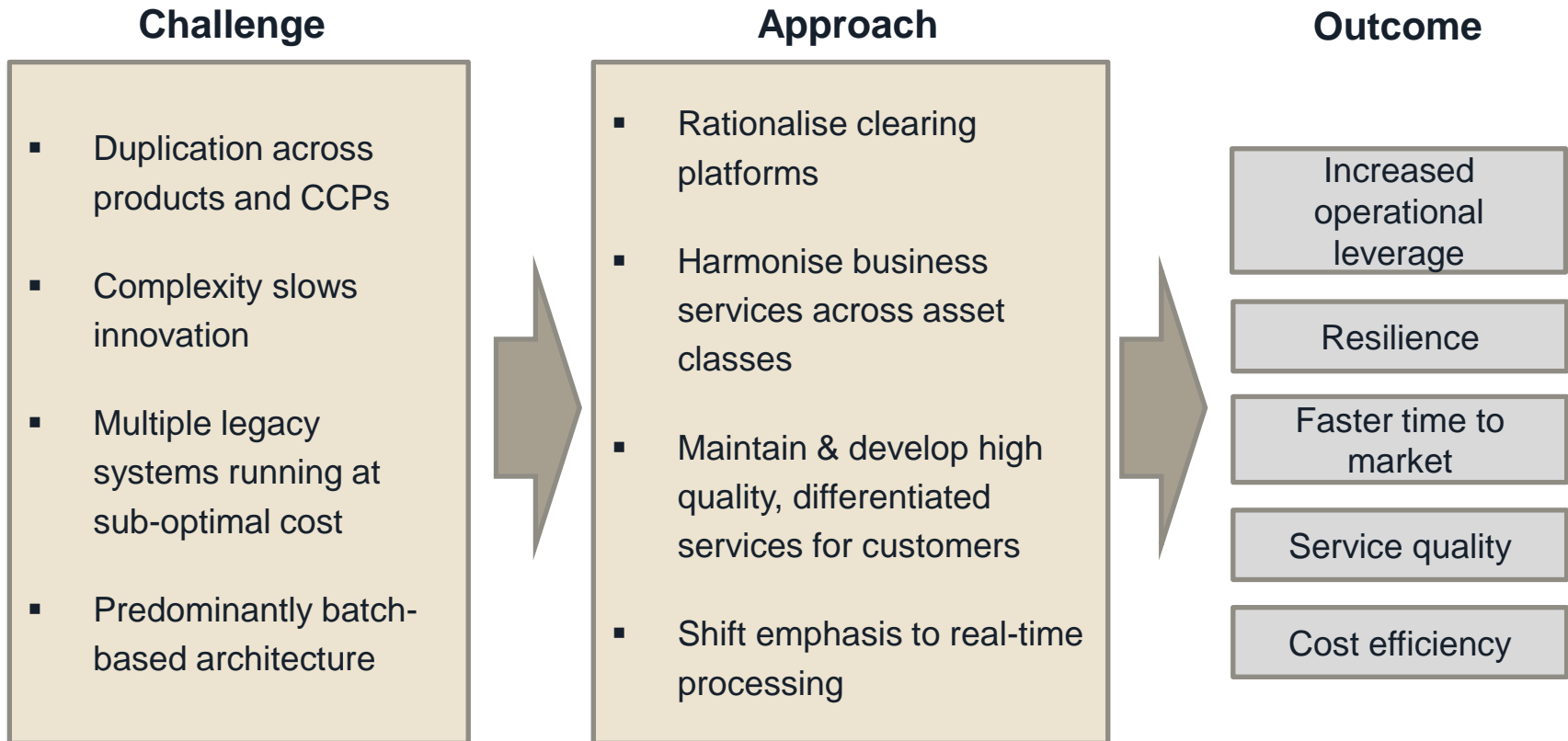
Incremental savings of €40m on a run rate basis by exit 2017 will be achieved through:

- Procurement – Leveraging the combined buying power across LSEG
- Shared Services Company (SSC) – Initial provision of shared technology across LSEG
 - SSC launch Q2 2015*
 - Provides support services to all parts of LSEG
 - Further optimisation work through centralising of IT functions
- Offshoring – Leveraging low cost centres initially across Technology and Operations subject to regulatory approval
- Further Organisational Synergies – Continued implementation of group corporate functions



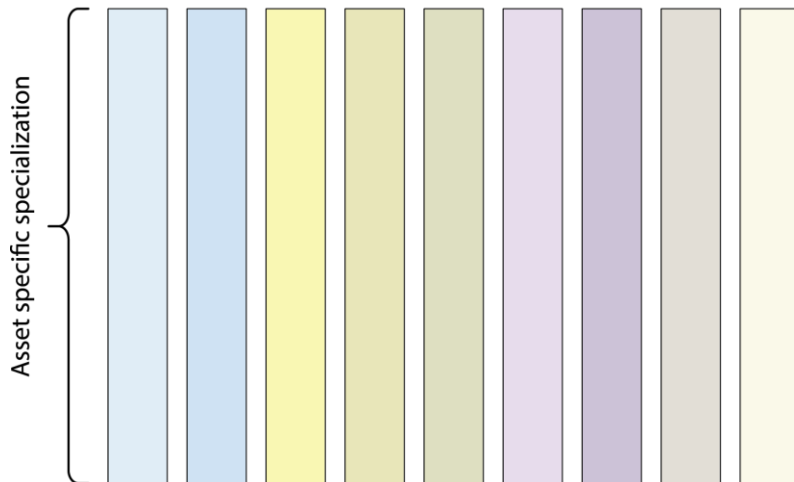
**subject to receiving final regulatory approval*

Phase 3 - Business Driven Transformation



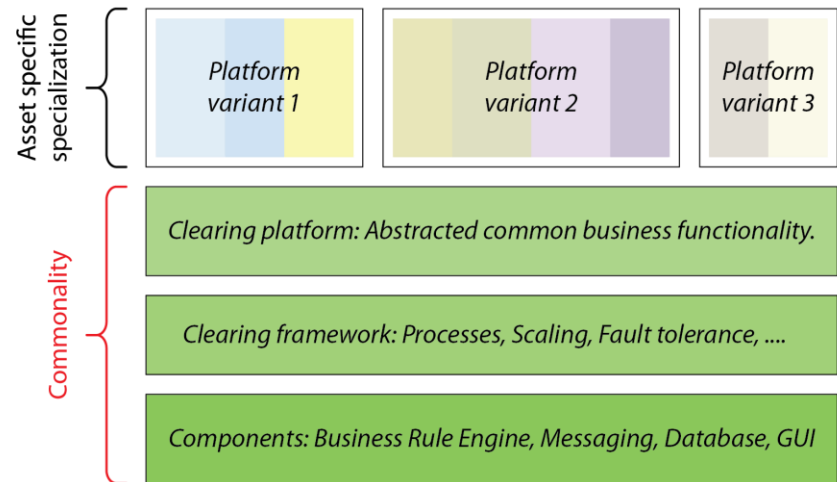
Phase 3: Delivering through Technology Innovation

Siloed clearing applications “LCH.C LEGACY”



NO COMMONALITY
A different application for each asset class.

A common platform based “LCH.C IN THE FUTURE”



MAXIMUM COMMONALITY
*Faster time to market, increased resilience,
higher quality of service and reduced cost.*

- Leveraging world-class technology from LSEG delivered by MillenniumIT
- Partnering with existing strategic suppliers for best in class capabilities
- Building momentum of delivery with first strategic components in 2016



Michael Davie – LCH.Clearnet Chief Operating Officer

Market Environment, Opportunities and Focus



Multiple drivers of growth

- **Regulatory change**
 - Dodd-Frank, EMIR, MiFID/MiFIR
- **Customer demands**
 - Incremental choice
 - Risk reduction
 - Capital / balance sheet efficiency
 - New clearing services
- **Product innovation**
 - New products & services in more geographies

Growth through innovation

- **Innovation comes in different forms**
The know-how, the platform, the delivery and the approach
- **Partnership has proven to be effective for LCH.Clearnet**
Member & client engagement to design, develop and deploy new solutions
- **Open Access**
Is a key differentiator, within asset class and across markets

Open Access – opportunities for a horizontal CCP

Open Access *A key differentiator*

- Open Access is the principle at the heart of free and fair markets.
- Open Access gives customers the freedom to choose where to list, trade, clear, report trades or settle

What does this mean for LCH.Clearnet

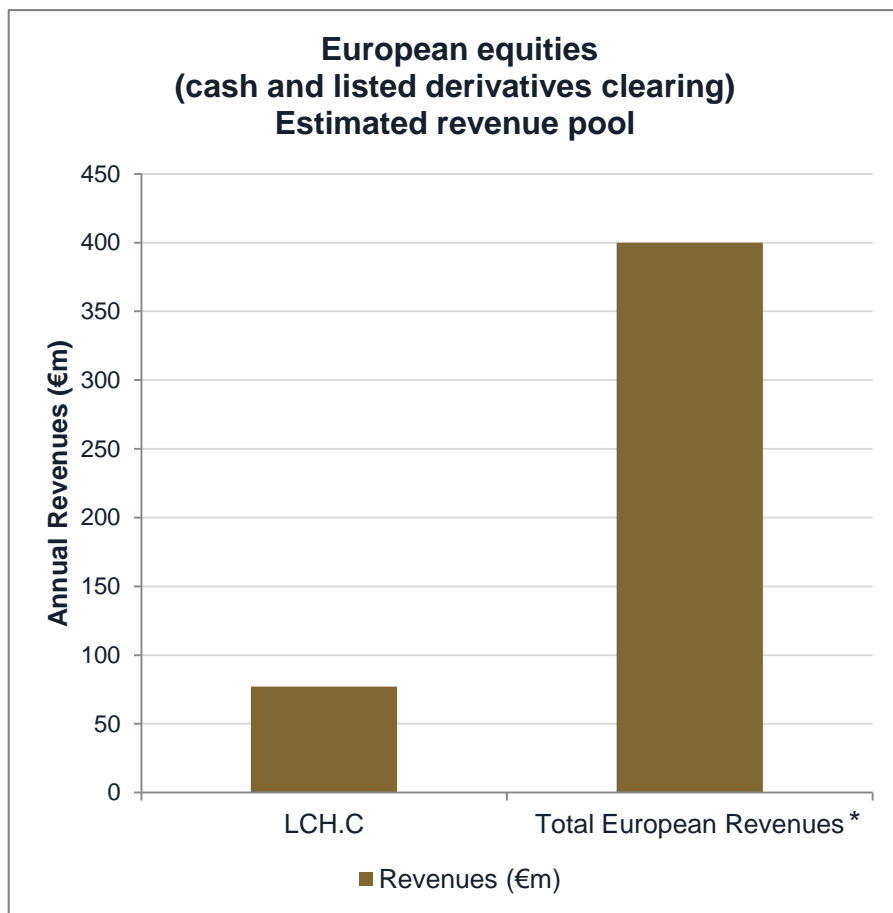
- Distinctive feature of LCH.Clearnet – *the* horizontal CCP
- Open Access means :
 - Trading venues able to choose which CCP to clear with
 - CCPs able to clear trading flows from any execution venue
- Open Access does NOT mean :
 - Interoperability
 - Increased risk

Benefits to Our Customers

- Increased choice
- Increased competition
- Increased market efficiency
- Increased product / service innovation

Equities & Derivatives

Competitive Positioning & Growth Prospects



* Estimated 2014 Annual Revenues

- Total European equities (cash and derivatives) revenue pool estimated at c.€400m
- Regulatory changes (including MiFIR open access provisions) expected to create change and opportunities in cash & listed derivatives for LCH.Clearnet's horizontal business model
- Further developments in OTC derivatives from Basel III capital requirements driving demand for more cleared products
- LCH.Clearnet aims to be the prime consolidator of cleared equity risk in Europe



Daniel Maguire – LCH.Clearnet Global Head of SwapClear & Listed Rates

Opportunities and Developments

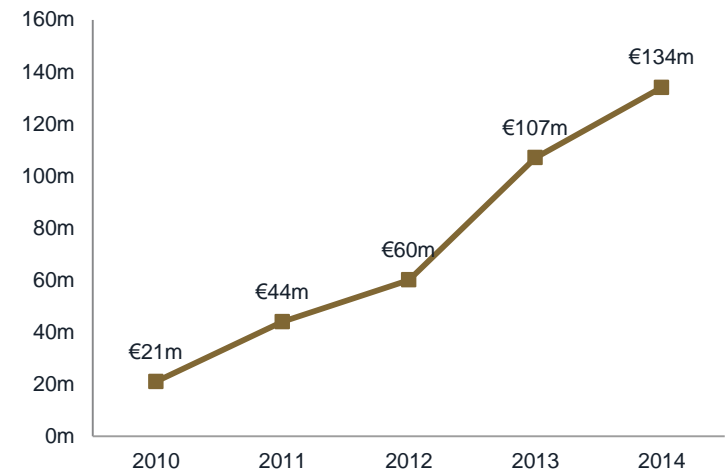
SwapClear – key business metrics

SwapClear is the pre-eminent OTC rates clearing service for all participants, globally

Statistics (SwapClear global service)	2010	2014	Future Trend
Number of clearing members	35	98	➔
Number of dealers	52	168	➔
Number of members offering client clearing	21	49	➔
Number of active clients (in year)	5	380	↗
Number of clearing countries	11	34	↗
ADV trades	2,969	9,906	↗
ADV \$USD notional	0.72trn	2.49trn	↗
Total GBP Initial Margin (IM requirement)	£8.1bn	£33.0bn	↗
Geographic hubs	1	4	➔

2010: London, 2014: London, New York, Sydney, Tokyo

SwapClear 5 year clearing revenue profile⁽¹⁾, m

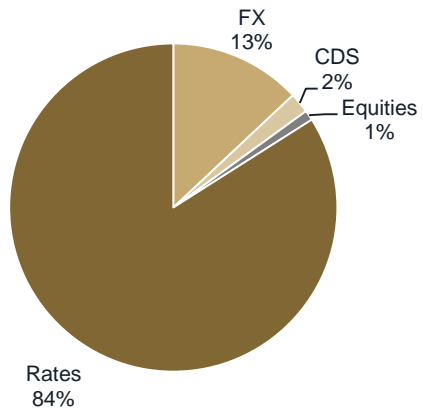


- Promoting efficient markets for all by enabling a cleared global rates liquidity pool
- Customer partnering with the Rates marketplace
- Exceptional new product and service adoption
- Extensive global footprint
- Open access – horizontal clearing model

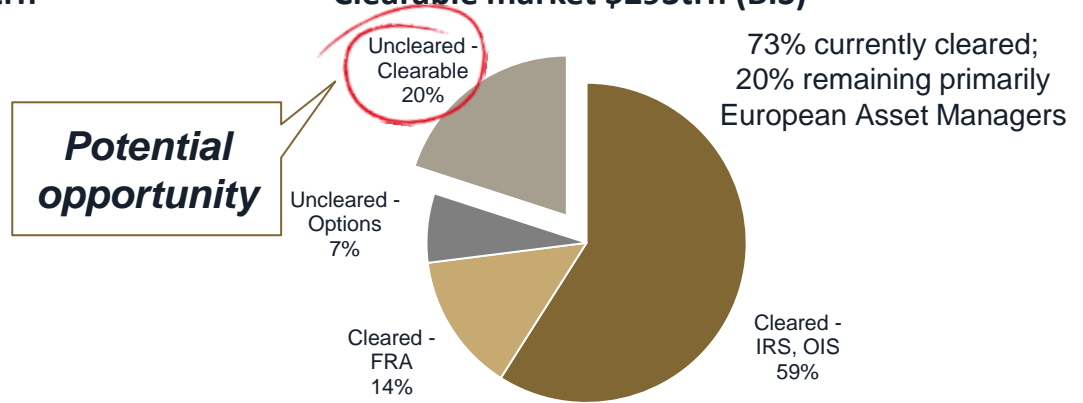
Note 1: Revenues reported are converted to Euro at prevailing FX rates

Market landscape, market share and opportunity

OTC derivative notional outstanding: \$602trn¹



Clearable market \$293trn (BIS)²



LCH.Clearnet currently accounts for 85% of IRD segment of OTC derivatives clearing³

Notes

1: Source: BIS Statistical release, OTC derivatives statistics at end-December 2014

2: Source: ISDA, OTC Derivatives Market Analysis: Interest Rate Derivatives - January 2015). Estimated 2014 volumes based on cleared notional outstanding as published by those entities at end Dec 14 – see appendix for detail

3: by notional outstanding as at December 2014

Significant Buy-side clearing opportunity

European Opportunity

Major Client Types

Banks **x**

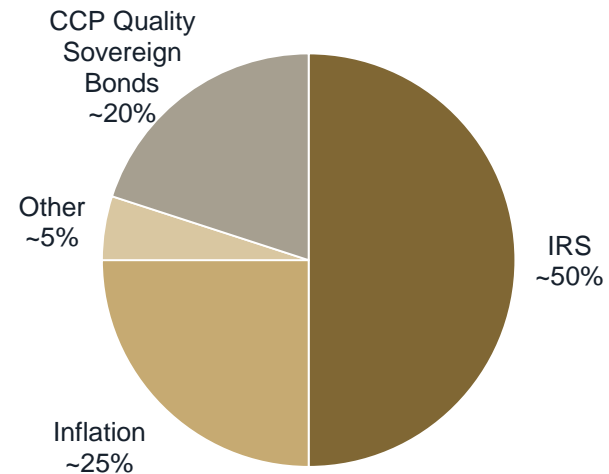
Regional Banks **✓**

Hedge Funds **x**

Asset Managers **✓**

€30 – 40m p.a.
revenue opportunity for LCH

Typical profile of European Asset Managers

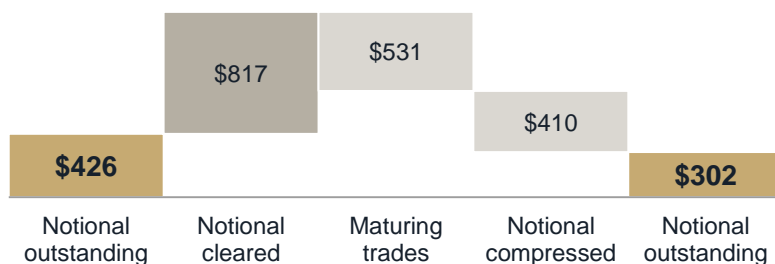


- Large, directional, long dated zero coupon swaps
- Large, long dated inflation swap hedges
- Buy to hold, low turnover client base
- Asset and custodial segregation important

Compression – Delivering huge industry value

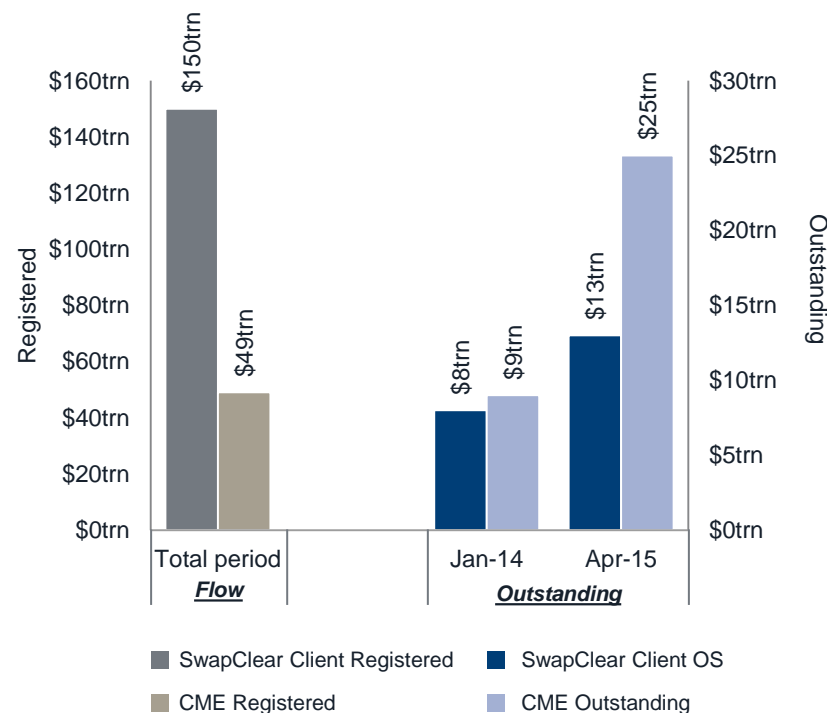
- Notional outstanding (OI) is capital-intensive and therefore undesirable
- Notional outstanding in IR derivatives is now decreasing, as new daily flows in to clearing increase
- Enabling the market to quickly shift to more capital and operational efficiency in changing regulatory landscape

Compression volumes Jan 14 to Apr 15 (Notional USD) trillion



€10 – 15m p.a. incremental revenue opportunity for LCH

Measure efficiency
Notional: flow versus outstanding
SwapClear Client vs. CME Jan'14 to Apr'15



Cleared Inflation Swaps – rapid delivery and immediate adoption

Partnership > Regulatory Approval > Delivery At Pace > Immediate Adoption

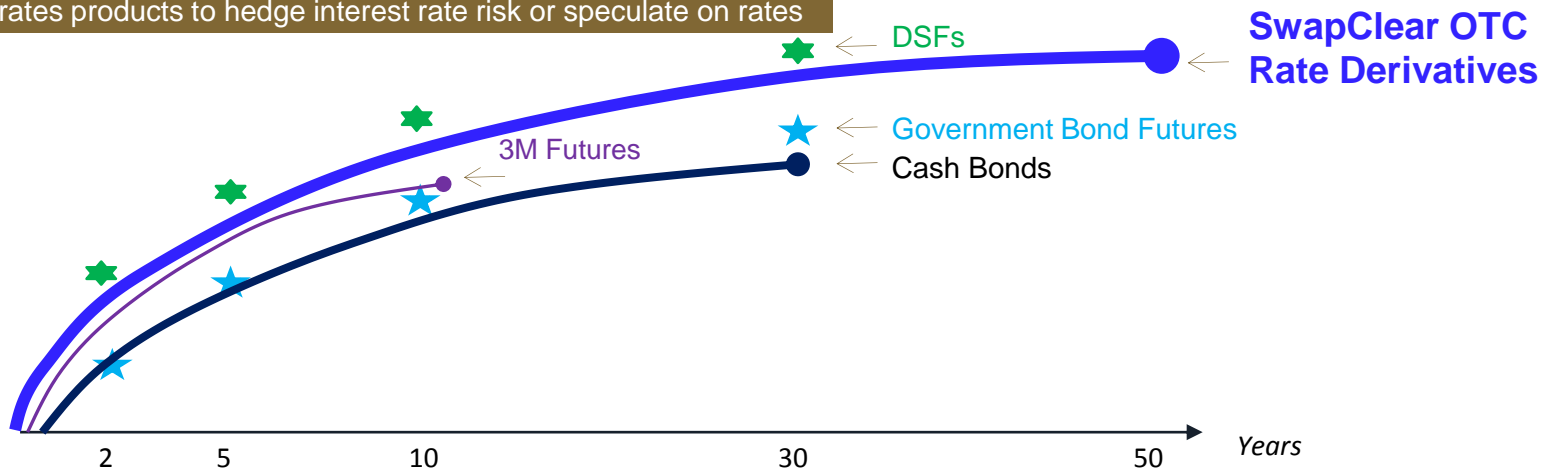
- SwapClear is the first clearing service globally to be approved to clear zero coupon inflation swaps, with approval from BoE (under EMIR) and CFTC
- Inflation clearing launched on 30th March 2015 with 18 members participants
- Inflation service has a strong pipeline of buy-side clients and members
- Inflation swaps are a critical cleared product for European Asset Managers and makes entire SwapClear service more attractive

Inflation statistics	30-Apr
Inflation members	19
Trades cleared	398
\$USD notional cleared	12.6bn
ADV trades	17
ADV USD Notional	\$527m

c.€10m p.a. revenue opportunity

Rates portfolio margining – LCH.Clearnet covers the entire curve

Key rates products to hedge interest rate risk or speculate on rates



Leadership Positions:

- **LCH.Clearnet:** OTC IR Derivatives– 17 currencies, GBP and Euro repo clearing
- **CME:** USD - 3M futures, Treasury Futures, Deliverable Swap Futures (DSFs)
- **LIFFE:** GBP and EURO 3M futures and Long dated Gilt Futures
- **EUREX:** Long dated Bund futures

- Partnering with exchanges, members and clients to deliver margining efficiencies they want
 - Standardised futures easier to move than complex OTC products
 - OTC swaps continues to grow strongly
- Underpinned by direction of regulatory travel in Europe – open access model

Future opportunities

- Growing capital pressures prompting market to seriously appraise benefits that we could offer in addition to clearing of rates
- Strong reputation built in clearing, arguably the most complex area of market infrastructure
- We will use our expertise in Rates clearing with the Group's strengths in **Information Services**, **Index** and **Data** services to create a broader and richer Rates offering for customers, on an open access basis
- Independent research* estimates a revenue pool of \$0.5 – 1.0 billion over the next 3 – 5 years in collateral optimisation and more effective data / asset / risk management solutions

**Source: Oliver Wyman / Morgan Stanley March 2015*

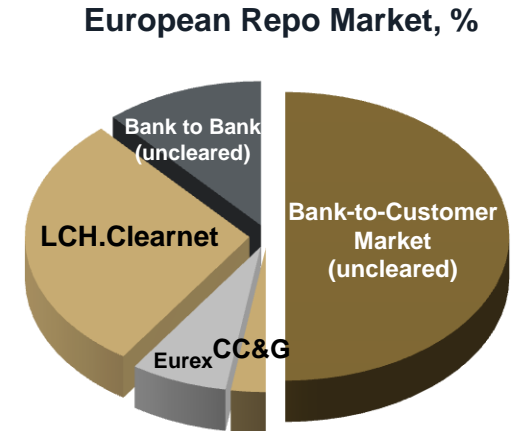
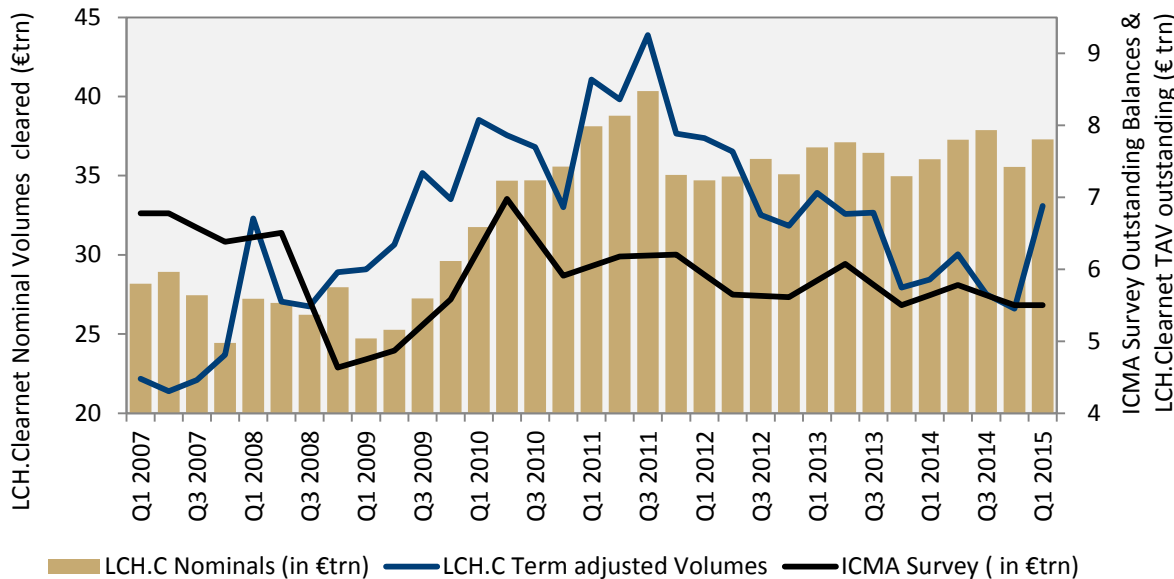


Bruce Kellaway – LCH.Clearnet Global Head – RepoClear

Opportunities and Developments

Strength in European bonds

LCH.Clearnet Nominal and Term Adjusted Volumes



- Market outstandings declining as banks de-lever
- Netting creates balance sheet capacity
- Attracting uncleared market segments will improve netting efficiency

Organic growth – all about netting

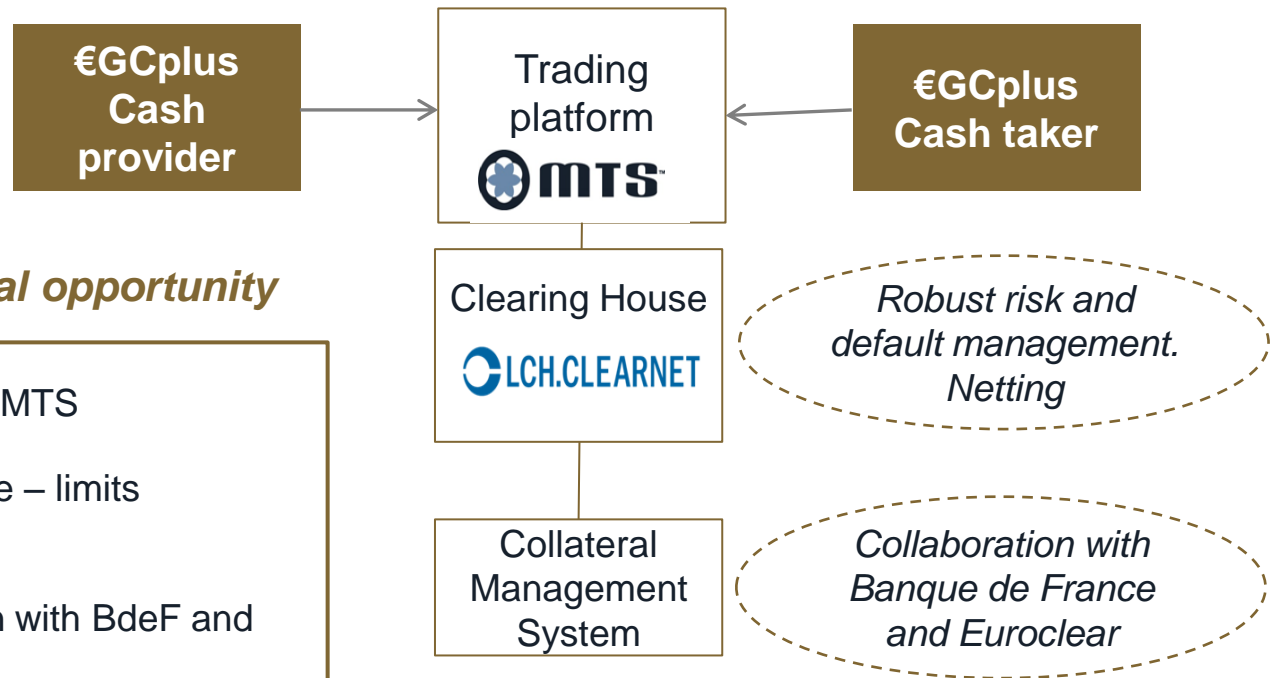
Organic Growth Strategy

- New members
- Recent product enhancements
 - €GCPlus, our new Triparty service
- Future product enhancements
 - Variable rate repos
 - Open/Evergreen repos
 - Callable repos
 - Cross currency repos
- Trade compression

- + More members
- + More trades
- + More netting
- + Increased capital efficiency
- + Risk reduction
- = **more fee income**

LCH's innovative triparty product - €GCplus

At triparty repo is cash secured against a basket of collateral



c.€3-7m pa incremental opportunity

- Group partnership with MTS
- Triparty key for Buy side – limits operational burden
- Innovative collaboration with BdeF and Euroclear
- Triparty is ~10% of European outstandings

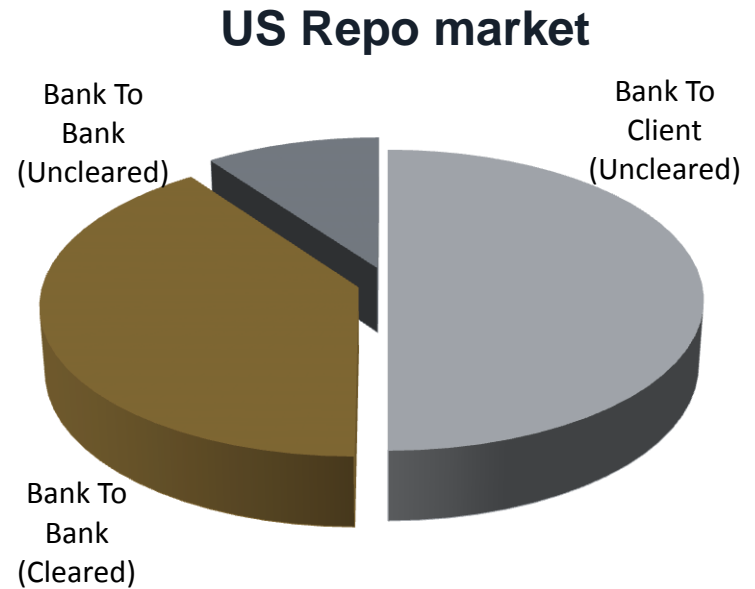
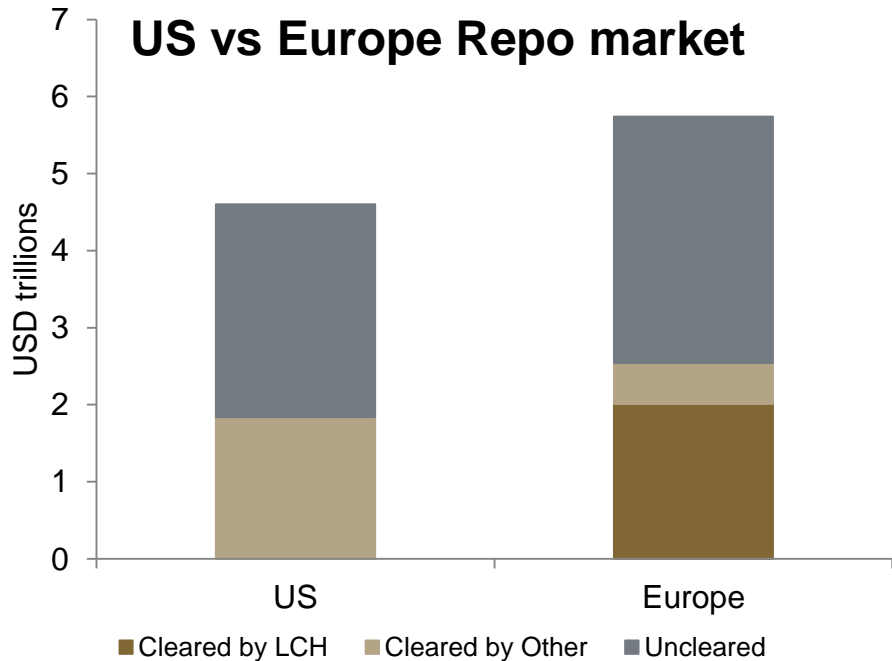
End user clearing opportunity in Europe

Phase	Initiative	Description	Timeline
# 1	'Cash Lender Only' model – in development	<ul style="list-style-type: none"> • End users join our service, but can only lend money via (triparty) repo • Allows banks to borrow money from end users and net against other trades • Detailed workshops completed in partnership with end users and members 	Q4 2015
# 2	Agent Lender 'sponsored' model – analysis	<ul style="list-style-type: none"> • Agent lender or bank 'sponsors' their client, providing margin and Default Fund on their behalf • Detailed work to commence Q3 	H1 2016
# 3	Full Agency clearing of repos – conceptual	<ul style="list-style-type: none"> • Full agency client clearing, similar to that in SwapClear • Broadest appeal to clients, but much debate in the industry about whether it is practical 	2017+

€10 – 20m p.a. revenue opportunity

New services driven by capital and risk benefits to customers

Geographic expansion opportunity



- Leverage ratio is a global phenomena
- US is biggest bond market globally
- One currency and one issuer means netting can be very efficient

Sources: LCH estimates, "Lifting the Veil on the US Bilateral Repo Market" (FRBNY 07/09/2014), Federal Reserve Primary Dealer Survey, Sept 2014, FICC website



Potentially transformative opportunity in US

US Repo Service Offering

Product Ambition

- Agency client clearing has broadest appeal to members and end users (accounting more favourable under US GAAP than IFRS)
- Members are incredibly engaged – balance sheet issue is urgent for them
- Detailed product design underway in partnership with members

LCH Credibility

- Largest European clearer of repos; proven innovation clearing clients in swaps
- Bringing those competencies together would be truly transformational

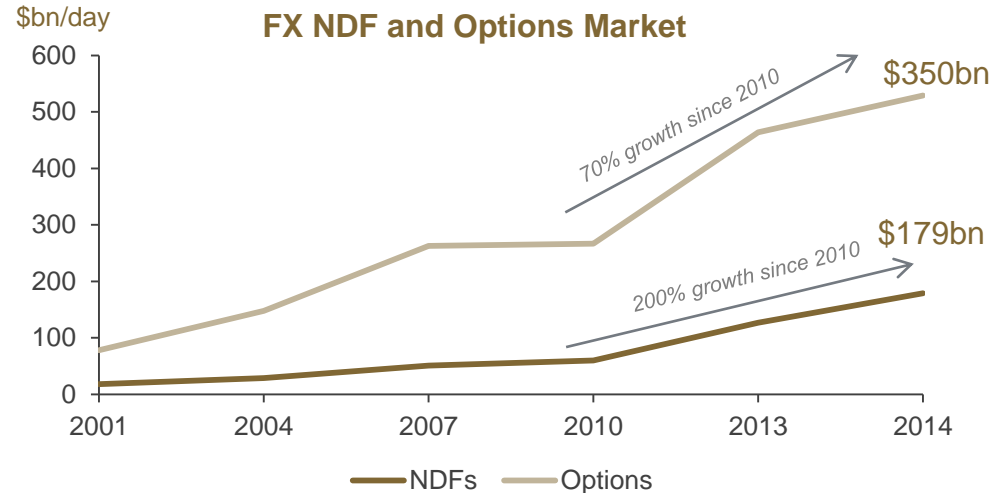


Gavin Wells – LCH.Clearnet Global Head – ForexClear

Opportunities and Developments



ForexClear – The FX Landscape



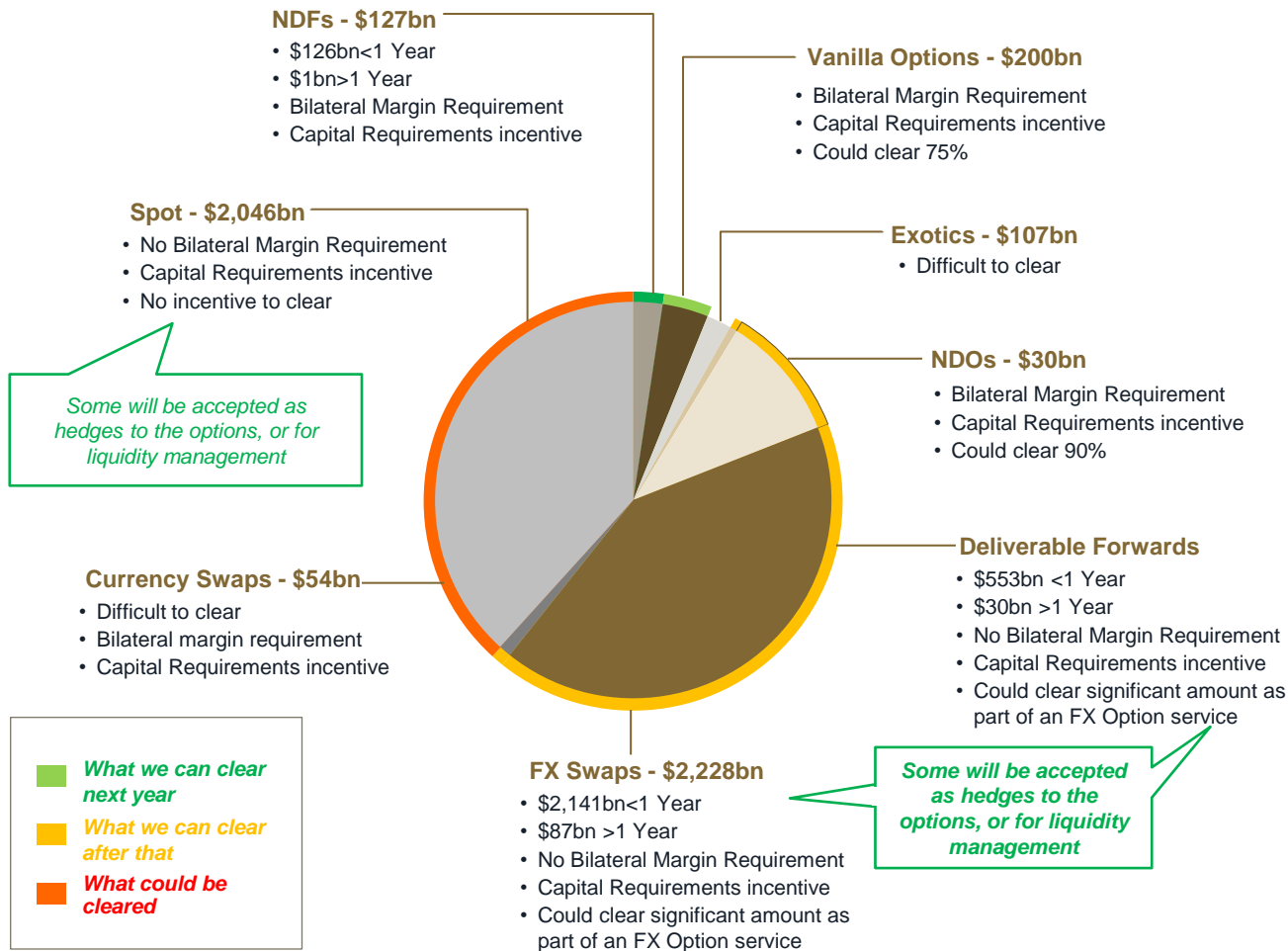
- The largest financial market, that never sleeps
- From \$1.4 trillion daily pre-Euro to ~\$5.3 trillion today
 - creation of a market wide settlement utility (CLS), electronic trading & transparent pricing, operational efficiencies and the growth of Prime Brokerage
- Originally a payment system used to manage economic policy, now an Asset class in its own right used for hedging and investment



1. <http://www.bis.org/publ/rpfx13.htm>

2. <http://www.statista.com/statistics/270127/largest-stock-exchanges-worldwide-by-trading-volume/>

ForexClear – The FX Opportunity



Regulation focused on NDFs and Options

NDFs are non-deliverable: only exchange profit one way at settlement.

Options have two-way exchange of notional at settlement

In the absence of an agreed settlement model for CCPs, NDF clearing started first

Settlement model is now understood, under development - once delivered **enables these**

ForexClear – Moving from NDFs to Options

Executions - FX Options and Hedges (Spot / Forwards / Swaps) up to 2Y

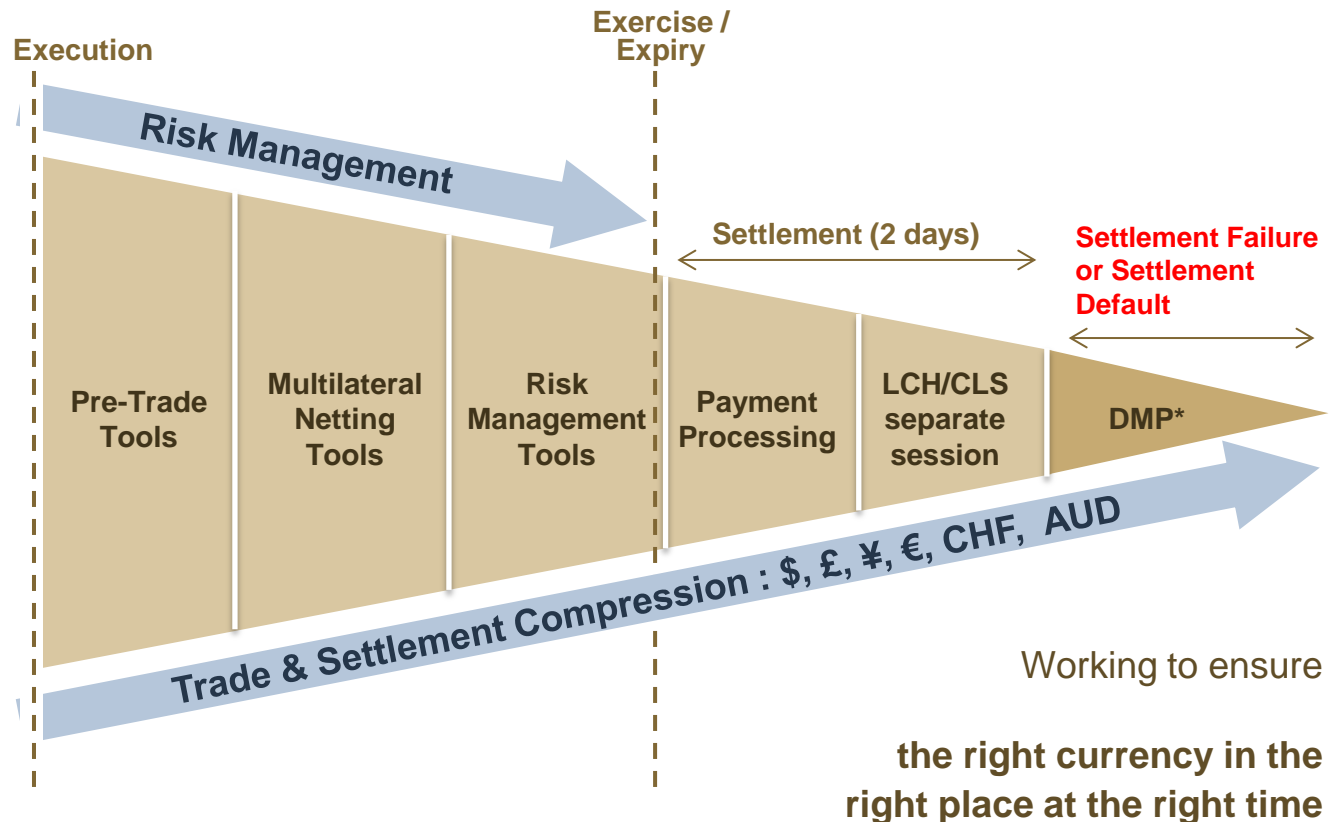
Continue to do what a CCP does – managing risk

Working with members and clients in partnership.....

....using all we know about compression during the life of the trade

...to create innovative pre-trade tools

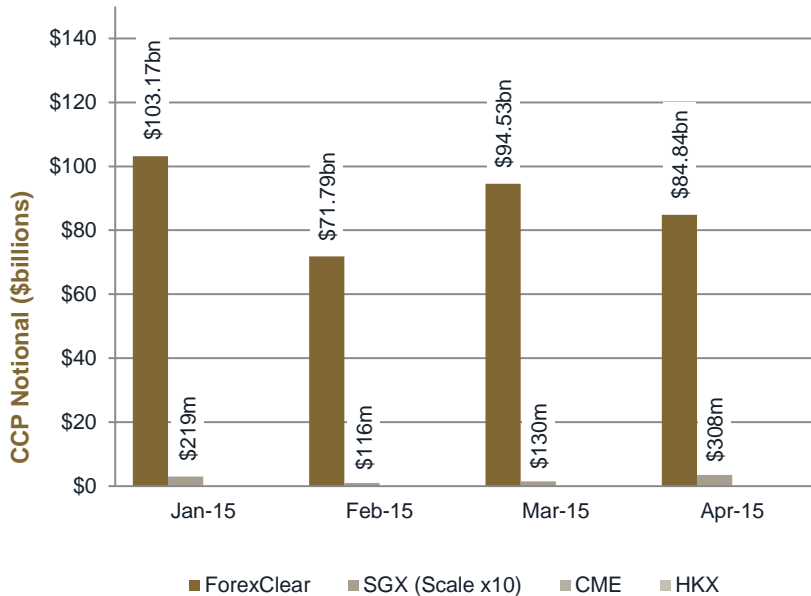
Enhanced liquidity management enabling settlement and the guarantee of physically settling OTC FX derivatives



* Default Management Process

ForexClear's competitive advantage as the market leader

Total Monthly Cleared Notional



ForexClear has clear competitive advantage

Revenue opportunity of €25-40mm for NDFs and Options

- 20 members, \$2.9 trillion cleared in 3 years
- With a team largely hired from the FX market, taught clearing over the last four years
- Making the most of LCH.Clearnet's OTC pedigree and experience in SwapClear and RepoClear
- Having built much of the Option technology in 2009-11
- Having integrated to the FX market infrastructure
- Following Regulatory, CCP, Commercial Bank and CLS discussions a year ago
- Now working with CLS, members and authorities to deliver the settlement service that enables FX Options - and in time more
- Meanwhile NDF volumes continue to increase, driven by capital efficiencies, with no mandate on the horizon



Serge Harry – Settlement Chairman – globeSettle

Introduction to globeSettle

The CSD environment is undergoing transforming change

Change catalyst

Description

Implications for CSDs

1 EMIR Art 47.3

- Requires collateral received by CCPs as initial margin or for default reserve funds to be deposited with a Securities Settlement System (SSS)

New opportunities for CSDs

2 T2S

- Centralisation and harmonisation of euro-denominated settlement and other non-euro securities

Creates competition in the EU settlement space

3 CSDR

- Drives the harmonisation of securities settlement and asset services practices across Europe
- Reduces barriers to entry and enables competition
- Issuers will be given choice of issuing location

Creates a level playing field in Europe

4 Basel III requirements

- Increases capital requirements and the quality of collateral and of capital needed, creating a risk of capital shortfall in the banking sector

CSDs services can help alleviate the capital burden

The post trade asset services business is addressing a large pool of securities

IMF estimates that securities issued across the world reached \$800 to \$1,000 trillion

\$800 - \$1,000 trn



\$75 trn

Marketable
potentially
safe assets

Collateral opportunity:
pool of high quality liquid
assets

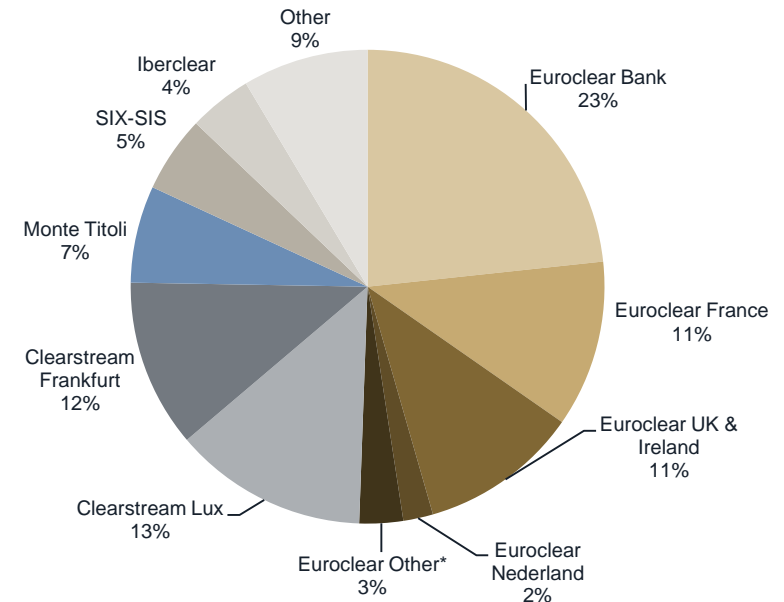
\$41 trn

Government
securities

The European landscape – fragmented and attractive

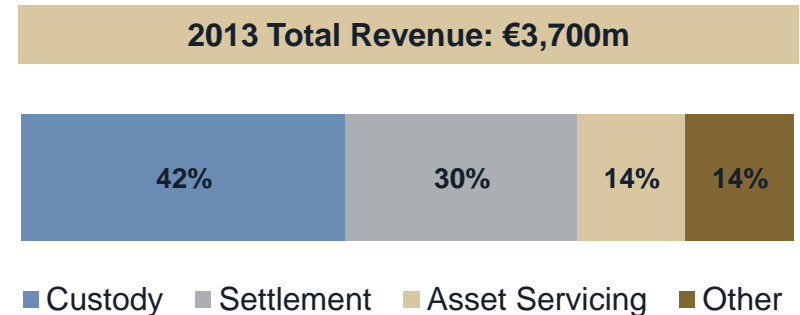
- There are 19 CSDs and 2 ICSDs, each with over €100bn assets under custody (“AUC”) in Europe
- Over €51 trillion AUC with these I/CSDs at the end of 2014
- Over 400 million¹ delivery instructions were executed, for a total consideration of over €1,100 trillion in 2014
- With an innovative and effective solution, globeSettle is addressing a market currently concentrated in two ICSDs, with c€19 trillion AUC in 2014

Total AUC in Europe (incl. UK): €51 trillion



The European landscape – fragmented and attractive (cont'd)

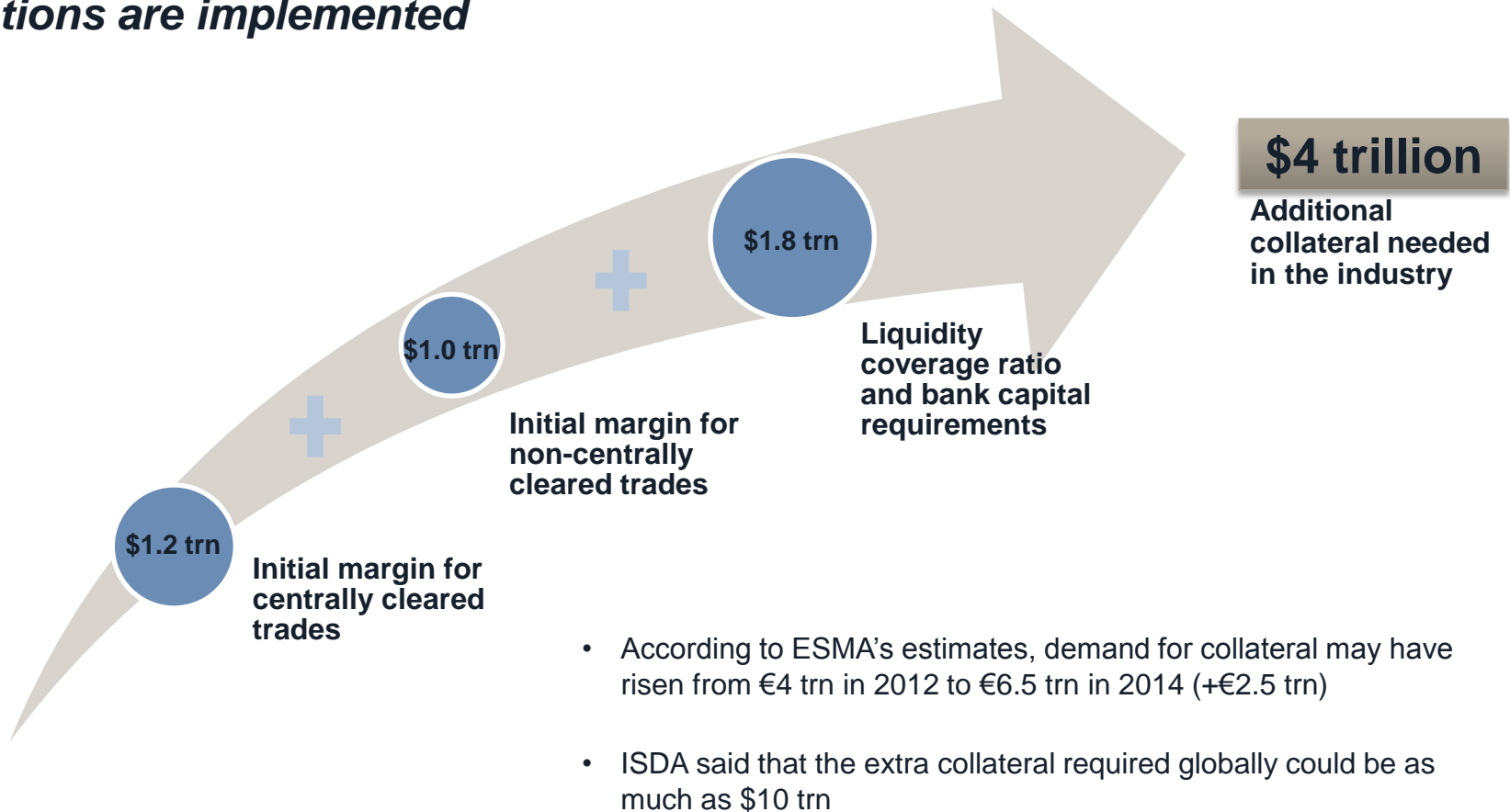
- Total revenue pool in Europe of €3.7bn in 2013 and €4bn in 2014
- Largest player by revenue is Euroclear Group, the parent company of 1 ICSD and 6 local CSDs
 - *Euroclear's revenue was over €1bn in 2014*
- The second-largest player is Clearstream, which operates 1 ICSD and the German CSD
 - *Clearstream's revenue was c€700m in 2014*



globeSettle operates in a large industry where competition is growing

Collateral management growth opportunity

Global demand for collateral is expected to increase by \$4 trillion as new regulations are implemented



globeSettle's vision: an innovative and effective industry solution

Notary (custody)

- Safekeeping service in terms of both physical and dematerialised securities
- Record keeping of assets held either as issuer or investor CSD
- Flexible reporting according to client needs
- Full compliance with Luxembourg and Eurosystem regulatory requirements.

Central Administration

- Comprehensive Corporate Action services
- Processing of interest and dividends
- Fiscal services
- Proxy Voting services.

Securities Settlement System

- Domestic and cross border gross settlement
 - FOP (phase 1)
 - DVP in Central Bank Money in EUR (other currencies to follow)
 - DVP in Commercial Bank Money in major currencies (under development).

Financing

- globeSettle's ambition is to create a one stop shop where Brokers, Asset Managers, Collateral Agents and CCPs can satisfy their liquidity needs
- Facilitate access to borrowers and lenders
- Central bank financing beyond EUR
- Issuance in T2S of securities eligible for collateral with Eurosystem and CCPs.

Addressing
the
industry
needs



globeSettle's competitive advantages

Open - access	<ul style="list-style-type: none">• globeSettle operates on an open access basis, servicing all market players including CCPs, collateral agents, custodians and the Eurosystem
Neutral	<ul style="list-style-type: none">• globeSettle does not offer services in competition with its customers: globeSettle offers a central interface that users can plug into, providing notably a link to tri-party collateral management agents or to CPPs
Real-time	<ul style="list-style-type: none">• globeSettle offers a unique 22/24 real-time access to settlement
T2S participation	<ul style="list-style-type: none">• globeSettle has opened a T2 account with the Banque Centrale du Luxembourg• globeSettle will initially access T2S through Monte Titoli, as of wave 1, scheduled by the ECB in June 2015
Central Bank Money	<ul style="list-style-type: none">• globeSettle's aim to create a unique, diversified offering of services in Central Bank Money (CeBM), supporting the regulatory evolution and the de-risking of financial markets operations
Global	<ul style="list-style-type: none">• globeSettle has a large geographical coverage, including initially all G7 countries and access to the 2 ICSDs
Cost - effective	<ul style="list-style-type: none">• globeSettle has a competitive and cost effective structure
EMIR compliance	<ul style="list-style-type: none">• globeSettle, as a recognised Securities Settlement System, is supporting CCPs and collateral agents to comply with EMIR art 47.3

globeSettle's growth opportunity

- **Growth in Europe across existing and new business opportunities**
 - Competition is intensifying
 - Securitisation is growing: enterprises will issue more corporate bonds and equity instruments to raise capital, reducing reliance on bank loans
 - globeSettle, as issuer CSD, is well-positioned to benefit from this trend:
 - For example, over €18.8 trn securities were redeemed in Europe in 2013 (€14.0trn with CSDs and €4.8 with ICSD). New issues amounted to €19.1trn, of which €14.6 trn with CSDs and €4.5 with ICSDs
- **CCPs, collateral agents and custodians will use the appropriate infrastructure to manage their collateral**
 - JP. Morgan will be the first major banking customer to use globeSettle's solution
 - 3 large CCPs have already announced that they are starting on-boarding process with globeSettle
 - Sub-custodians can, through globeSettle's service offering, benefit from a mutualised and cost effective infrastructure
- **The ICSD business represents a significant growth opportunity for globeSettle**
 - Existing ICSD assets under custody totalled c€19trn in 2014, yielding c€1.5bn combined gross revenue for the two ICSDs in the space
 - **A 5% to 10% share of AUC (i.e. approximately €1 trn to €2 trn AUC), would represent a potential €50m to €100m revenue opportunity for globeSettle**



Mauro Dognini – Settlement CEO Monte Titoli

Target2Securities (T2S)

EMIR, CSDr and T2S are impacting the collateral chain in Europe

- Clients increased focus on Risk Management
- Wave of new regulations: CSD Regulation
- Secured vs unsecured financing needs collateral management services to help Financial Institutions to increase efficiency and decrease counterparty and market risks

EMIR is requiring buy-side to hold collateral in a CSD

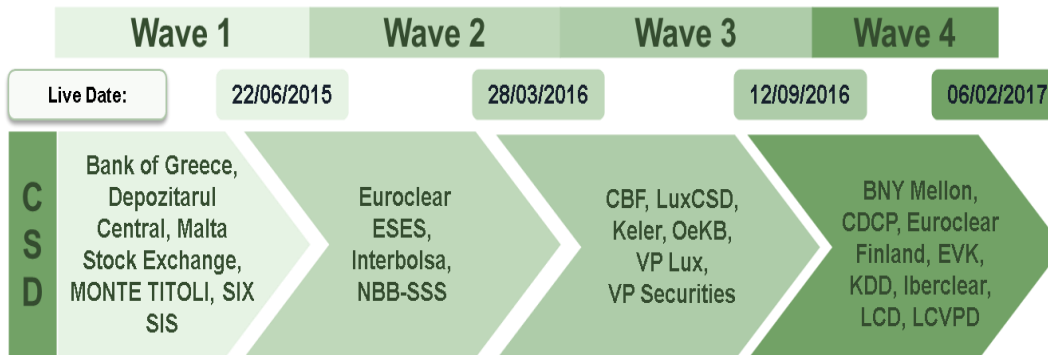
- CCP clearing of OTC Derivatives has become compulsory for buy-side clients; EMIR 47.3 and Dodd-Frank require them to hold collateral in a Securities Settlement System (SSS) and thus directly with a CSD or ICSD
- Expect more collateral to support OTC clearing

T2S will consolidate the fragmented European cross-border settlement environment and will reduce settlement costs and risks

- Objective to reduce the costs in cross-border settlement.
- Reducing the risk in settlement procedures by favoring settlement in Central Bank Money (CeBM)
- Increase competition with European settlement market removing monopolistic national barriers
- 24 Markets harmonisation
- Collateral can be moved with more freedom and efficiency

T2S project

- T2S is the centralised settlement platform of the ECB
- Project launched in 2006 - aims to reduce cross border settlement costs, concentrate liquidity in central banks money, harmonise all markets with same market practises
- 24 CSDs have committed to migrate to T2S by 2017
- For a smooth transition, the migration will be managed in 4 waves, starting June 2015 to March 2017



T2S - opportunity for Monte Titoli (1/2)

- T2S is a tipping point for the market: introduction of standardization and harmonization, so competition among CSDs and custodian banks at EU level
- T2S is the opportunity to position Monte Titoli for increased European profile - #3 CSD in Europe with over €3.4 trillion AUC; 400 bank and broker clients (domestic and international) and over 2,200 issuers in T2S
- Monte Titoli is one of the most efficient and cost effective CSD in Europe and leading the implementation of harmonized EU custody standards to prepare the early move in T2S
- Monte Titoli with T2S will now be able to use the LSEG brand value and benefit from wider Group scale and efficiencies
- Monte Titoli business transformation engaged with T2S – targeted to bring additional revenue of €25m pa. in 2020 & €400bn of new EU assets

Enhance product offer, geographical expansion and client penetration

T2S - opportunity for Monte Titoli (2/2)

Enhance product offering for T2S

- Enhance our competitive Assets Servicing to support European Custody (i.e. Swift, fiscal services)
- Develop value added custodial services to cross sell to the existing client franchise:
 - Triparty collateral management system: X-COM was launched May 2015
 - Auto borrowing Securities Lending Program in 2017
- Develop Issuer Services to support general assembly and shareholder identification services, support UCITS dematerialization process expected with T2S (market approx €600bn)

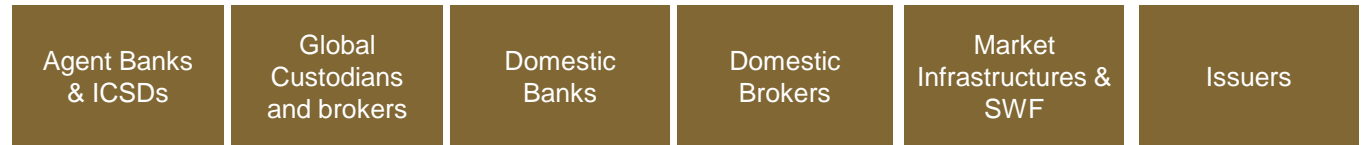
Strengthen existing relationship and expand client network internationally (EU)

- Leverage the existing client franchise for cross border assets and flows in Europe as “**Investor CSD**” in the new T2S/EU domestic borders
- Enhance “**Issuer CSD**” asset servicing capabilities to serve international brokers\dealers and custodians, who need to shorten the custodial chain accessing directly Monte Titoli (risk reduction)

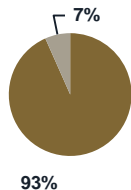
Market opportunity

- T2S new products and geographical expansion in Europe targeted to generate about 2/3 of an aggregate €25m pa. revenue growth by 2020

Client clusters

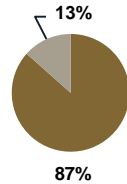


MT market share (AUC)



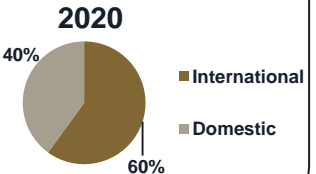
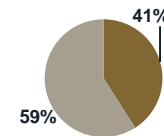
European assets under custody amount to € 51 trillion in 2014

MT market share (AUC)



EU T2S CSD European assets under custody for CSD entering T2S amount to € 25 trillion in 2014

International Client Base



Source ECSDA statistics year 2014



Xavier Rolet – CEO

London Stock Exchange Group

Summary

Multiple growth opportunities

- Cost efficiencies – incremental **€40m** Phase 2 savings, plus further IT saves
- Incremental revenue opportunities totalling **€175m to €250m**:
 - Client clearing €30m - 40m p.a.
 - Compression €10m - 15m p.a.
 - Inflation swaps €10m p.a.
 - European Repo service €10m - 20m p.a.
 - ForexClear €25m - 40m p.a.
 - globeSettle €50m - 100m p.a.
 - T2S / Monte Titoli €25m p.a.
- Revenue target to be achieved by exit 2018
- Additional opportunities from US Repo clearing and Portfolio Margining



Appendix

Highly experienced & expanded management team



Suneel Bakhshi
Chief Executive
Officer

LCH.Cleernet Group

- Suneel joined from Citigroup with over 30 years of experience in trading, banking and risk management. Suneel was President and CEO, Citigroup Global Markets, Japan
- Prior to this, he held several senior risk roles from 2008-2011, having been Chief Risk Officer for Citi's global Commercial Bank, for its global Consumer Bank, and for Citibank, N.A
- Prior to his career in Risk, from 2003-2007, he headed Citi's global Commercial Bank, its Emerging Markets Corporate Bank, and its Emerging Markets Local Finance businesses. Previously, he held a number of senior markets roles in Fixed Income and Derivatives from 1982-2002
- Suneel holds an M.B.A. from Queens University in Canada, and a Bachelors of Commerce (Honours) from the University of Delhi, India. He has also attended the BPSE at IMD in Lausanne



Michael Davie
Chief Operating
Officer

LCH.Cleernet Group

- Michael joined LCH.Cleernet in August 2010 heading up SwapClear and served as Chief Executive Officer for LCH Cleernet Limited from September 2013 – December 2014
- Michael came from JP Morgan Chase, where he was a managing director in the investment bank. During his 15 years at the firm, he held a variety of sales and trading-related roles, primarily in interest rate and credit products
- Before joining JP Morgan Chase, Michael worked at Bankers Trust Company and IBM. He has served on the boards of SwapsWire, Tradeweb, and Markit.
- Michael holds a bachelor's degree in zoology from Oxford University



Dennis McLaughlin
Chief Risk
Officer

LCH.Cleernet Group

- Dennis has over 20 years experience in risk management and finance. Dennis joined LCH.Cleernet from AON where he was the CEO for Innovation and Analytics Previous to that he held senior roles in the treasury and risk management departments at Merrill Lynch, and was Director of Capital, Global Consumer Group at Citigroup
- Dennis started his finance career as a consultant in the Global Risk Management practice at McKinsey where he focused on the risk management of Traded Products and the development of risk systems and analytical algorithms. Prior to that Dennis was a professor at Princeton University where he taught mathematics and quantitative finance
- Dennis has an MBA from Wharton School, University of Pennsylvania, a Ph.D. in Mathematics from Brown University and a MA in Mathematical Science from University College, Dublin



Gordon McNair
Chief Financial
Officer

LCH.Cleernet Group

- Gordon assumed the role of Group CFO at LCH.Cleernet in May 2014. Gordon joined London Stock Exchange Group in 2007 and had responsibility for group management reporting, planning and forecasting as well as leading the financial execution of M&A
- From 2004 to 2007 he was an investment executive at ECI Partners, a private equity group focusing on investing in UK mid-market companies, where he had responsibility for all aspects of an investment from deal origination to execution and post investment monitoring
- He is a chartered accountant having spent six years with Ernst & Young in audit and then corporate finance



Diane Bouwmeester
Group Head of Legal
& Compliance

LCH.Cleernet Group

- Diane Bouwmeester is General Counsel and Head of Compliance for LCH.Cleernet Group. In this role, Diane is responsible for managing all legal and regulatory compliance matters affecting the Group and its subsidiaries. She is a member of the LCH.Cleernet Group Executive Committee
- Diane joined LCH.Cleernet from Freshfields Bruckhaus Deringer LLP, where she was a Senior Associate in the financial services regulatory practice. Prior to that role, she was a partner at a leading South African law firm
- She holds a B.A and LLB from The University of The Witwatersrand in South Africa and an LLM with honours from the London School of Economics and Political Science

Highly experienced & expanded management team (cont'd)



London
Stock Exchange Group



Ali Hackett
Global Head of
Sales & Relationship
Management

LCH.Clearnet Group

- Ali is responsible for maximising the value, reach and range of the Group's existing customer relationships whilst pursuing new member and client business opportunities. Prior to joining LCH.Clearnet, Ali served as an industry advisor with Formation 8, helping to select portfolio companies and develop successful client partnerships
- Before this, Ali was Senior Managing Director, Global Client Development and Sales at CME Group. In this role, she was responsible for leading the company's global sales force and for the development, execution and management of the company's global sales strategy across all asset classes
- Previously, Ali spent nearly 20 years at global bank Citi, serving in positions of increasing responsibility culminating with Managing Director and Co-Head of Global Prime Finance. She began her career as a trader for Prudential Bache Securities, Ali has also held sales roles at Shearson Lehman, Drexel Burnham Lambert and Citibank N.A



Steve Briscoe
Global Head of Tech
& Ops

LCH.Clearnet Group

- Steve was appointed Head of Technology & Operations for LCH Clearnet in April 2015. Steve has 20 years' financial services industry experience. He joins from RBS, where he spent five years initially as Head of Client Operations with responsibility for Prime Services, Collateral Management and Client Services and most recently as Head of Operations for the markets division, with responsibility for the delivery of all aspects of operational service for the Investment Bank
- Before RBS, Steve spent 15 years at UBS in leadership roles across a range of technology developments and in operations. He began his career at SG Warburg (latterly SBC Warburg and UBS). His assignments included periods in Tokyo and the US, before returning to London to take up the position as Global Head of Collateral & Treasury Operations in 2009
- Steve holds an MA (Hons) in Computer Science from Cambridge University



Martin Pluves
Chief Executive
Officer

LCH.Clearnet Ltd

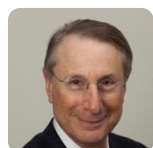
- Martin joined LCH.Clearnet in November 2009 initially as IT Director and as a member of the Group IT Executive. Martin led LCH.Clearnet's programme to launch ForexClear the world's first 24 hour OTC FX clearing service
- As Group Head of Regulatory Change, Martin took responsibility for leading the EMIR authorisation of the French and UK CCPs and at the end of 2013 Martin became Chief Operating Officer of LCH.Clearnet Limited
- Prior to LCH.Clearnet he was a Partner in PA Consulting Group's Financial Services practice, where he worked for over 14 years with clients including LCH.Clearnet, London Metal Exchange, London Petroleum Exchange, Irish Financial Services Regulatory Authority and the Irish Stock Exchange



Christophe Hémon
Chief Executive
Officer

LCH.Clearnet SA

- Christophe Hémon is Chief Executive Officer of LCH.Clearnet SA, the LCH.Clearnet's French operating CCP. Christophe graduated from French Business Schools, and started his career at JP Morgan where he held various positions in the Operations business of investment banking
- In 1993, Christophe joined Morgan Stanley, becoming Head of Operations in Paris, then Head of Operations for continental offices - Paris, Frankfurt, Zurich, Milan and Madrid. He was responsible for all business streams including equities, fixed income, derivatives, commodities and participated in the major EU and market place projects. In 2003, Christophe joined Clearnet SA, former LCH.Clearnet SA, as General Secretary responsible for Risk, Finance, Legal and Membership issues and Treasury. He became Chief Executive Officer in November 2004
- Christophe serves on the Board of Directors of the Association Française des Professionnels des Titres (AFTI)



David Weisbrod
Chief Executive
Officer

LCH.Clearnet LLC

- David Weisbrod was appointed by LCH.Clearnet Group Ltd as Chief Executive Officer of its U.S. subsidiary in February 2013. Previously, he was Vice Chairman of Risk Management at JPMorgan Chase & Company
- Mr. Weisbrod served as a member of the New York Federal Reserve Bank's Payments Risk Committee, as a Director of the Depository Trust and Clearing Corp (DTCC) and as a Director of CLS Group Holdings and CLS Bank International. He currently serves as a member of the Commodity Futures Trading Commission (CFTC) Global Markets Advisory Committee
- Mr. Weisbrod has a BA degree from Cornell University and an MBA from New York University

Highly experienced & expanded management team (cont'd)



Daniel Maguire
Global Head of
SwapClear + Listed
Rates

LCH.Clearnet Group

- As Global Head of SwapClear & Listed Rates, Daniel Maguire is responsible for managing SwapClear, the world's leading interest rate derivatives clearing service of LCH.Clearnet. Maguire has 16 years of industry experience in risk management and clearing for both listed and OTC derivatives
- Maguire has been involved with the SwapClear service since its inception in 1999, during this time his roles included the oversight of risk management, default management and operations. In 2010, in addition to his responsibilities for global Product, Sales and Marketing, Maguire moved to New York to lead the creation of LCH.Clearnet's North America operations and the successful build-out of SwapClear's client clearing franchise. He returned to the UK to assume his current position in March 2014
- Between July 2005 and August 2008, Maguire worked at JP Morgan Chase in their commodity exotics and structured derivatives business. In September 2008, Maguire was responsible for the successful trading and unwinding of Lehman Brothers' LCH.Clearnet cleared bond and repo portfolio



Gavin Wells
Global Head of
ForexClear

LCH.Clearnet Group

- Gavin Wells is the Global Head of LCH.Clearnet Ltd's ForexClear service which launched on 19th March 2012 offering the first global clearing service for FX NDFs. ForexClear was designed in consultation with members and customers to deliver the very best in risk and default management practices to the Foreign Exchange markets, and as the first global FX NDF clearing service it has now cleared over \$2.6 trillion and 234,000 tickets
- Gavin joined LCH.Clearnet from Citigroup, where he was a Managing Director in the FICC business. He spent 15 years at Citi in a variety of leadership roles across FX trading, eCommerce and IT
- Prior to his time at Citi, Gavin served as an officer in the British Army's Royal Artillery, receiving his commission from the Royal Military Academy Sandhurst and serving for 8 years in a variety of theatres from Germany and Northern Ireland to Cyprus and the first Gulf war



Bruce Kellaway
Global Head of Fixed
Income

LCH.Clearnet Group

- Bruce Kellaway was appointed Global Head of Fixed Income at LCH.Clearnet in September 2014
- Bruce previously spent 20 years trading interest rates at Lloyds Bank
- He has a 2.1 in Economics from Durham University



Cécile Nagel
Global Head of
Equities

LCH.Clearnet Group

- Cécile Nagel is Global Head of Equities at LCH.Clearnet Group. She is responsible for business development across equities cash and derivatives, with a focus on improving efficiency, building new products and services and enhancing risk management for the benefit of clearing members. With open access at the core of LCH.Clearnet Group's model, she works in close partnership with a number of trading venues including BATS-Chix, Euronext and LSE to grow their businesses and execute their priorities
- Before joining LCH.Clearnet in September 2014, Cécile was Head of Strategic Planning at the London Stock Exchange Group (LSEG), where she worked closely with the CEO and Executive Committee on the Group's strategy. This role involved broad responsibility for developing the business, including the acquisition of a majority shareholding in LCH.Clearnet Group and the purchase of FTSE. Prior to joining the LSEG in 2009, Cécile was a consultant at Oliver Wyman, where she specialised in financial services. She graduated from the French Grande Ecole (ESCP Europe) and is a CFA Charterholder



Isabella Kurek-Smith
Head of
Commodities

LCH.Clearnet Group

- Isabella is Head of Commodities at LCH.Clearnet. She is responsible for the EnClear service which includes the Freight clearing service, as well as the US Nodal Exchange. Isabella is working closely with commodity exchanges as well as OTC markets to further develop LCH.Clearnet's commodity portfolio
- Prior to joining LCH.Clearnet, Isabella worked at the IPE and then at the Intercontinental Exchange, where she was responsible for developing the European Energy markets. She started her career as an oil broker and overall has 20 years experience in Energy and Commodity markets
- Isabella graduated from Exeter University with a degree in Accountancy



Highly experienced & expanded management team (cont'd)



Frank Soussan
Global Head of
CDSClear
LCH.Clearnet Group

- Frank Soussan joined LCH.Clearnet SA in November 2014 as Head of In-Business Risk for CDSClear
- He started his career in 2005 at SocGen in New York as a trader of Credit Correlation, CSO Tranches and CDS
- He joined the Credit Hybrids & Exotics Trading desk at JP Morgan in London in 2006 and was head of the Pricing and Execution team from 2008. Thereafter he ran the Exotics and Structured Trading books between 2010 and the end of 2012. After his tenure at JP Morgan he moved to Renshaw Bay, a London Buy Side firm, as a Senior Portfolio Manager for the Credit Special Opportunities Fund
- Frank graduated summa cum laude from the Ecole Nationale de la Statistique et de l'Administration Economique (ENSAE) in Paris with a MSc in Statistics and Econometrics. He also holds a MSc in Mathematics in Finance from the Courant Institute at New York University (NYU)



Ajit Samaranayake
Chief Scientist
*LCH.Clearnet Group
and Millennium IT*

- As the Chief Scientist for MillenniumIT & LCH.Clearnet, Ajit is responsible for developing new ideas, giving direction and focus to our development teams, assessing the viability of their ideas, and helping to functionalise those with the most potential and turn them into world-class products. In his previous role as the Head of Software Development, Ajit's vision has shaped many of the innovations that give MillenniumIT its competitive edge
- Before joining MillenniumIT, Ajit worked at General Electric in the UK. He has considerable experience in developing and deploying depository and trading systems for capital markets and in service billing systems. Ajit has a B.Sc. in Electronic Engineering and a M.Sc. in Optical Communications from the University of Glasgow, UK



Martin Ryan
LSEG Head of
Shared Services

- Martin was previously Managing Director and Head of Group Operations and Technology at LCH Clearnet in London
- Having read Economics at Manchester University, Martin began his career in 1995 at JP Morgan and held a number of positions in London, New York and Tokyo in its Fixed Income Derivatives business
- In 2000, he joined Morgan Stanley, running Operations globally for Equity Derivatives and then Fixed Income. From 2009, he ran Markets Operations at RBS
- Prior to joining LCH.Clearnet in 2012, Martin had served on its Group Board as well as on the Board of Euro CCP. He is a serving member on the Board of Tower Hamlets College in London and member of its Audit Committee



IRS adjusted market volumes

\$ trillions	Dec-10	Dec-11	Dec-12	Dec-13	Jun-14	Dec-14 (Est)
(RGNO) BIS Reported Gross Notional Outstanding - IRS	465.3	504.1	489.7	584.4	563.3	505.5
(AFCT) Adjustment Factor for Cleared Transactions	124.2	141.9	170.7	227.7	230.6	212.9
LCH.Clearnet (single-counted) gross notional outstanding	124.2	141.9	170.7	213.0	206.8	181.0
CME gross notional outstanding				9.1	15.6	22.9
JSCC gross notional outstanding				5.6	8.2	9.1
(AGNO) Adjusted Gross Notional Outstanding	341.1	362.2	319.0	356.7	332.7	292.6
Pct (%) Cleared Gross	36.40%	39.20%	53.50%	63.80%	69.30%	72.77%

Source: IDSA, OTC Derivatives Market Analysis: Interest Rate Derivatives - January 2015). Estimated 2014 volumes based on cleared notional outstanding as published by those entities at end Dec 14



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