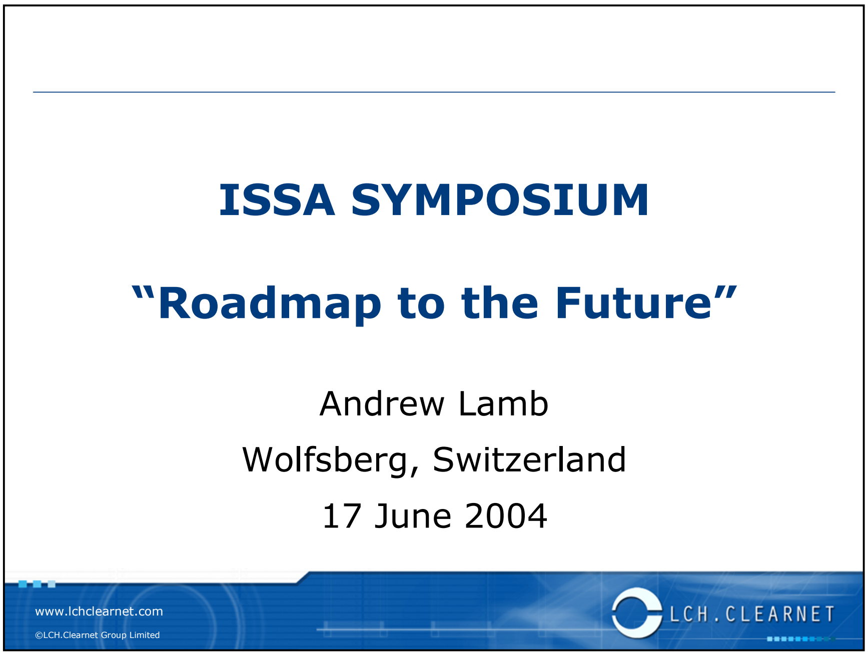
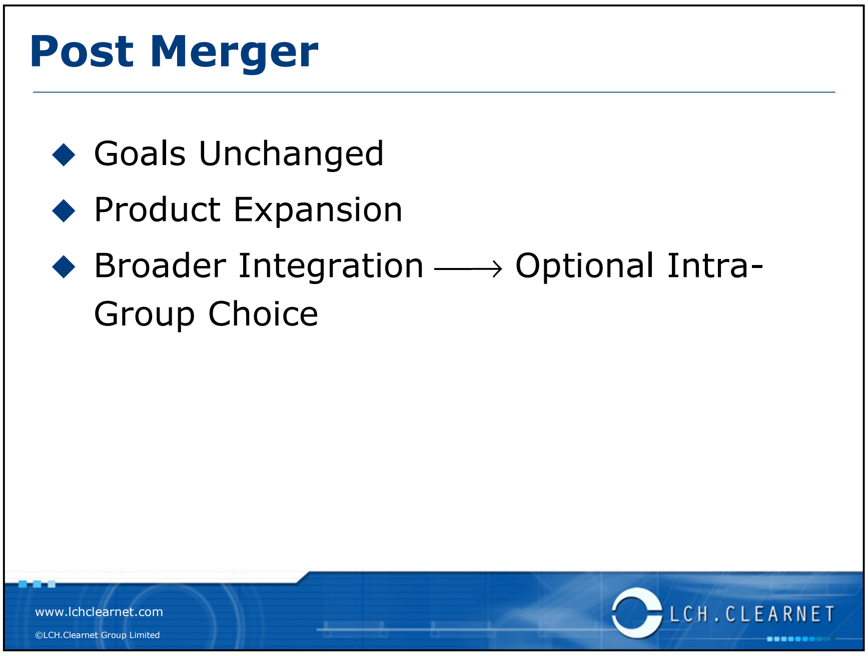


Let me first say a few words about LCH.Clearnet because people are confused greatly about its structure. At the end of last year, we established a holding company which owns 100% of two operating clearing houses: The one in London, the old London Clearing House, which is now called LCH.Clearnet Ltd., and the one in Paris, the old Clearnet which is now LCH.Clearnet SA. It took us about 2 1/4 years to complete that particular deal, and four years if you begin the counting from the very first talks. The negotiating parties were London Clearing House and Euronext, not LCH and Clearnet, because Clearnet was not independent. Institutionally, the two merging parties were totally different creatures. LCH had always had a separate ownership from the exchanges whose business it cleared. It was always user-driven. Clearnet on the other hand, had been wholly owned by Euronext, and before that by a number of French financial institutions. Just before the merger was effected, Euroclear became a small shareholder. That is the institutional background.

Why didn't we immediately proceed to a single clearing house? We could not. The regulators would not let us move to a single clearing house.

Regardless of the institutional background, we wanted to offer a full clearing spectrum in terms of products. Our goal was not to limit ourselves to the clearing of cash products. It was to continue to offer the full range of clearing - in one place - of cash instruments to long dated derivatives, and to clear multiple markets, regardless of whether those markets were organised as exchanges or not.

We also realised that we would have to streamline our operations to bring together our systems and our risk management to prevent inefficiencies. We also agreed that we had to have a balanced governance system. Given the different shareholding characteristics of the two organisations, it was obvious that we needed to establish that balance. It was not acceptable to have either the exchanges or the users dominating. In the holding company we ended up with, the ownership structure has a balance under which the exchanges together hold 45%. So do the users (the clearing members), and the balance is held by Euroclear. Euronext is the largest single shareholder. We took two steps to avoid its dominance. First, we raised some new capital from the user members to reduce the Euronext share. Second, we capped the voting power of Euronext. So, in the creation of this new and large clearing house in Europe we were very much aware of the governance dimension.

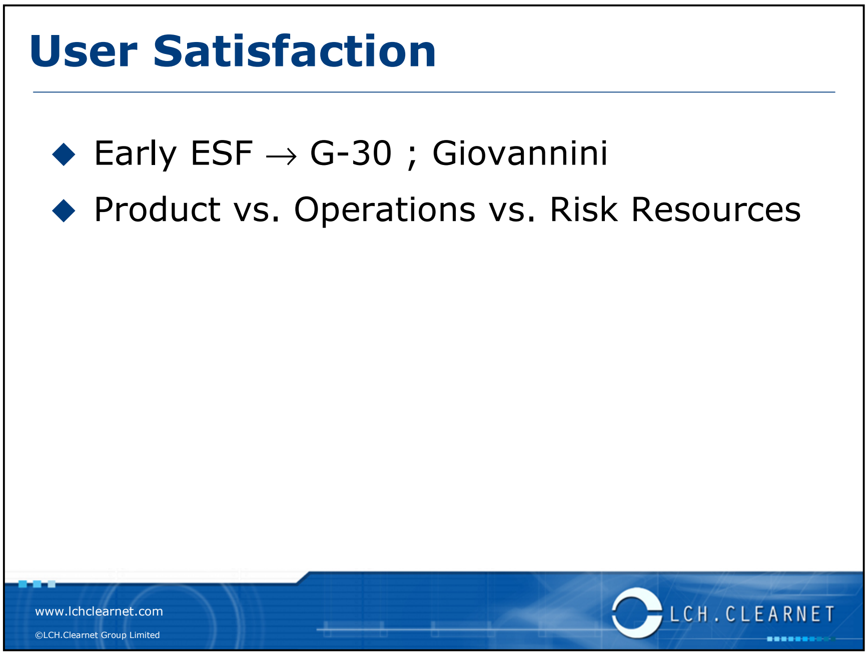


Have things changed after the merger? Not fundamentally - we do not want to break ourselves up into cash clearing in one entity, derivatives clearing in another, OTC clearing in yet another. We want integrated clearing, and we want to expand the range of products to clear. And we want to offer "optional intra-group choice". What does that mean? We are working to complete systems re-development and integration. We are also looking to harmonise policies and procedures. We want to offer clearing firms that currently have to spread their business across the two clearing organisations and who currently have positions booked both in London and in Paris, the possibility of concentrating their business either in London under English Law, or in Paris under French law. We also want to offer the possibility to consolidate particular product lines in one jurisdiction or the other, intra-group.

We cannot bring together the two clearing houses for the moment, there are constraints. But we can offer - within those constraints - the economies and the efficiencies of being able to consolidate business and that will take place under the same risk management and capital regime. So, the risk resources maintained by the two clearing houses would be in exact proportion to the business booked.

Let me be clairvoyant. We hope that the structure we put in place will assist the growth of all the markets we clear, and as we get more efficient, we hope to make life easier for the users.

We are open to other clearing houses joining our structure, via the shareholding route. No expressions of interest so far... We already have extended relationships. We do have a linkage with x-clear. We also have a linkage for Scandinavian equity options with Stockholmsbörsen. Clearnet on the Paris side has an arrangement with CCG, the Italian central counterparty.



We are deeply interested in having satisfied users. However it is often difficult to get clear orientation from the users, with regard to where they want to go to. The European Securities Forum was certainly a reason why the old LCH started the talks with Euronext concerning Clearnet, and we were talking to

Deutsche Börse regarding Eurex at the same time. That was prompted by the ESF. We now see the G30 Recommendations and the Giovannini Barriers, but we are actually not sure that those documents send a clear signal to central counterparty clearing houses about what the expectations, demands and requirements are. And we always have big tradeoffs in terms of resources: Do we concentrate on product expansion, or on operational efficiency, do we spend more time to make sure that our risk resources and risk management are suitable to take on an extended range of clearing? There are a whole range of potentially conflicting resource demands on any central counterparty clearing house. The single most important input in the decision making for the future is a clearer message as to what the users want.

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