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News release

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Joint initiative to introduce a cleared term delivery-by-value service

Euroclear UK & Ireland Ltd. (EUI)¹ and LCH.Clearnet Ltd (LCH.Clearnet)², together with the London Money Market Association (LMMA)³ and gilt repo market participants, are working on a joint initiative to introduce and adopt a new service to centrally clear and settle sterling general collateral (GC) repo trades on a term basis. The aim is to introduce the new service in late 2013/early 2014.

The new service will be based on LCH.Clearnet's existing RepoClear Sterling GC product but will settle at EUI using its term delivery-by-value (DBV) product⁴. Settlement of RepoClear Sterling GC trades of any term is currently conducted daily on an overnight basis via 'rolling' DBV transactions at EUI. The new service will align settlement with the underlying maturity of GC transactions. This will reduce daily sterling GC repo market settlement volumes and values and, hence, operational and liquidity risks in the gilt repo market.

To ensure that the change is coordinated carefully, a Sub-Group of the Bank of England's Money Market Liaison Group (MMLG)⁵ has been established to oversee the joint initiative. The Sub-Group is formed of representatives from EUI, LCH.Clearnet, the LMMA, market participants and the Bank of England. There are three main areas of interest for the group to consider:

- technical development and delivery of the service by EUI and LCH.Clearnet to the specification agreed with market participants;
- revising the Gilt Repo Code to cover the change to market practice; and
- agreeing the approach to migration to, and adoption of, the new service.

The group's first meeting will take place on 30 January. Updates will be provided to each MMLG meeting, the minutes of which are published on the Bank's website.

Notes to Editors

1. Euroclear UK & Ireland offers real-time securities settlement services for Irish equities, UK, Jersey, Isle of Man, Guernsey and international securities transactions. Euroclear UK & Ireland is a wholly owned subsidiary of Euroclear SA/NV. Euroclear provides domestic and cross-border settlement and related services for bond, equity, derivatives and fund transactions.

2. The LCH.Clearnet Group is a leading international clearing house, serving major exchanges and platforms as well as a range of OTC markets. LCH.Clearnet's world-class risk management framework provides the markets with exceptional levels of protection. Both the soundness of its risk management approach and the resilience of its systems have been proven in recent times. As demand for robust clearing services continues to grow, LCH.Clearnet is committed to setting and maintaining the highest standards across all asset classes cleared. For more information about LCH.Clearnet please see http://www.lchclearnet.com/media_centre/.

3. The London Money Market Association is an independent body representing its members in the London markets in the areas of regulation, legislation and market practice and works on their behalf to represent their interests and the markets in which they operate. For more information on the London Money Market Association (LMMA) please see www.LMMA.org.uk.

4. Euroclear UK & Ireland's term DBV service is an extension to its overnight DBV service. It enables members to instruct the CREST system to assemble a basket of securities in exchange for an agreed consideration for a period of up to two years. Collateral valuations are maintained by a daily mark-to-market feature and securities can be substituted as collateral when needed to satisfy a settlement obligation during the life of the GC deal.

5. The Money Market Liaison Group (MMLG) was established in 1999. It comprises representatives from market participants, trade associations and the authorities. It provides a forum for discussion of money markets conditions and structural issues. Details can be found at: <http://www.bankofengland.co.uk/markets/Pages/money/smmlg.aspx>

6. Media enquiries should be made to:

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- LCH.Clearnet (Rachel Harper – 020 7426 7175)
- The London Money Market Association (Ian Mair – 07900 920044)
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