

Bclear

An introduction



The fizz of OTC with added peace of mind



Afirm

One OTC post-trade matching service

Bclear

One cleared service end to end

Cscreen

One source for pre-trade price discovery

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More Choice

Liffe provides customers with a choice of services for executing and processing equity derivatives trades.

These include the high-performance LIFFE CONNECT® platform for customers who want to trade through the central market and wholesale services, such as Bclear, for those customers who prefer to trade over the counter ("OTC").

About Bclear

The award-winning Bclear combines much of the flexibility of the OTC market with the benefits of an exchange and clearing house environment.

Since it was launched, Bclear has been used extensively by leading investment banks and buy-side firms to register OTC equity derivatives transactions.

Bclear's innovative offer provides an efficient, low cost means of processing and clearing wholesale equity derivatives transactions within the secure framework of an exchange and clearing house.

These transactions are conducted on a bilateral basis in the OTC market but once the trade is submitted and accepted it is replaced by an Exchange Contract. However, users still retain the flexibility to specify contract maturity, exercise price and settlement method, whilst also having the choice as to whether or not to publish trade details to the market.

Bclear delivers more

Products

Bclear offers futures and options on most European indices as well as hundreds of European and US securities, including all components of the AEX®, CAC 40®, FTSE 100, DAX® and Dow Jones EURO STOXX 50®. Bclear also offers Variance Futures contracts on the AEX®, CAC 40® and FTSE 100 indices.

- both “standard” exchange look-alike and “flexible” trades can be processed
- choice of cash or physical settlement
- choice of maturity date out to five years for single stock products and at least five years for index products
- broad strike range from 1% to 1000% of the underlying stock price or index for most options
- choice of American or European style exercise for options

Efficiency

Bclear can help to reduce trading costs by offering, on average, the lowest exchange fees payable. Single stock options are usually between 25%–75% cheaper than typical listed option markets’ fees.

- no upfront fees
- no minimum activity charge
- fees are “per lot” with fee caps applicable to all products
- per lot fee, the same for all types of customer
- Own/House account fee caps typically set at half the level of Client account fee caps for options
- exercise fees are typically charged at the same rate as combined Exchange and Clearing House fees, and enjoy the same fee cap levels.

Flexibility

- **Anonymity** – unlike OTC trades, there is no requirement to reveal counterparty names for credit checking purposes as LCH.Clearnet Ltd stands as central counterparty between the clearing members.
- **Optional trade publication** – Bclear offers optional publication of trade details.
- **Managed counterparty and operational risk** – because LCH.Clearnet Ltd acts as a central counterparty to the market, and thanks to Bclear’s ability to confirm trades quickly, operational and counterparty risk can be reduced.
- **Increased balance sheet efficiencies** – marked-to-market settlement prices are published on a daily basis for all open positions within Bclear, which allows for reliable and independent portfolio valuation.
- **One corporate actions policy** – all contracts registered through Bclear are managed under a harmonised corporate actions policy as it applies to the London derivatives market.
- **Trading strategies** – most current LIFFE CONNECT® strategies, including delta neutral/stock contingent trades, are available on Bclear. Customised strategies are also available.
- **Margining** – SPAN portfolio margining is provided for all open positions.
- **Stamp Duty**¹ – Stamp Duty/SDRT is not payable on equity futures and options transactions that are registered through Bclear. It is payable on the delivery of UK shares resulting from the exercise of options, unless the buyer is registered as an options intermediary. The current Stamp Duty/SDRT reliefs for options intermediaries apply to the exercise of options that have been registered via Bclear.

¹ physically settled Universal Stock Futures are not available on UK or Irish underlyings as such contracts would attract a Stamp Duty/SDRT charge at the point of trade

Using Bclear

Members

Direct users of Bclear must be members of the London derivatives market as either a:

- General Clearing Member (GCM)
- Individual Clearing Member (ICM), or
- non-clearing member with a Clearing Agreement in place with a GCM for the London derivatives market.

Bclear is available to wholesale market participants as “clients” of a member firm. Counterparties to a trade executed by a broker and reported via Bclear can either be customers of the broker or of another member firm; they do not need to be a member.

Non-members

Non-members (e.g. non-member brokers) can access Bclear through a clearing member (GCM or ICM). This provides clients with access to the same input and viewing screens that are available to members.

Accessing Bclear

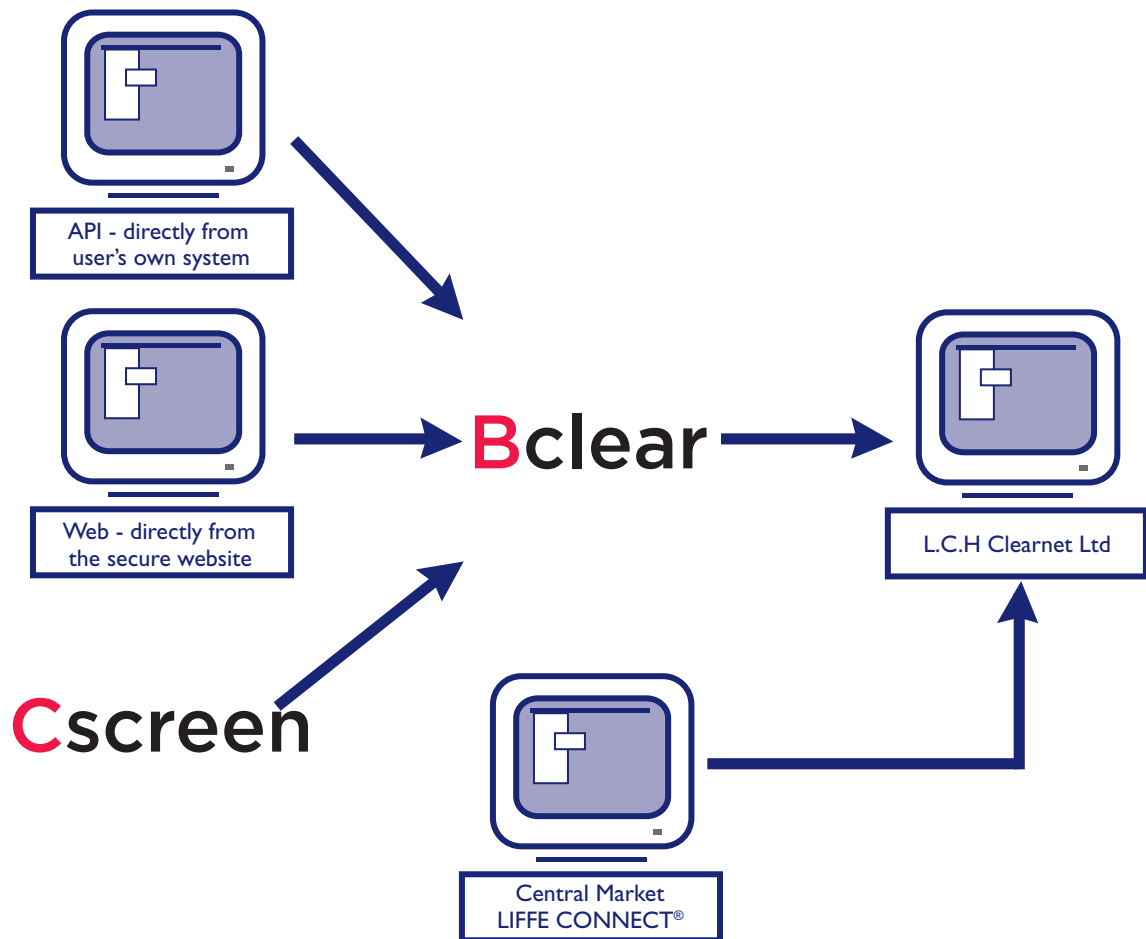
Bclear can be accessed in three different ways:

1. **Web or GUI** (“Graphical User Interface”) – Bclear is available through a secure, web-based application that members access via their own internet connection. Beyond internet access and passing security, there are no specific systems requirements to use Bclear, thus minimising the cost of accessing the service. Direct users of Bclear are sent a digital certificate to install as well as a username and password in order to log-on to the system.
2. **API** – Bclear can also be accessed via the Bclear API, which users can integrate within their own in-house systems.
3. **Cscreen** – finally Bclear can be used in conjunction with Cscreen, which has a direct link to Bclear.

Submitting trades to Bclear

Trade submission to Bclear is simple and efficient.

1. Direct users can choose to submit trades through the secure web page, the API or from Cscreen.
2. Trades are then validated or rejected in Bclear by Liffe (i.e. they are subject to fair value, minimum volume and other contract parameter checks).
3. All trades confirmed via Bclear are then processed through TRS CPS to LCH.Clearnet Ltd. Trades are not processed through Clearing 21[®]. Upon trade confirmation, all the functionalities of TRS that apply to LIFFE CONNECT[®] traded products also apply to the Bclear trade.
4. At the end of the trading day, trades are passed to LCH.Clearnet Ltd for clearing and settlement.



One solution for wholesale equity derivatives

Bclear is operated as a clearing service by LIFFE Administration and Management which is regulated by the Financial Services Authority as a recognised investment exchange

The other two services are:

- Afirm – the OTC post-trade matching service, which offers affirmation or matching as a route to confirmation for OTC equity derivatives transactions.
- Cscreen – the pre-trade price discovery platform.

Afirm and Cscreen are operated by LIFFE Services Limited, which is authorised and regulated by the Financial Services Authority as a service company.

Customers can choose either one or more of the services to meet their needs most effectively. Together, the services help to simplify and automate many of the manual processes that are currently common in OTC transactions, giving customers a flexible, secure, simple and significantly cheaper way of conducting wholesale equity derivatives business.

Further information

If you would like further information about Bclear then please contact:

Equity Products

Tel: +44 (0)20 7379 2200

Email: equities@liffe.com

Web: www.euronext.com/bclear

The following documents and information are available via the website:

- Bclear trading and clearing fees
- List of products available via Bclear
- List of brokers and firms who can execute Bclear business
- List of clearing firms who can clear Bclear business
- Details of how to connect to Bclear
- The latest monthly statistics for Bclear

Reported Trades

Trades that have been registered and published via Bclear are shown on the Reported Trades website:
<http://bcleartrades.euronext.co.uk/>

For operational questions please contact:

Market Operations

Tel: +44 (0)20 7379 2969

LCH.Clearnet Ltd

Tel: +44 (0)20 7426 7000

For further information about Afirm and Cscreen:

Web: www.euronext.com/afirm www.euronext.com/cscreen

Sales/Account Management

Customers based in:

Belgium

Tel: +32 (0)2 509 9814

Email: derivativesbrussels@euronext.com

France

Tel: +33 (0)1 49 27 16 30

Email: paris.sales@liffe.com

Germany

Tel: +49 (0)69 7593 7156

Email: frankfurtoffice@liffe.com

The Netherlands

Tel: +31 (0)20 550 5315

Email: derivativesamsterdam@euronext.com

Portugal

Tel: +351 21 790 0055

Email: derivativeslisbon@euronext.com

UK

Tel: +44 (0)20 7379 2184

Email: uksales@liffe.com

Other European Countries

Tel: +44 (0)20 7379 2392

Email: internationalsales@liffe.com



Amsterdam

P.O. Box 19163
1000 GD Amsterdam
The Netherlands
Tel: +31 (0)20 550 4444
Fax: +31 (0)20 550 4900

Lisbon

Av. da Liberdade, no° 196, 7° Piso
1250-147 Lisbon
Portugal
Tel: +351 21 790 00 00
Fax: +351 21 795 20 26

Paris

39, rue Cambon
75039 Paris Cedex 01
France
Tel: +33 (0)1 49 27 10 00
Fax: +33 (0)1 49 27 11 71

Brussels

Palais de la Bourse/Beurspaleis
Place de la Bourse/Beursplein
1000 Brussels
Belgium
Tel: +32 (0)2 509 12 11
Fax: +32 (0)2 509 12 12

London

Cannon Bridge House
1 Cousin Lane
London EC4R 3XX
United Kingdom
Tel: +44 (0)20 7623 0444
Fax: +44 (0)20 7929 3278

www.euronext.com