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## **Euronext to Renew Agreement for Derivatives Clearing with LCH SA and Become a Minority Shareholder**

- **Euronext and LCH SA sign binding terms for the continued provision of derivatives and commodities clearing services**
- **10-year agreement delivering long term and sustainable clearing income for Euronext, with a revenue sharing mechanism**
- **Improved value proposition for customers, including reduced clearing fees and providing continuity of service**
- **Euronext to swap its current 2.3% stake in LCH Group for an 11.1% stake in LCH SA, a direct investment in a leading multi-asset Eurozone based CCP**
- **Pre-emption rights for Euronext, in the case of a sale of LCH SA**
- **Clearing services agreement expected to be signed in Q4 2017**
- **Euronext terminates derivatives clearing agreement with Intercontinental Exchange**

AMSTERDAM & BRUSSELS & LISBON, Portugal & LONDON & PARIS--([BUSINESS WIRE](#))-- Regulatory News:

Euronext (Paris:ENX) (Amsterdam:ENX) (Brussels:ENX), the leading pan-European exchange in the Eurozone, announces it has signed binding terms with LCH SA, LCH Group and London Stock Exchange Group for the continued provision of clearing services for its derivatives products.

The agreement covers the clearing of financial derivatives and commodity derivatives for a period of 10 years offering comparable financial conditions. Euronext and LCH SA will work together to develop new products for the benefit of clearing members and market participants.

Euronext will swap its current 2.3% stake in LCH Group for an 11.1% stake in LCH SA, subject to regulatory approvals and other customary conditions. LCH SA is a leading multi-asset CCP, based in the Eurozone, with substantial growth opportunities in the fixed income and CDS businesses. This transaction will strengthen the long-standing relationship between Euronext and LCH SA, and cement the strategic future of LCH SA.

Euronext will remain on the Board of LCH SA following completion of the share swap. Euronext will also nominate one representative to LCH SA Audit Committee and will continue to be represented at LCH SA Risk Committee. A new Consultative Committee dedicated to Euronext derivatives business will be created.

The new long-term agreement covers the clearing of financial derivatives and commodity derivatives for a period of 10 years, providing continuity of clearing services for members, and saving the cost and disruption associated with a migration at a time where client bandwidth is stretched due to MiFID2 implementation and Brexit planning. Euronext and LCH SA will work together to develop new products for the benefit of clearing members and market participants, and to focus on providing a lower cost service for members.

Euronext and LCH SA will work together to achieve a targeted range of reduction in clearing fees of 5% to 15% with effect from January 2019, depending on each specific product and service. The precise quantum of

the reduction for allocation to each derivative product line will be refined in consultation with market users. The targeted reduction in frictional costs will further improve the competitive landscape and encourage increased trading volumes.

The parties have agreed that Euronext will have certain minority protection rights connected with its new shareholding in LCH SA. Euronext will have a pre-emption right in circumstances where LCH Group decides to sell more than 50% of the shares of LCH SA. The pre-emption right involves a right of first offer and subject to certain conditions, a matching right. In addition, LCH Group has a pre-emption right over a transfer of shares by Euronext and the ability to buy back Euronext's shares in certain circumstances where the derivatives agreement is terminated.

In addition the agreement provides a comparable revenue sharing mechanism delivering a continued clearing income stream for Euronext. Euronext will also recognise at closing a net capital gain following the share swap of around €24m.

Overall this represents a long term, sustainable continuity of clearing services for Euronext and its clients. The formal clearing services agreement is expected to be completed during Q4 2017.

Stéphane Boujnah, CEO and Chairman of the *Managing Board, Euronext N.V* said: *“This agreement is a long-term and sustainable solution for the clearing of our derivative markets. It also provides Euronext with a sizeable ownership position in a leading multi-asset CCP based in the Eurozone with strong positions in the fast growing fixed income and CDS businesses. Our clients will benefit from a reduction in clearing fees and the continuity of service avoids the cost and disruption associated with a migration.”*

## **About Euronext**

Euronext is the leading pan-European exchange in the Eurozone with nearly 1,300 listed issuers worth close to €3.5 trillion in market capitalisation as of end June 2017, an unmatched blue chip franchise consisting of 24 issuers in the Morningstar® Eurozone 50 Index<sup>SM</sup> and a strong diverse domestic and international client base. Euronext operates regulated and transparent equity and derivatives markets. Its total product offering includes Equities, Exchange Traded Funds, Warrants & Certificates, Bonds, Derivatives, Commodities and Indices. Euronext also leverages its expertise in running markets by providing technology and managed services to third parties. In addition to its main regulated market, Euronext also operates Euronext Growth<sup>TM</sup> (formerly known as Alternext) and Euronext Access<sup>TM</sup> (formerly known as the Free Market). For the latest news, find us on Twitter ([twitter.com/euronext](https://twitter.com/euronext)) and LinkedIn ([linkedin.com/euronext](https://linkedin.com/euronext)).

## **About LCH**

LCH is a group of leading multi-asset clearing houses that provides proven risk management capabilities across a range of asset classes. As demand for robust clearing services continues to grow, LCH is committed to maintaining the highest standards of risk management across all our services.

As the markets' partner, LCH operates an open access model, offering a choice of execution venues, delivering unprecedented choice and efficiencies to the marketplace.

LCH operates clearing houses around the world, with clearing houses incorporated in the UK, France and the United States with additional offices in the Asia Pacific region. It offers clearing services across asset classes including OTC and listed rates; CDS and FX; fixed income; commodities; cash equities and equity derivatives.

LCH is majority owned by London Stock Exchange Group (LSE.L), an international markets infrastructure business that sits at the heart of the world's financial community.

Further information on LCH can be found at [www.lch.com](http://www.lch.com)

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