

## > Fixed Income Repo Tariff Structure Review

### Background

LCH.Clearnet is in the process of conducting a review of its Fixed Income tariff structure for repo trades, across both the LCH.Clearnet SA and LCH.Clearnet Ltd clearing services. This review is being conducted with the Fixed Income Product Advisory Group (PAG).

The primary objective of the review is to assess the suitability and equitability of the existing tariff structure for the Fixed Income repo business and consider options for how it could be modified going forward. This review will be conducted on a revenue-neutral basis from LCH.Clearnet's perspective. The cash bond clearing tariff structure will be reviewed at a later time.

### Drivers

The decision to conduct this review is in response to a number of changing market factors including the evolution in the pattern of European repo trading. Of particular note has been the significant increase in overnight business and it is also apparent that the different repo markets have markedly different trading characteristics. LCH.Clearnet has analysed in depth these trading patterns and considered the different contributions that the various repo markets make to the revenue generated by the business.

### Requirements

In aiming to achieve a more appropriate tariff structure, we are factoring in the following requirements for any new fee arrangement. These requirements are to:

- Find a consensual solution that addresses the drivers above whilst providing a revenue-neutral solution for LCH.Clearnet.
- Ensure that each repo trade cleared makes an appropriate contribution to fees and is charged at a rate that is commensurate with its operational risk.
- To provide an incentive for additional longer-term repo business to be cleared.
- Harmonise the Ltd and SA repo tariff and the Ltd and SA minimum fee structure.

### Decision Timing

LCH.Clearnet aims to reach agreement on a revised repo tariff structure at the next meeting of the PAG on 29 March 2007.

### Influencing the Process

Members with an interest to either understand further the nature of this review, and/or to contribute to the discussion, should in the first instance contact Nick Maggs on the details below. Alternatively, you may wish to express your views via a PAG representative, the names of whom can be provided on request.

### For Further Information, Please Contact:

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