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## **LONDON STOCK EXCHANGE TO CREATE PAN-EUROPEAN NON-DISPLAY TRADING PLATFORM IN PARTNERSHIP WITH LEHMAN BROTHERS**

The London Stock Exchange and Lehman Brothers today announced plans to create a pan-European MTF (multilateral trading facility) for the execution of non-display orders. The MTF, to be named Baikal, will provide market participants with an unrivalled trading service for European equities, being the first to combine an innovative dark liquidity pool with sophisticated algorithmic trading functionality.

Within the context of an evolving equities trading landscape, Baikal aims to address the growing complexity of order execution requirements by allowing buy-side and sell-side participants to trade larger orders in a trusted environment, thereby minimising market impact.

Baikal will be a neutral liquidity venue led by the London Stock Exchange and will offer the following key features:

- Open, equal access to securities across 14 European countries with smart order routing to liquidity in at least 22 trading venues;
- An extensive suite of dynamic, liquidity seeking algorithmic trading strategies, which can be tailored to specific customer requirements and risk tolerance;
- Pioneering anti-gaming controls and world class market surveillance tools that will support the safe and secure execution of equity trades;
- Real-time post trade reporting included in the London Stock Exchange's Infolect feed; and
- An efficient pan-European clearing and settlement solution with aggregated trade booking for Baikal-matched and smart order routed business.

**.../more**

Clara Furse, Chief Executive of London Stock Exchange, said:

“The London Stock Exchange has an over-arching objective to improve market efficiency for the benefit of investors and issuers, and we will continue to innovate to promote that goal. Baikal provides an exciting opportunity for the market to transact certain types of business in European equities with the confidence of total pre-trade anonymity, alongside the efficient price formation of the electronic order books of exchanges, where the majority of equities across Europe are traded.

“We are delighted to be partnering with Lehman Brothers to create Baikal, which will draw upon their market leading expertise in algorithmic trading strategies and investment in new anti-gaming technology. In addition, we actively welcome the participation of other members of the sell-side as well as buy-side community in making Baikal a success in bringing down the cost of investment in European equities.”

Jeremy Isaacs, Chief Executive Officer, Lehman Brothers, Europe, Middle East and Asia-Pacific, said:

"Lehman Brothers is committed to providing state-of-the-art solutions to meet the increasingly sophisticated needs of our clients. We were the first investment bank in Europe to offer direct access to our own dark liquidity pool. Baikal represents a substantial evolutionary step in providing market participants with the ability to access and utilise efficiently dark liquidity in European equities, and we anticipate that Baikal will be the premier platform for addressing the growing complexities of the market place."

In order to ensure that Baikal delivers innovative solutions that appeal to all types of market participants, it is intended that a Strategic Advisory Committee and working groups will be operational from Q3 2008, further details of which will be announced shortly.

**- Ends -**

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## **Notes to Editors:**

- Dark liquidity in European equities is estimated to account for around €12 billion in value traded per day and is expected to grow rapidly in the coming years.
- Baikal will be chaired by Clara Furse. Recruitment is taking place for other roles within the Baikal operating company, some of which will be sourced from within the London Stock Exchange and Lehman Brothers.
- Baikal will be a joint venture between the London Stock Exchange and Lehman Brothers which will be open to economic participation by others from the buy-side and sell-side, with whom both parties have started discussions.
- Baikal will be authorised and regulated by the FSA and fully MiFID compliant. It will be launched in Q1 2009, subject to ECMR clearance and FSA approval.
- Baikal will operate as an independent, standalone business. The London Stock Exchange and Lehman Brothers will remain active in this market on their own account, and neither will be precluded from developing their own business in competition with Baikal.
- Baikal is named after Lake Baikal, the deepest lake in the world and the largest freshwater lake in the world by volume.

## **About the London Stock Exchange Group:**

London Stock Exchange Group (ticker symbol: LSE) is Europe's leading diversified exchange business. It operates Europe's largest and most liquid equity market, holds the number one position in trading ETFs and securitised derivatives, and through its interest in MTS, is the leading platform for the trading of fixed income products.

The London Stock Exchange itself is the world's most international exchange with over 700 overseas companies from over 70 countries on its markets. It has consolidated this position in the last two calendar years, having attracted 202 international companies which raised nearly £30 billion between them. These figures include international companies on AIM, the

London Stock Exchange's growth market, which has grown to become the world's most successful market for small and medium sized enterprises with close to 1,700 companies at the end of 2007.

Following its merger with Borsa Italiana in 2007, London Stock Exchange Group also now includes CC&G and Monti Titoli, Europe's most efficient providers of post-trade services; and MTS, Europe's most successful market for government bonds.

### **About Lehman Brothers:**

Lehman Brothers (ticker symbol: LEH), an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients, and high net worth individuals worldwide. Founded in 1850, Lehman Brothers maintains leadership positions in equity and fixed income sales, trading and research, investment banking, private investment management, asset management and private equity. The Firm is headquartered in New York, with regional headquarters in London and Tokyo, and operates in a network of offices around the world. For further information about Lehman Brothers' services, products and recruitment opportunities, visit the Firm's Web site at [www.lehman.com](http://www.lehman.com)