

Press release

News from the International Capital Market Association (ICMA)

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Please see foot of release for contact details

ICMA/2006/12

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Release: immediate

Full repo trade matching capabilities for the European repo market: ICMA delivers phase 1 of TRAX2.

(London, UK) The International Capital Market Association (ICMA) has announced that the full repo matching capability of its new TRAX2 system is now live and being used by a number of major market participants, including Goldman Sachs International, J.P. Morgan Securities Ltd, Nomura International plc, and Credit Suisse Securities (Europe) Ltd, to reduce operational risk in this fast growing market sector.

ICMA, working closely with the operations committee of the Association of Foreign Banks (AFB), the European Repo Council (ERC) and ICMA members, has built TRAX2 to include the needs of the repo market, the fastest growing sector of the European capital market, now valued at Eur 5.8 trillion. Repo is still traded in large volumes over the counter (OTC) which can lead to increased levels of operational risk through human error, delayed settlement and verification.

Jonathan Bury, Executive Director at Goldman Sachs International commented; "This initiative from ICMA will lead to a more robust control infrastructure within the repo market and is therefore a goal that we support."

More follows/...

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TRAX2 marks a turning point in how the repo market operates and will assist numerous financial institutions in reducing their operational risk within this important market sector.

Godfried De Vidts, Director of European affairs at ICAP and Chairman of ICMA's European Repo Council (ERC) commented: "Any time an instruction fails in the chain of events it requires somebody to intervene manually. Matching repo trades through TRAX2 will decrease costs, especially in the back office".

"The vast majority of my market counterparties are using TRAX, so it is an established tool," says Nomura's Ewen Crawford. "And the new version of TRAX, being web-based, is a much easier offering for us to pass out to our customers. It's mostly inter-dealer transactions right now, but we would want it to expand to cover our repo sales client base also. Potentially it will allow participants to automate some of the last remaining big manual processes that surround post-trade events such as partialing and pairing off", adds Crawford.

TRAX2 builds on the success of the original ICMA trade confirmation and risk management system (TRAX) that has been operating within the capital market since 1989. TRAX is a tried and tested system which has over 200 subscribers and processed over 34.5 million transactions in 2005 alone. TRAX2 has extended the use of this proven technology to reduce operational risk for firms trading in the repo sector.

Royston Lambert, Managing Director, ICMA Ltd said; "TRAX2 is a complete redesign, incorporating new security features, an internet interface, ISO message formats as well as the ability to fully match Repo efficiently within a stable and proven system. TRAX2 has been designed to be more flexible and will assist firms to comply with current and future regulatory challenges, such as the Markets in Financial Instruments Directive (MiFID) amongst others".

More follows/...

The new TRAX2 system offers users significantly enhanced capabilities including:

- Post-trade actions for open repos, allowing participants to record rate, price changes and agreement of end date/close out.
- Enlarged TRAX database providing greater trade matching capabilities for users with transactions now being archived six weeks after their settlement date or 12 months after trade date, whichever is longest.
- Settlement information has been enhanced to include bank identifier codes (BIC) for place of settlement data. ISO messaging formats allowing for greater systems integration and new internet connectivity make the systems adoption extremely cost effective.

“TRAX2 is the culmination of four years of intensive work by ICMA. We have collectively worked with the AFB, ERC and our members to deliver the repo capabilities that the market wants. I would like to thank everyone who has been involved with phase one, in particular our beta users; namely Goldman Sachs, J.P. Morgan, Nomura, and Credit Suisse who have played such an important role in testing the new repo capabilities” adds, Royston Lambert

TRAX2 is available to any financial institution active in the international capital market, to ICMA members and non members alike. TRAX2 will be rolled out in the next 12 months, assisting financial institutions with their matching, reporting and regulatory requirements.

For more information about TRAX2 and the International Capital Market Association (ICMA) contact ICMA’s Business Development team by telephoning +44 20 7538 5656 or e-mailing: info@TRAX2.org

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Notes for editors

1 International Capital Market Association (ICMA)

The International Capital Market Association (ICMA) is the organisation representing the financial institutions active in the international capital market worldwide. ICMA's members are located in some 50 countries across the globe, including all the world's main financial centres, and currently number 400 firms.

ICMA was created in July 2005 by the merger of the International Securities Market Association (ISMA) and the International Primary Market Association (IPMA), creating a single influential entity with a broad franchise across the primary and secondary sectors of the international capital markets – with financial and organisational resources to represent the interests of European capital market effectively.

2 European Repo Market

The European repo market is now worth EUR 5.8 trillion in terms of deals outstanding (source: ICMA-ERC repo report Dec2005.) Repo is already one of the fastest growing sectors of the international capital market with further spectacular growth expected in 2006 as the Basel II capital requirements increase the popularity of secured lending.

3 Association of Foreign Banks

The Association of Foreign Banks provides a forum for the sharing of information on industry issues for the mutual benefit of foreign banks operating in and out of the United Kingdom. They aim to provide effective representation to industry, government, regulatory bodies and other peer group associations to ensure the attainment of international best practice.

For more information: www.foreignbanks.org.uk

4 European Repo Council (ERC)

The European Repo Council is a special interest group established under the auspices of ICMA to promote and represent banks active in Europe's repo markets. Its members comprise the major banks active in Europe's cross-border repo markets.

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