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New industry standards to improve international securities processing efficiency

Brussels and Luxembourg, 27 September 2007 – Clearstream Banking Luxembourg and Euroclear Bank (“the ICSDs”) are combining forces with the newly created International Securities Market Advisory Group (ISMAG) to implement further standards for the issuance and asset servicing of international securities which include Eurobonds and structured products issued through the ICSDs.

The ISMAG, which met yesterday to approve the key deliverables and their priorities, comprises senior representatives from various institutions (issuers, lead managers, agent banks, ICSDs and investors) and trade associations (AGC, ICMA and ICMSA). It will oversee the implementation of a three year-change programme aimed at increasing processing efficiency and straight-through processing (STP) by standardising issuance practices, information dissemination and the processing of corporate actions and income distributions. An industry-wide standard for market practices is targeted for 2010.

The total value of securities issued through and primarily deposited with the ICSDs reached EUR 7.3 trillion in June 2007 and is growing at more than 20% per year making this the largest pool of liquidity in Europe.

In 2006, over 200,000 new securities were issued, about 250,000 corporate actions took place and over 320,000 coupon and redemption payments were managed by the two ICSDs. Yet, for some parts of the process, there is little STP: less than 10% of corporate-action information is transmitted in STP format. Moreover, the dynamic and innovative nature of the market is adding diversity, but also complexity.

John Gubert, Chairman of the International Securities Market Advisory Group, said: “There are still too many manual processes and a lack of standardised market practices in the international securities business. Back-office costs are too high, risks are growing in line with increasing volume and complexity, and critical information is too often misinterpreted. I am delighted to chair a team of professionals who will bring greater operational efficiency to the market.”

Yves Pouillet, Chief Executive Officer, Euroclear Bank, said: “Automation and greater STP in asset servicing will save time and money for intermediaries, while providing more accurate and timely information to investors. The definition and implementation of market-practice standards will help to clarify roles, responsibilities, timelines and market procedures on a global basis. International securities are in real need of operational standardisation to retain the flexibility and innovation that have made them so successful and attractive to investors and issuers alike for the past 30 years.”

Mark Gem, Member of the Executive Board, Clearstream Banking Luxembourg, said: “Raising the level of operational efficiency and quality in the international secu-

rities market has long been a key priority for us. We believe that this industry-wide cooperative approach is an innovative and appropriate response to this challenge.”

The overarching objective of the initiative is to concentrate on the operational effectiveness of issuance practice and asset servicing, and to act with pace and purpose to further improve the levels of investor satisfaction, without constraining financial innovation. The development of solutions will also take into consideration emerging standards where appropriate.

Specific working groups will table proposals to the ISMAG for approval. Where relevant, the ISMAG will work in close collaboration with other industry associations to ensure optimal use of market resources and a coherent overall industry development plan.

The first efforts will focus on “quick wins”:

- improve new issues information provision through increased availability of better quality and standardised documentation; and
- improve the quality, accuracy, transparency and timeliness (achieve same-day distribution) of corporate-action information.

The ISMAG will publish detailed interim reports to inform the market about the initiative’s progress.

Note to editors

Euroclear

Euroclear is the world's largest provider of domestic and cross-border settlement and related services for bond, equity and fund transactions. User owned and user governed, the Euroclear group comprises the international central securities depository (CSD) Euroclear Bank, based in Brussels, as well as national CSDs Euroclear Belgium, Euroclear France, Euroclear Nederland and Euroclear UK & Ireland. In early 2007, Euroclear acquired EMXCo, the UK's leading provider of investment fund order routing. The total value of securities transactions settled by the Euroclear group is in excess of EUR 450 trillion per annum, while assets held for clients are valued at more than EUR 18 trillion. Euroclear Bank is rated AA+ by Standard & Poor's and Fitch Ratings. For more information, please consult www.euroclear.com

Clearstream

Clearstream is an international securities depository (ICSD) headquartered in Luxembourg and is an integral part of Deutsche Börse Group, the world's largest exchange organization when measured by sales revenues. Clearstream offers settlement and custody services to more than 2,500 customers worldwide for bonds, equities, and around 40,000 domestic and international investment funds. Clearstream currently holds in assets under custody over EUR 10.5 trillion. Clearstream Banking S.A. has long-term credit rating from Standard & Poor's and Fitch of AA. The combined group provides technology, services and products from trading and information products to clearing, settlement and custody based on straight-through processing and interoperability standards to all stages of the processing chain. For further information, visit our website www.clearstream.com.

AGC - Association of Global Custodians

ICMA - International Capital Markets Association

ICMSA - International Capital Market Services Association

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