



## Newsletter – September 2007

### Global Securities Financing (GSF) Services

In an industry experiencing record business volumes, expanding customer involvement and developing regulatory requirements (Basel II), we are investing in new services across the GSF arena to further extend our service leadership position. With increasing cost pressure forcing market participants to tighten collateral management processes and further streamline back-office operations, we expect even greater demand for professional securities lending and collateral management services in the future.

#### ASLplus - the lending success story continues

Since its successful launch in October 2005, the ASLplus lending programme, in which we act as the sole principal counterpart, has continued to generate strong demand for the lending supply of our clients by our distribution agents Citigroup, Dresdner Kleinwort and UBS AG. As a result, lenders participating in the programme benefit from increased levels of revenue as well as the important extra saving that comes from waived custody fees.

#### Successful launch of CmaX platform

CmaX, our state-of-the-art and real-time triparty collateral management system was launched in October 2006. It has been designed to process growing volumes in shorter timeframes and handle new eligibility rules such as increasingly complex concentration limits. It also caters for the requirements of new connectivity channels.

#### CmaX delivered first collateral re-use feature

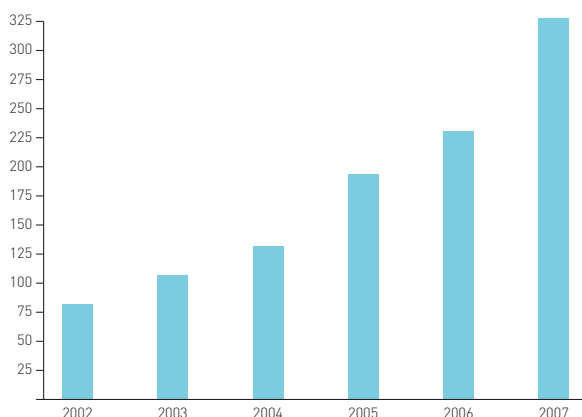
The collateral re-use feature enables collateral receivers to reallocate collateral from one triparty counterpart towards another triparty exposure, this time as a collateral giver. The experience of the first year shows that this new functionality has removed a limitation to the growth of the European market share of triparty repo and has laid the foundations for many other possible applications across a variety of different transactions.

#### Facts and Figures

The GSF services have shown continues strong growth with the average outstandings reaching € 322.6 billion for the second quarter 2007, an increase of 32 percent versus the same period of the previous year (Q2/2006: € 243.9 billion).

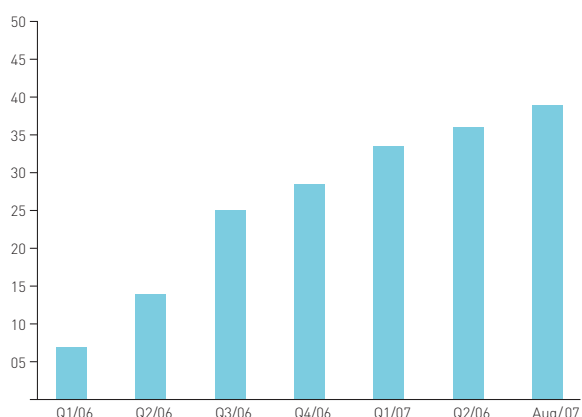
GSF – Collateral under Management (yearly average)

Euro billions



GSF – Securities on loan (quarterly averages)

Euro billions



### The best of both worlds

With the launch of the Collateral Management Release 2007 this month we have connected our two collateral management systems - CmaX in Luxembourg and Xemac in Frankfurt - and added a series of new features. This will enable you to manage a single collateral pool within the integrated CmaX/ Xemac environment for the assets that you hold in both of our settlement systems: Creation in Luxembourg and CASCADE in Frankfurt.

### Pledging of international assets held in Creation to Deutsche Bundesbank

The collateral eligible for pledges in favour of the Deutsche Bundesbank has been extended significantly following the recently approved relayed links between Clearstream Banking Frankfurt (CBF) and Clearstream Banking Luxembourg (CBL). In addition to German securities you can now pledge eligible international assets from Austria, Belgium, Germany, Italy, Luxembourg and the Netherlands, as well as Eurobonds which are held via the respective relayed links in favour of Deutsche Bundesbank via Xemac.

### New CmaX features and functionality

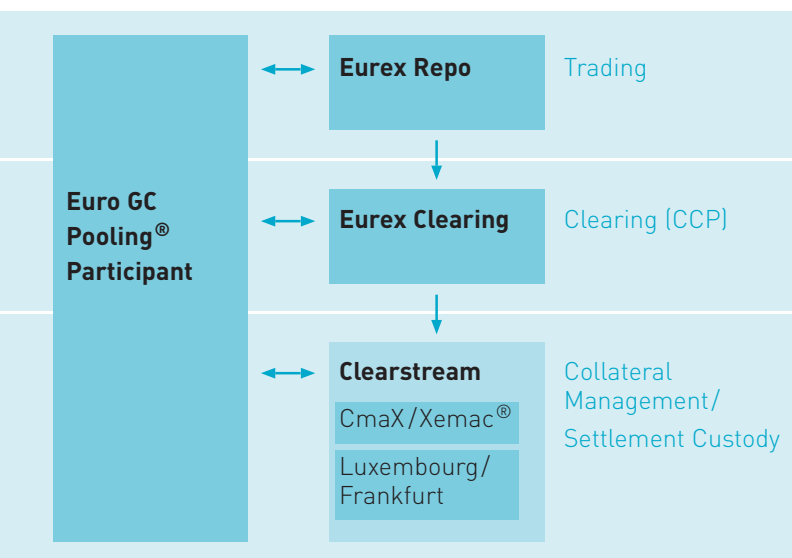
- The new integrated CmaX/ Xemac offering supports various trading opportunities as well as other collateral activities, such as
  - Triparty Repo
  - Electronic trading against CCP, e.g. on Eurex Repo
  - Collateralisation of securities borrowing
  - Other bilateral exposures
  - Access to central bank liquidity through the Deutsche Bundesbank.
- With the new simplified collateral account structure for collateral receivers, you can either centralise all collateral received from your triparty activity into one single collateral account or split it across a smaller number of collateral accounts (i.e. one account per counterparts, per baskets or per exposure type).
- Enhanced SWIFT formats for Triparty Collateral Instructions (MT527) and related trade confirmation (MT 558). Enhanced content for CmaX reporting, e.g. Basel II haircuts.

### Extension of Euro GC Pooling with Eurex Repo

Our international customers can now participate easily in Euro GC Pooling as their collateral will be automatically sourced by CmaX out of their triparty collateral pool. With this enhancement, securities for Euro GC Pooling, the General Collateral (GC) trading segment of Eurex Repo, can be delivered and received within the ICSD settlement system rather than within CASCADE exclusively.

In addition to the wider pool of participants, the extension of Euro GC Pooling also allows for an enlarged basket of securities, now including a wider range of ECB-eligible securities covering major European markets (Eurobonds, Austria, Belgium, Germany, Italy, Luxembourg and the Netherlands).

German customers using the Euro GC Pooling product can choose to either keep their existing setup with Xemac and CASCADE or to benefit from the additional collateral management capabilities of CmaX to pool international assets held on Creation.



### **New pricing model for securities lending in CBF (KAGplus and Collateral Swap)**

To allow you to benefit from the substantial volume growth in these products and to further raise the attractiveness of KAGplus and Collateral Swap, we have introduced a new CBF pricing model. The fixed fees have been replaced by a volume-driven sliding scale which now enables you to save up to 50% in the highest tiers compared to the previous pricing model.

### **Future enhancements**

To cater for the need to even further maximise the use of all available collateral, there is an increasing need for new, highly sophisticated tools that can predict levels of collateral availability and usage.

In response to this need, in Q4 2007 we will deliver two significant enhancements to our offering:

#### **CmaX - Extended Securities Forecast Report**

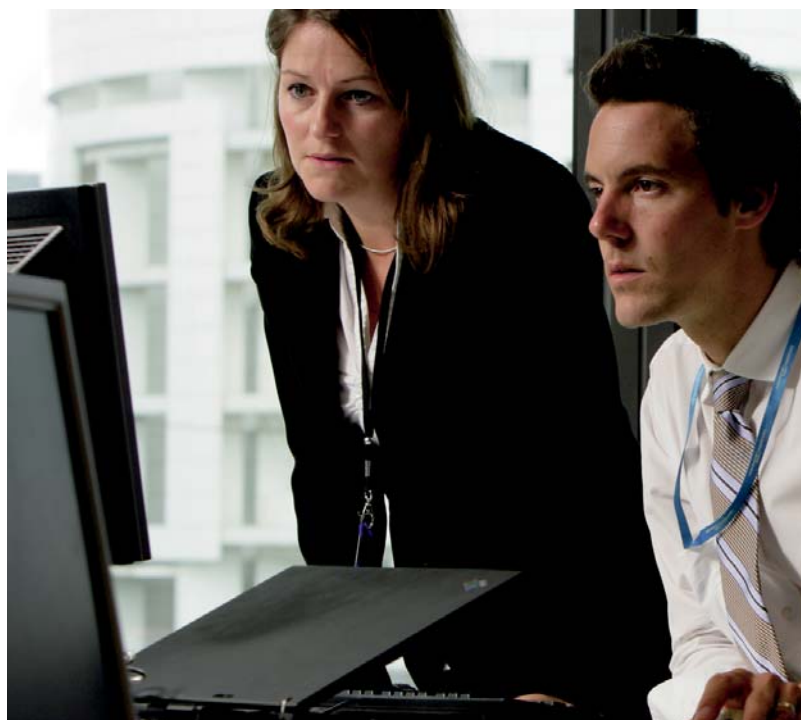
The new Extended Forecast Report will predict the amount of available collateral that collateral givers have and will have, with their different triparty counterparties over the next three business days. The new forecast figures will take into account all eligibility criteria and concentration limits for each contract, the effect of future purchases and sales of securities on the trading account and any already known matched and unmatched triparty trades for the same period.

#### **The report will be available in two versions:**

- a summary version, providing the total available collateral amount for each counterparty
- a detailed version, giving the collateral value for each security and possible allocation versus each counterparty.

### **CmaXDirect - New interactive tool to receive CmaX reports**

CmaXDirect has been designed to provide a clearer view on outstanding triparty activity. With the new tool, traders will be able to simulate future trade allocations to gain a better view on potential financing possibilities. It will enable traders to see and query all current outstanding triparty trades, including details of collateral and the frequently renewed forecasts of collateral still available. An additional simulation module, using the detailed Extended Forecast Report will facilitate the simulation of fictitious triparty exposures and show the effect on the collateral availability across all counterparties.



**Staff news**

**New organisation in place to support a strongly growing market**

The new structure of our Global Securities Financing (GSF) functions has been part of an overall re-organisation of business lines within both Clearstream and Deutsche Börse Group. The objective of this reorganisation is to accelerate decision making processes, gain efficiency and strengthen the Group's customer focus.

**Client Relations for GSF and Broker Dealers**



**Stefan Lepp** is the new Head of Client Relations for GSF and Broker Dealers. In his GSF responsibilities Stefan covers the entire product value chain from the GSF Product Management and Design to the GSF Sales and Relationship Management. With more than 25 highly skilled professionals dedicated to the securities financing community, the GSF team is set to support growing GSF outstandings and opportunities.

**GSF Product Management**



**Jean-Robert Wilkin**, Head of GSF Product Management. The team is responsible for the product management for our securities lending and collateral management services in both Luxembourg and Frankfurt. They maintain and develop all GSF products and ensure that functionalities and features are in line with market expectations and our overall strategy. E-mail: jean-robert.wilkin@clearstream.com

**GSF Product Design**



**François Hoffmann**, Head of GSF Product Design. In close cooperation with GSF Product Management, the Product Design team is in charge of all of our technical infrastructure for GSF, including functional design and continuous maintenance and enhancements, as well as the development of new products and systems in the GSF area. E-mail: francois.hoffmann@clearstream.com

**GSF Sales and Relationship**



**Pascal Morosini**, Head of GSF Sales and Relationship Management. The team is composed of 8 dedicated sales and relationship managers covering the whole of Europe. The sales specialists are multilingual skilled with deep market knowledge. They are your main contact for our GSF services, including Triparty Collateral Management, Securities Lending and Euro GC pooling. E-mail: pascal.morosini@clearstream.com

**GSF Operations**



**Paul Pratt**, Head of GSF Operations. The 25 members of the Lending (OBL) and Collateral Management (OBR) teams are in charge of the daily GSF Operations for ASL, ASLplus and the CmaX suite of services with Triparty Repo, Triparty Collateral Management and Triparty Securities Lending. E-mail: paul.pratt@clearstream.com

**Contact**

If you are interested in further information on one of our products within Global Securities Financing, please contact our dedicated GSF team

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