

Clearstream launch CFF - Central Facility for Funds

Clearstream Banking¹ is pleased to announce that

26 March 2007

will see the launch of the Central Facility for Funds (CFF).

CFF is the post-trade infrastructure designed to provide greater efficiency and cost-effectiveness in the settlement process for investment fund shares. CFF provides standard settlement services based on synchronous exchange of cash and securities between Fund Distributors and Transfer Agents, thereby significantly reducing the risk inherent in the currently prevailing process of separating cash and securities settlement.

The CFF service is fully integrated with Clearstream Banking's existing ICSD custody and settlement services on its Creation platform. This enables all customers to benefit from the new CFF service while maintaining the advantages of the full integration of their holdings in investment fund shares with those in other asset classes.

CFF offers participating Transfer Agents significantly easier and more efficient processing. The introduction of a new Fund Issuance Account (FIA), together with optimised reconciliation and communication processes, ensures that the settlement of investment fund orders on Clearstream Banking's Creation platform is fully aligned with the Fund Register.

Clearstream Banking customers that hold investment fund shares on their account will benefit from faster, more streamlined and more consistent settlement processing with all participating Transfer Agents.

The CFF service is provided under the conditions of the "Central Facility for Funds Services - Side Agreement to the Clearstream Banking Luxembourg General Terms and Conditions".

Clearstream Banking expects that all Luxembourg Transfer Agents as well as a significant number of Transfer Agents from other markets will participate in CFF.

Phased migration from current ICSD service to CFF

Upon agreement with the Transfer Agent, Clearstream Banking will migrate investment fund shares from the current ICSD service to the CFF service. The new CFF service applies to all the migrated investment fund shares with effect from the migration date.

Each migration will be arranged so that the new CFF service will apply to easily identified groups of funds as decided by the Transfer Agent. Examples of these groups might be as follows:

- All funds handled by a Transfer Agent;
- One or more fund families;
- Sets of related funds.

Different share classes of the same fund will always be migrated together. Clearstream Banking will announce, with sufficient lead time, each migration of investment fund shares to CFF and publish the list of ISINs included in each migration. The code list published on Clearstream Banking's web site www.clearstream.com will contain information to indicate whether individual investment fund shares are available in CFF.

1. Clearstream Banking in this Announcement refers collectively to Clearstream Banking Frankfurt (CBF) and Clearstream Banking Luxembourg (CBL). CBF and CBL are Deutsche Börse Group companies

Clearstream Banking customers do not need to take action for the migration process itself. All the required position transfers will be carried out directly by Clearstream Banking, the Transfer Agent and, as the case may be, the depository.

As of the migration date, a number of process adaptations apply that must be respected by all those Clearstream Banking customers that either hold positions on their accounts or intend to settle investment fund shares migrated to CFF.

The new CFF processes are the same for all participating Transfer Agents and apply to all investment fund shares migrated into CFF.

Process adaptations for investment fund shares migrated to CFF

Settlement account of the Transfer Agent

The Transfer Agent will use a newly created Fund Issuance Account (FIA) for its settlement activities in CFF. Clearstream Banking customers must use this account for all settlements with the Transfer Agent in the migrated investment fund shares. The account currently used by the Transfer Agent for the ICSD service can no longer be used after migration of the shares to CFF.

No change is needed for the format and content of settlement instructions. The FIA functions as a normal settlement account on the Creation platform. Settlement will use deliver (MT543) and receive (MT541) against payment instructions requiring matching counterparty instructions.

For participants in the Vestima+ order routing service that use the "locked-in" facility, the change of account will be applied automatically in the generated settlement instructions.

The FIA is fully integrated into the existing international settlement services of Clearstream Banking. Settlement over the "Bridge" with Euroclear Bank remains unchanged.

Transfers through the FIA

Customers can, through the Transfer Agent, receive positions from counterparties outside Clearstream Banking ("Transfer-In") and deliver to counterparties outside Clearstream Banking ("Transfer-Out").

The Transfer Agent will settle all Transfers-In/Out through the FIA on the Creation platform. The Place of Settlement remains unchanged (CEDELULL).

Transfer-In

1. The customer sends a receive free of payment (MT540) instruction on its account with the FIA as counterparty account. The instruction has the standard Clearstream Banking format and content.
2. Based on the instruction received from the counterparty, the Transfer Agent sends a deliver free of payment (MT542) instruction on the FIA with the customer account as counterparty.
3. Upon successful matching, and once the requested settlement date is reached, Clearstream Banking executes the transaction and credits the investment fund shares to the customer's account.

Transfer-Out

1. The customer sends a deliver free of payment (MT542) instruction on its account with the FIA as counterparty account. The instruction has the standard Clearstream Banking format and content.
2. Based on the instruction received from the counterparty, the Transfer Agent sends a receive free of payment (MT540) instruction on the FIA with the customer account as counterparty.
3. Upon successful matching, and once the requested settlement date is reached, Clearstream Banking executes the transaction and debits the investment fund shares from the customer's account.

The settlement of Transfers-In/Out through the FIA is based solely on matching instructions from both the Clearstream Banking customer and the Transfer Agent: the investment fund shares are credited or debited to the account of the Clearstream Banking customer only when the instructions have settled successfully.

Note: Clearstream Banking strongly recommends that information on the underlying beneficiary is given in the settlement instructions for all Transfers-In/Out through the FIA. This would support the Transfer Agents' processing of the transactions and avoid unnecessary delays in execution. However, the provision of beneficiary information is not mandatory.

Transfers between accounts in Clearstream Banking

Customers can transfer positions in investment fund shares between accounts in Clearstream Banking. Settlement using the "Bridge" with Euroclear Bank is also possible.

Customers can choose to settle these transfers free of or against payment.

In order to execute such a transfer between accounts, Clearstream Banking must receive the relevant deliver free of payment (MT542) or against payment (MT543) instructions from the delivering account that match respectively the receive free of payment (MT540) or against payment (MT541) instructions from the receiving account. The instructions have the standard Clearstream Banking format and content.

Unilateral transactions that do not require matching will not be accepted by Clearstream Banking.

Clearstream Banking executes the transfer upon successful matching and once the requested settlement date is reached.

The Transfer Agent will be regularly informed about all transfers between accounts in Clearstream Banking in order to fulfil its obligations to the investment fund.

Note: Clearstream Banking strongly recommends that information on the underlying beneficiary is given in the settlement instructions for all transfers between accounts in Clearstream Banking. This would support the Transfer Agents' processing. However, the provision of beneficiary information is not mandatory.

Entitlements for corporate actions

Clearstream Banking and the Transfer Agent have agreed on a process that informs Clearstream Banking immediately of any updates to the position in the Fund Register ("Traded positions") that are scheduled for settlement through the FIA.

This information from the Transfer Agent allows Clearstream Banking to calculate entitlements for corporate actions based on the settled positions and pending settlements.

Customers will receive this information on their entitled holdings as part of the standard information for corporate actions.

Further information

For further information, please contact Investment Fund Services Helpdesk as follows:

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For more general information regarding Clearstream Banking products and services, please visit the web site at www.clearstream.com or contact Customer Service or your Relationship Officer.