

CBF Release November 2010

Preliminary information

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Preface

In this preliminary information, Clearstream Banking¹ presents the new features that are being introduced for our Domestic Market Services (Germany) and Cross Border Services (Europe) in the following service areas in the release on 22 November 2010:

- Clearing and Settlement Services;
- Connectivity Services;
- Custody Services;
- Global Securities Financing Services.

The document should serve as a basis for your internal release planning. We would point out that the project is only at a preliminary stage and that this document represents only a provisional version of the future release. Contents and schedules may change. The final contents of the future release can be found in detail in the upgrade information planned for publication in September 2010.

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We would advise customers at this point that telephone conversations with CBF are recorded in some areas, as is customary in the finance industry. This is to ensure that the interests of both CBF and its customers are protected against misunderstandings or faulty transmissions.

The areas in which telephone calls can be recorded include Customer Service, the Treasury Dealing Room and the Back Office. The telephone lines affected are subject to constant maintenance to ensure flawless operation.

1. In this preliminary information, Clearstream Banking refers to Clearstream Banking AG, Frankfurt (CBF). CBF is a company of the Deutsche Börse Group.

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1 Clearing and Settlement (Domestic Market Services Germany)

1.1 CASCADE

1.1.1 Total amount line added to KVDU Display

The KVDI display currently shows sum totals of the deposit account turnover according to nominal and counter value.

This is also going to be included within the CASCADE online transaction code TRAN: KVDU as follows: After the last page of account turnovers, the sum totals line "Summen" is inserted.

Because the sum total of the counter value is done across currencies, the result should only be considered as a control total.

Current KVDU display:

```

TRAN: KVDU FC: ID SB: 06.07.2010#####I#####L#4567#####

UMSATZANZEIGE          DEPOTUMSAETZE INLAND          Seite      18
                          Anzahl      157
Buchtag   : 06.07.2010          Umsatzart: Last
Bank      : 4567          Muster BANK

Kz  Ktr AA  GS-Nr      ISIN      Nominale      Gegenwert Wrg  Set-Day
_  1234 10  123456 DE0007100000      1.350      5.332,50 EUR 02.07.10
_  1234 10  123456 DE0007100000      3.500      13.825,00 EUR 02.07.10
_  1234 10  123456 DE0007100000      3.650      14.417,50 EUR 02.07.10
_  1234 10  123456 DE0007100000      6.350      25.082,50 EUR 02.07.10

-- ID-KZ: XXXX000XXX -- PW:          ----- B79074MW -- 08/07/10 -- 14:44:34 --
PF2:Druck  PF3:Rücksprung  PF4:Abbruch  PF7:Zurück
    
```

No additional page exists here.

Future KVDU display:

```

TRAN: KVDU FC: ID SB: 06.07.2010#####I#####L#4567#####
UMSATZANZEIGE          DEPOTUMSAETZE INLAND          Seite      18
                                Anzahl      157
Buchtag   : 06.07.2010          Umsatzart: Last
Bank      : 4567                Muster BANK

Kz  Ktr AA  GS-Nr      ISIN      Nominale      Gegenwert Wrg  Set-Day
--  --  --  --  --  --  --  --  --  --  --  --
_   1234 10  123456 DE0005140008      1.350          5.332,50 EUR 02.07.10
_   1234 10  123456 DE0005140008      3.500         13.825,00 EUR 02.07.10
_   1234 10  123456 DE0005140008      3.650         14.417,50 EUR 02.07.10
_   1234 10  123456 DE0005140008      6.350         25.082,50 EUR 02.07.10

SUMMEN:                157      71.000,000  123.456.789,00

-- ID-KZ: XXXX000XXX -- PW:          ----- B79074MW -- 08/07/10 -- 14:48:52 --

PF2:Druck  PF3:Rücksprung  PF4:Abbruch  PF7:Zurück
    
```


1.2 Changed validation of direct matching after return matching

If the status of an existing CASCADE instruction is set via return matching from 'matched' to "07 RÜCKNAHME MATCHING DURCH BEGÜNSTIGTEN" [RETURN MATCHING BY BENEFICIARY] or "08 RÜCKNAHME MATCHING DURCH AUFTRAGGEBER [RETURN MATCHING BY ORIGINATOR]", the counter-order number (in the GEGEN-AUFTNR [COUNTER-ORDER] field) is deleted in the remaining instruction and consequently no longer taken into account during further processing.

This ensures that existing counter-orders that are entered again or that are in the system are always referenced for matching if their order number does not correspond with the original counter-order number.

1.3 CASCADE-PC - New Version 7.3

The new CASCADE PC Version 7.3 will be available on the CBF web site approximately two weeks before release.

1.3.1 Settlement of Global Bearer Certificate (GBC) transactions

The CASCADE-PC functions are being enhanced through the entry of GBC exchange and re-exchange transactions. Screen printouts and examples will be published with the final release information.

1.3.2 Other changes

The adaptations cited in section [1.1.1 Total amount line added to KVDU Display](#) on page 1-1 and in section [3.1 Alignment of Custody Services \(according to Giovannini Barrier 3 Standards\)](#) on page 3-1 will also be available in CASCADE-PC. Screen printouts and examples will also be published in the final release information.

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2 Connectivity Services (Domestic Market Services Germany)

2.1 SWIFT Release

SWIFT routinely checks currently valid standards for custody, cash, settlement and reconciliation messages. The check serves to assure the quality of the messages, validate the requirements of the market and increase the Straight-through Processing (STP) rate.

CBF uses the ISO 15022 standard as a general rule. Consequently, any changes affect not only SWIFT users, but also the file transfer interface and access via IBM WebSphere MQ.

Details of the changes with respect to ISO format messages can be found in the Information SWIFT Release F-CON 20 of 9 August 2010 at www.clearstream.com under Publications & Downloads/Connectivity/Announcements.

2.2 Additional transmission time for Income MT566 messages

CBF is introducing an additional transmission time (11:30 CET) for Income MT566 Corporate Action Confirmations. The schedule for MT566 transmission times is as follows:

- After KADI STD 2 processing (22:00 CET, current);
- At end of RT-STD (6:00 CET, current);
- At end of SDS1 (10:30 CET, current)
- 11:30 CET (new – income payments only);
- At end of SDS2 (13:30 CET, current);
- 15:00 CET (current);
- After KADI STD-1 processing (18:30 CET, current).

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3 Custody Services (Domestic Market Services Germany)

3.1 Alignment of Custody Services (according to Giovannini Barrier 3 Standards)

The introduction of Giovannini Barrier 3 Standards on 22 November 2010 includes the following essential new features:

- Record Date processing for foreign income payments and corporate events;
- Automatic compensation of free of payment (FoP) transactions;
- Introduction of a flag for over the counter (OTC) transactions in order to exclude these from automatic compensations .

Detailed product information has already been published at www.clearstream.com under Publications & Downloads/CASCADE Market Guide /Giovannini Barrier 3.

3.2 Expansion of digits for collective and up-to nominals in the vault number ledger

For physical positions of global certificates held in safe custody in the vaults, the digits before and after the decimal points are adjusted in the CARAD vault number ledger for up-to and collective nominals.

Certificate type	OLD	NEW (starting from 22 Nov. 2010)
Global certificate		
Collective nominals	10 digits before the decimal point	12 digits before the decimal point
	3 decimal places	3 decimal places
Up-to nominals	12 digits before the decimal point	12 digits before the decimal point
	0 decimal places	3 decimal places
Permanent global certificate		
Collective nominals	10 digits before the decimal point	10 digits before the decimal point
	3 decimal places	3 decimal places

Permanent global certificates and individual certificates will not be affected by the adaptation.

Also, physical deposit or withdrawal instructions are not affected by the adaptation.

3.3 Nine-digit reference numbers for physical deposits and withdrawals

For physical deposits, CBF is obliged under Art. 14 of the German Securities Deposit Act to keep deposit/withdrawal ledgers. To this end, CASCADE instruction types 16 (deposit) and 18 (withdrawal) are assigned internal CBF reference numbers (deposit/withdrawal ledger numbers).

Due to increased order volume, the 6-digit reference numbers assigned previously will no longer be able to ensure uniqueness on an annual basis within the deposit/withdrawal ledgers.

Consequently, the number of digits was increased from 6 to 9 for deposit/withdrawal ledger numbers (EB/AB).

The increase in the number of digits only affects you with regards the monthly movement report (MOKO). In the MOKO the prefixes EB or AB are not used in the remarks field for space reasons.

Example of current MOKO with prefixes EB and AB:

CLEARSTREAM BANKING AG		FRANKFURT, DEN 01.07.2010				
NEUE BOERSENSTRASSE 1		TELEFON	+49-69-211-11177			
		TELEFAX	+49-69-211-13701			
MUSTER						
NEUE BOERSENSTRASSE 1						
D 60487 FRANKFURT AM MAIN						
BANK-NUMMER: X XXX		SEITE				
80.279						
DEPOTBUCH PERSOENLICH VOM 01.06. BIS 30.06.2010						
KONTO-NR: X/XXX/000		Muster				
ISIN / WKN DE0005151005 / 515100 BASF SE O.N.						
BUCH-	MB-	SET-DAY	SCHLUSST	LASTKTO	GUTKTO	AUFTR.
SET	EING					
TAG	ÜBERG			LASTKTO NIEDERL	GUTKTO NIEDERL	AA BS GES-NR EIN
NOMINALE	WRG			GEGENWERT ART	MAKL BEMERKUNG	
ALTER	SALDO					ST
0,000						
28.06	11:07	28.06.10		XXXXX00	7222000	16 30 2761605 ST
1.000,000				SDS P276	EB-424007	
28.06	12:29	28.06.10		XXXX000	7965100	18 3 2761805 ST
1.000,000-				RTS P276	AB-173591	

Custody Services (Domestic Market Services Germany)

Example of future MOKO without prefixes EB and AB:

CLEARSTREAM BANKING AG	FRANKFURT, DEN 01.07.2010
NEUE BOERSENSTRASSE 1	TELEFON +49-69-211-11177
	TELEFAX +49-69-211-13701
MUSTER	
NEUE BOERSENSTRASSE 1	
D 60487 FRANKFURT AM MAIN	
BANK-NUMMER: X XXX	SEITE
80.279	
DEPOTBUCH PERSOENLICH VOM 01.06. BIS 30.06.2010	
KONTO-NR: X/XXX/000	Muster
ISIN / WKN	DE0005151005 / 515100 BASF SE O.N.
BUCH- MB- SET-DAY SCHLUSST	LASTKTO GUTKTO AUFTR.
SET EING	
TAG ÜBERG	LASTKTO NIEDERL GUTKTO NIEDERL AA BS GES-NR EIN
NOMINALE WRG	GEGENWERT ART MAKL BEMERKUNG
ALTER SALDO	ST
0,000	
28.06 11:07 28.06.10	XXXXX00 7222000 16 30 2761605 ST
1.000,000	SDS P276 456424007
28.06 12:29 28.06.10	XXXXX00 7965100 18 3 2761805 ST
1.000,000-	RTS P276 123173591

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4 Global Securities Financing Services (Domestic Market Services Germany)

4.1 Xemac®

4.1.1 Launch of the new Xemac® version 5.1

A new Xemac® version 5.1 will be implemented with the new release on 22 November 2010.

The participating banks must have installed the new Xemac® version 5.1 by this date. Thereafter, it will no longer be possible to access Xemac® versions 5.0 and earlier versions.

The software for the new Xemac® version 5.1 is planned to be available for download on the CBF web site from 8 November 2010. The version can be downloaded using the following path from www.clearstream.com:

Publications & Downloads / Global Securities Financing/Collateral Management/ Xemac/Technical Specifications

The Installation Guide will also be available online on the web site.

The key changes in the new Xemac® version 5.1 are explained below.

4.1.2 Additional GC Pooling basket for Equities

At present two GC pooling baskets are listed on the Eurex Repo trading platform.

It is planned to offer an additional basket which broadens the GC Pooling asset class with equities as eligible asset. Hereafter it will enable collateralisation of specific GC Pooling trades with the following securities:

1. The Top50 equities of the HDAX index, based on the 20-day-average volume (number of traded shares) on Xetra® as well as;
2. All eligible bonds of the GC Pooling Classic Basket.

An optimised allocation algorithm will ensure that equities are allocated with priority towards trades in the new GC Pooling basket. Bonds will be allocated in the event of lack of Equities.

4.1.3 Re-use of GC Pooling securities for Eurex margining

This release also foresees the possibility of re-using securities received through the GC Pooling Classic Basket for the collateralisation of Eurex margining exposures.

4.1.4 Enhancement of customer usability: reporting and views

CBF introduces additional features in views and reports in the Xemac® application:

- Entry of Debit instructions for "allocated" securities and for future value dates;
- Debit instructions with the same value date entered online in Xemac® will automatically generate substitutions (as far as possible);
- A new tabular view displaying a consolidated collateral overview, in addition to the existing views "Collateral Positions" and "Allocated Collateral";
- Possibility of saving views and reports in PDF and XML format;
- Addition of a new field in "Settings" indicating the current write directory on top of the default write directory.

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5 Cross Border Services Europe

5.1 Austria

The following changes are being introduced for cross-border settlement with counterparties in the Austrian market (CBF account 7220-OeKB) and concern OTC securities transactions for which OeKB, Vienna, acts as central depository.

5.1.1 Extension to instruction deadlines for FoP and DvP transactions

FoP instructions can be placed online in CASCADE until 17:45 CET (previously 17:30) on settlement date and Delivery versus payment (DvP) instructions can be entered until 15:45 CET (previously 15:30).

Instructions via file transfer, IBM Websphere MQ and SWIFT must in each case be transmitted to CASCADE 15 minutes earlier than the above times.

CBF guarantees same-day settlement only when these deadlines are observed. For later entry, instructions can be settled on the same day on a "best effort" basis.

5.1.2 Introduction of FoP matching

FoP deliveries require matching. This applies both to receipt and delivery instructions. CBF considers the FoP matching preferences that you provided for this; for example, active matchers must enter their instructions themselves (online in CASCADE, per file transfer, IBM Websphere MQ or SWIFT MT540); CASCADE generates match instructions automatically for passive matchers.

5.1.3 Recycling of pending instructions

Instructions (FoP and DvP) that could not be settled on settlement date, were previously cancelled automatically at the end of the day and had to be re-entered for the next day. In future, these instructions will no longer be cancelled, but will instead be used again for settlement for the following value day.

The following special features may apply due to carrying forward pending transactions:

- Sales (DvP): If securities are reserved on your sub-account 995 without the transaction having been processed by the end of the day (16:00 CET) in the Austrian market, the securities remain on the reservation sub-account 995 overnight. There is no longer a retransfer to your main account. The reservation of the securities remains in force until confirmation of the settlement from the Austrian market.
- Purchases (RvP): Conversely, the countervalue may already have been debited on TARGET2 side for purchases (according to the TARGET2 procedure 2), with the securities not settled in the Austrian market by the end of the day. In these instances, cash is reserved until the settlement confirmation has been received from the Austrian market.

5.1.4 Introduction of the "Bilateral Cancellation" principle

All matched transactions can only be deleted in the Austrian market on settlement date if both counterparties (on the OeKB and CBF sides) cancel their respective instructions. We will provide further details in the next version of this release information about how this Bilateral Cancellation principle is supported on the CBF side.

5.1.5 Settlement via CBF for Austrian stock exchange transactions

In addition to the settlement of OTC transactions, you will in future be in a position to also settle stock exchange transactions in Austrian securities via CBF. This applies to securities traded and cleared with the following parties:

- Vienna stock exchange (clearing via CCP.A);
- Chi-X (clearing via EMCF);
- Xetra® International Market (clearing via Eurex Clearing).

As a consequence, you will be able to use the customary settlement processes at CBF for all of your Austrian transactions.

For additional information about this new service offering please contact your Relationship Officer.

5.2 Switzerland

5.2.1 Enhanced settlement via CBF for Swiss stock exchange transactions

Since June, we have been offering settlement via CBF for transactions traded on the SIX Swiss Exchange and cleared via SIX x-clear. In November, we are going to offer an enhancement to this service for transactions in Swiss securities traded and cleared with the following parties:

- SIX Swiss Exchange (clearing via LCH.Clearnet Ltd);
- Chi-X (clearing via EMCF);
- Xetra® International Market (clearing via Eurex Clearing).

As a consequence, you will be able to use the customary settlement processes at CBF for all of your Swiss transactions.

For additional information about this new service offering please contact your Relationship Officer.

5.3 France, Netherlands and Belgium

5.3.1 Introduction of FoP matching

Starting from 22 November 2010, a matching service in accordance with market practice will be introduced for FoP cross-border deliveries of securities into the following domestic markets: France, Netherlands and Belgium. This means that the recipient of such securities will in future issue a receipt instruction, so that the securities can be delivered, and faulty and return deliveries avoided.

The guidelines that have been standardised in the meantime for these markets shall apply in principle. For example, this applies to matching criteria, the pre-advice process and processing compensations within the context of custody payments. The active/passive matching service is used for deliveries with obligatory matching from the three markets. This service was established when FoP matching for the German market was introduced.

You can still settle cross-border deliveries without matching. In order to do this you must in future mark the CASCADE delivery instruction with a flag. Please note that this alternative is only possible for cross-border deliveries of securities from these three domestic markets. The matching obligation always applies for cross-border deliveries of securities where the domestic market is Germany.

Upon sending an instruction into the respective market, FoP instructions without matching that could not be settled on the value day will be deleted automatically on the same day. FoP instructions with matching can be carried forward for up to 10 business days. In such case, there is also a carry forward from the day-time into night-time processing and vice versa. The existing reservation process of CBF via the sub-account XXXX 995 is used for delivery of securities into the three markets. FoP instructions requiring matching are deleted automatically after 10 business days upon instruction by the respective market.

5.3.2 Introduction of the "Bilateral Cancellation" principle

All matched transactions can only be deleted in the three markets on settlement date if both counterparties (on the Euroclear ESES and CBF sides) cancel their respective instructions. We will provide further details in the next update to this release information about how this Bilateral Cancellation principle is supported on the CBF side.

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