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GROUP

Operational Challenges –  
Service Provider Response

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14<sup>th</sup> ISSA Symposium, 4 June 2008

Drivers of a changing environment - market trends **clearstream**

- Limited amount of collateral has to support demands for higher trading volumes and velocity
- Subprime crisis has underpinned need for greater collateral efficiency to meet liquidity requirements
- Continued growth of lending and repo market activities such as substitution or location management, requiring rapid turnaround times – including T+0 settlement – and improved service levels in post-trade
- Increasing relevance of trading systems and CCPs feeding directly into settlement systems and providing T+0 settlement

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### Outlook for post-trade industry in Europe

**Market trends**

- Need for collateral efficiency
- T+0 settlement

**Regulatory developments**

- Underpin collateralisation
- Foster fragmentation

**Political initiatives**

- Achieve partial integration for settlement
- Fragmentation in other areas will remain in medium term

**Infrastructure outlook**

- **Consolidation** will continue and is likely to accelerate in currently fragmented areas e.g. CSDs
- **Competition** will lead to less well-defined competitive spaces and reduced distinction between types of providers
- **Move up the value chain**

**In the future, differentiation will be achieved by**

- Seamless cross-border interoperability
- Access to multiple trading and clearing venues
- Asset optimisation and servicing of complex assets

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### New generation transaction management at Clearstream

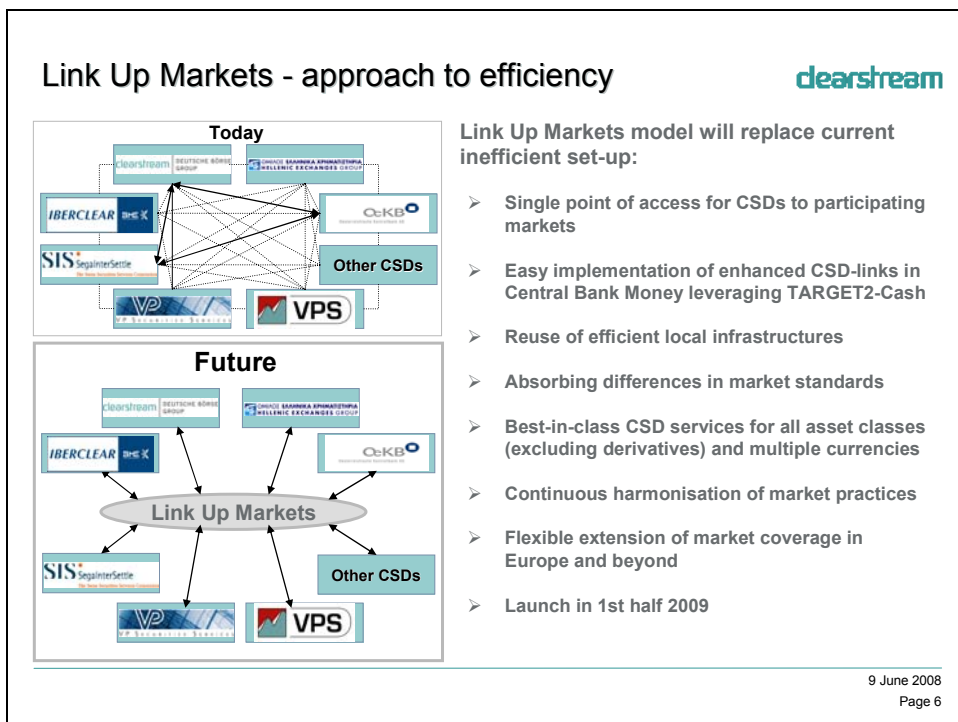
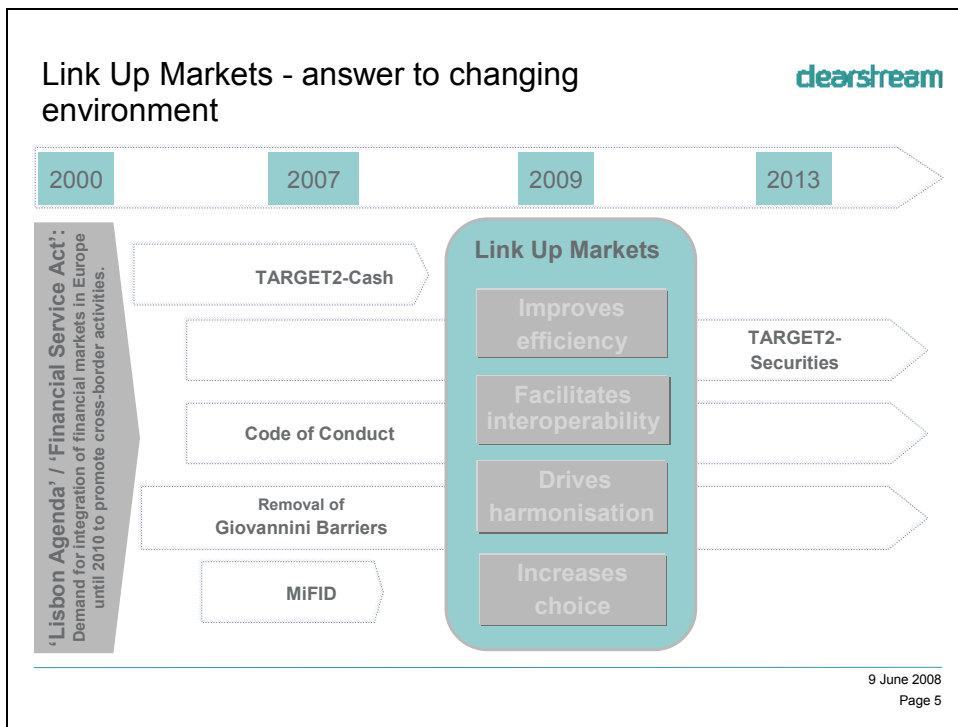
**Deliver all benefits of a domestic market for Europe**

- Friction-free service throughout full lifecycle
- Maximised control of cash and securities at any time
- Seamless interoperability to avoid fragmentation of liquidity
- Full integration of securities financing and asset servicing

**But...**

- ...In Europe and beyond
- ...with quicker time to market
- ...in partnership with the best local providers
- ...without migration cost for the market

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Link Up Markets – benefits for the market

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	Benefits for market
Streamline market access through single window	✓
Reduce complexity of cross-border business	✓
Harmonise processes across markets	✓
Leverage existing local efficient CSD infrastructure	✓
Minimise adaptations to infrastructure developments	✓
Increase trading activities driven by market integration	✓
Benefit as of 1st half 2009	✓

Potential to reduce existing cross-border settlement costs by up to 80 %

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