



## MEDIA RELEASE

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### **ASX and Clearstream to develop collateral management service for Australia**

ASX Group (ASX) has signed a letter of intent with Clearstream, part of the Deutsche Borse Group, to develop a new collateral management service for the Australian market. ASX will provide the service using Clearstream's proven global technology.

Financial market participants and facility operators require collateral, such as cash, shares or bonds, from counterparties to secure exposures resulting from financial transactions.

The pool of potential non-cash collateral held in ASX depositories (CHESS and Austraclear) exceeds \$2.4 trillion and includes a wide range of equity and debt securities.

An automated, centralised collateral management service for the Australian market, which directly links to CHESS and Austraclear, will provide local financial market participants with operational and portfolio efficiencies for managing their:

- bilateral and central counterparty risk exposures with non-cash collateral; and
- short-term funding requirements.

The global financial crisis highlighted the need to improve the collateral management operations of many financial institutions around the world, and has led to increased liquidity and risk management regulatory requirements. ASX's proposed new service will enable financial market participants to strengthen their risk management profiles across their trading activities and optimise how they use their collateral holdings - for example, by using the cheapest acceptable collateral to secure an exposure. The initiative builds on ASX's efforts to provide solutions to the challenges faced by participants and their clients as Australia's market structure becomes more complex.

Clearstream is a leading service provider in liquidity and collateral management services in Europe with more than 20 years of experience in this field. Clearstream's highly developed technology platform for centralised collateral management, when linked to ASX's depositories, can be used to support an Australian domestic service.

**Peter Hiom, Deputy CEO of ASX**, said: "ASX is working to expand the range of its post-trade services in the Australian market to meet the rapidly changing needs of financial market participants. The large amount of collateral held in ASX depositories presents an opportunity for us to deliver a domestically operated, centralised and fully automated collateral management service. This will allow ASX customers to directly use securities held in CHESS and Austraclear to manage their exposures and to facilitate the funding of their market activity. It will also deliver cost and operational benefits to our customers. As a world leader in the development of collateral management services, Clearstream is a natural partner to assist ASX in bringing this vision to fruition.

"This initiative is part of ASX's objective to provide customers with an expanded range of clearing and settlement services that include: the Trade Acceptance Service, which will enable participants to seamlessly clear and settle transactions from ASX and other licensed trading platforms; the development of delivery versus payment (DvP)

settlement arrangements for securities listed on other venues; and new central counterparty (CCP) services for other markets, such as interest rate derivatives traded in the over-the-counter (OTC) market.”

**Jeffrey Tessler, CEO of Clearstream**, said: “Our collateral management service addresses the major industry concern to consolidate and streamline collateral management activities. All users will immediately benefit from future system enhancements in line with market requirements and regulatory demand. We are delighted to partner with ASX, a cooperation that confirms the validity of our collateral management outsourcing model. We will continue to grow this model with a strong partnership approach that incorporates the needs of our strategic partners and their underlying customer base.”

Commencement of the collateral management service is subject to the negotiation and execution of a final agreement between ASX and Clearstream, and appropriate regulatory authorisations.

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#### About Clearstream

Clearstream is a leading service provider in liquidity and collateral management services in Europe with more than 20 years of experience in this field.

As an international central securities depository (ICSD) headquartered in Luxembourg, Clearstream provides the post-trade infrastructure for the Eurobond market and services for securities from 52 domestic markets worldwide. Clearstream's customers comprise approximately 2,500 financial institutions in more than 110 countries. Its services include the issuance, settlement and custody of securities, as well as investment fund services and global securities financing. With more than €11 trillion in assets under custody, Clearstream is one of the world's largest settlement and custody firms for domestic and international securities.

As a central securities depository (CSD) based in Frankfurt, Clearstream also provides the post-trade infrastructure for the German securities industry, offering access to a growing number of markets in Europe.

Further information: [www.clearstream.com](http://www.clearstream.com)