

CLEARSTREAM JOINS BME'S OTC TRADE REPOSITORY PROJECT

- **Promoting greater control and transparency of the OTC derivatives market, in line with the European Commission's proposal**
- **Scheduled to start operations in the second half of 2010**

Madrid/Luxembourg, 31 May 2010. Clearstream Banking is joining BME's trade repository project providing reporting services for a wide range of over the counter (OTC) financial instruments. The initiative is in line with the European Commission's forthcoming regulations, which aim to achieve greater operational control and transparency in OTC derivatives.

The new trade repository will serve all financial institutions as well as non-financial institutions and will deliver flexible participation levels that adapt to the diverse profiles and needs of all stakeholders and actors in the OTC derivatives market.

Customer testing within the registry is scheduled to start in July while full implementation of the trade repository by BME and Clearstream Banking is expected to take place in the fourth quarter of 2010. In the first phase, only interest rate derivatives - IRS, FRA, Cap and Floor - will be available. The next phase of development will rapidly encompass a broader scope of OTC derivatives, covering underlying assets such as fixed income, equities, currencies, commodities and others.

The trade repository will deliver a number of advantages to participants:

- Transparency: compliance with any transparency and regulatory reporting requirement, as set by the future European legislation.
- Registration of contracts will provide improvements of the legal certainty.
- Matching, affirmation, reconciliation and custody services.
- Consolidation of information and reporting services.

According to the European Commission: "*Systemic risk and financial regulators need to have a complete overview of the derivatives market. It should therefore become mandatory to report all transactions to trade repositories¹.*" It is very important, therefore, that the market has access to an independent trade repository which enables participants to meet their obligations in a professional and efficient manner.

Jesús Benito, CEO of BME's Iberclear, said: "*Clearstream's joining BME's OTC trade repository project is indicative of the international appeal of the initiative, which was announced by BME in November 2009. BME considers that Clearstream's participation will help to strengthen and expand its potential and we are confident that together we can contribute to greater transparency in and control over the OTC market.*"

¹ European Commission communication COM (2009) 563 final, 20 October 2009.

The initiative was also warmly welcomed by Philip Brown, Head of Relationship Management at Clearstream Banking, who added: “Customers are now looking for a European solution that will deliver their upcoming obligations on transparent registration of OTC derivatives. BME and Clearstream Banking are in a perfect position to enable both customers and regulators to achieve their goals with simplicity and efficiency. The joint know-how and existing market coverage of our combined organisations will allow us to roll-out the service quickly and expand its offering to cover all types of OTC derivatives. We look forward to working with BME to create this trade repository for Europe.”

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