



MEDIA RELEASE

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Liquidity Alliance will provide worldwide collateral access to T2S

- q Liquidity Alliance members will have streamlined access to T2S via their Eurozone peers in Spain and Germany
- q Just like Iberclear (Spain) and Clearstream (Germany), ASX (Australia), Cetip (Brazil) and Strate (South Africa) will benefit from access to the large and harmonized collateral pool T2S will create
- q T2S will be accessible to the Liquidity Alliance members when their domestic collateral services will be extended to provide cross-border collateral mobilisation in real time

When the European Central Bank's pan-European settlement platform TARGET2-Securities (T2S) goes live in waves from 2015 to 2017, the Liquidity Alliance members will benefit from access to the future pan-European liquidity pool T2S will create. Streamlined settlement will integrate respective assets for smooth collateral management activities. Iberclear in Spain and Clearstream's central securities depository (CSD) in Germany, Clearstream Banking AG, will act as the gateway into T2S for the entire Liquidity Alliance.

The Liquidity Alliance will thereby add a global dimension to what the European Central Bank had conceived as a purely European project. T2S will not only make cross-border settlement and respective collateral flows in Europe more attractive, but will also boost collateral liquidity beyond and within Europe.

Jesús Benito, Chief Executive Office of Liquidity Alliance member Iberclear, the Spanish CSD, said: "The Liquidity Alliance's initiative of providing worldwide collateral access to T2S is a major milestone in its history. We are proud to be a key part of this new facility, which will allow all members to tap the huge collateral resources T2S will make available. In this way, we will be able to maximise the full potential of T2S, enhancing its capabilities and extending its reach at a time when the efficient access and use of collateral has become a priority."

The Liquidity Alliance, the global association of market infrastructures delivering collateral management services to their markets through a common platform, will offer this access to T2S when it extends its services beyond domestic markets to provide cross-border collateral mobilisation in real time. In other words, the Liquidity Alliance is planning to extend the offering to include offshore assets for the coverage of domestic exposures as well as to mobilise domestic assets for the coverage of offshore exposures.

The Liquidity Alliance has already developed concepts to use offshore collateral for the coverage of domestic exposures. This will also enable Liquidity Alliance members to use collateral their customers hold in T2S markets to cover exposures in their home markets. The Liquidity Alliance will deliver such cross-border solutions to overcome collateral fragmentation by using domestic collateral to cover international exposures and vice versa.

Monica Singer, Chief Executive Officer of Liquidity Alliance member Strate, the South African CSD, said: "We are very pleased with the prospect of having access to T2S for our collateral management offering. While we had already been following the project with interest from a distance, we did not think we could benefit directly. Our Liquidity Alliance membership now opens up a great opportunity to access T2S and we are confident it will greatly streamline the activities of our customers in Europe."

When Clearstream connects to T2S in wave three on 12 September 2016, it will also make Eurobonds available on T2S. This means that Liquidity Alliance members will also be able to access this important asset class for their customers. Iberclear will connect to T2S in wave four.

T2S brings further advantages for collateral management: European domestic and international assets can be consolidated into a single pool of liquidity. As a result, Liquidity Alliance members will be able to seamlessly transfer collateral between CSD (T2S) accounts and ICSD accounts for their customers. Clearstream has commissioned two studies to help customers make the most of T2S. A study by PricewaterhouseCoopers (PwC) in 2013 revealed that the benefits of T2S go far beyond increasing cross-border settlement efficiency. In addition to greater mobility of collateral, there is plenty of room for streamlining the custody chain and thus reducing risks therein.

Stefan Lepp, Member of the Executive Board and Head of Global Securities Financing at Liquidity Alliance member Clearstream, the (I)CSD, said: "Clearstream has long been at the forefront of uncovering hidden benefits of T2S for the market. We recognised its immense advantages early on and were one of the first infrastructures to join and to develop a clear T2S pricing strategy. It is only natural for us to not just bring the best of T2S to our customers but also to our global partners in the Liquidity Alliance."

A 2014 study by Oliver Wyman revealed the T2S benefits banks can unlock by consolidating their securities and cash holdings in Europe directly with CSDs and central banks. Complimentary case studies revealed that brokers, asset managers and banks could save between EUR 30 and EUR 70 million annually if they take timely action to delayer and consolidate assets across major T2S markets. Thanks to the access to T2S via Iberclear and Clearstream, the Liquidity Alliance members will also reap these benefits for their customers which were previously only available to financial institutions in T2S markets.

About the Liquidity Alliance

The Liquidity Alliance was formed in 2013 by five market infrastructures:

- § ASX, a financial infrastructure in Australia;
- § Cetip, a central securities depository specialising in OTC derivatives, in Brazil;
- § Clearstream, the German central securities depository and Luxembourg-based international central securities depository;
- § Iberclear, the central securities depository in Spain;
- § Strate, the central securities depository in South Africa.

Associated members of the Liquidity Alliance are:

- § CDS, the central securities depository in Canada;
- § SGX, a financial infrastructure in Singapore;
- § VPS, the central securities depository in Norway.

Each of the Liquidity Alliance members are financial market infrastructures which are cooperating and developing collateral management solutions to address the growing present and future global needs for more collateral. Their main mission is to share information and ideas in order to create opportunities for their customers and for the wider industry while promoting best-practice in liquidity and collateral management. The Liquidity Alliance will encourage greater pan-industry partnership and cooperation through promotion of expert insight, ideas and research to be shared with industry peers, media and interested parties through communication activities such as conferences and events.

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