

CCP12

Press Release

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World's Major Securities Clearing Houses Create Association to Respond to Marketplace Needs for Seamless Clearing

Hong Kong, 1 August 2001 – The world's principal clearing organisations have formed a new association, called CCP 12, dedicated to improving global clearing, netting and central counterparty (CCP) services.

CCP 12 has identified a broad range of issues they will informally work together to address. These include improved information sharing, enhancement of collateral usage, development of collaborative opportunities and identification of minimum standards for risk management practices.

In January 2001, the first worldwide conference on global clearing was held in the U.K. and involved over 150 industry leaders representing more than 70 of the most important financial services infrastructure organisations and firms from Europe, Asia/Pacific and the Americas. Since then, key representatives of these clearing organisations leading the effort met in Australia to identify objectives and create specific working groups.

Patrice Renault, CEO of Clearnet, was elected chairman of CCP 12 for a one year period and Walter Reisch, executive vice president of Hong Kong Exchanges and Clearing, was designated vice chairman and will take over as chairman for the second year. The main role of the chairman is to represent CCP 12 in other forums and co-ordinate CCP 12 working groups addressing specific issues.

“We're determined to make sure that the financial services industry infrastructure keeps pace with the growing demands for greater efficiency, risk management and lower cost,” said Renault. “We believe that CCP 12 will encourage the industry dialogue needed to bring common standards, promote best practices and achieve interoperability.”

“As institutional investors, investment banks and securities firms have become more demanding and global, there is increasing pressure on CCPs. We must respond to our customers' needs to improve efficiency and reduce the risk and cost of clearing,” said Reisch.

CCP 12 will hold general plenary sessions of the membership as warranted about once every six months. In the interim, more specific topics will be addressed by specialist working groups, with three groups formed at the most recent meeting to concentrate on issues related to:

- Collateral management – chaired by George Hender of The Options Clearing Corporation
- Linkages – chaired by Peter Axilrod of The Depository Trust & Clearing Corporation
- Risk management and best practice – chaired by Andrew Lamb of London Clearing House

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The next CCP 12 plenary session is planned for November.

CCP 12 membership includes:

- **Australian Stock Exchange Limited (ASX)**
- **The Brazilian Clearing and Depository Corporation (CBLC), São Paulo**
- **The Canadian Depository for Securities Limited (CDS), Toronto**
- **Clearnet, Paris**
- **The Depository Trust & Clearing Corporation, New York**
- **Eurex Clearing AG, Frankfurt**
- **Hong Kong Exchanges and Clearing Limited (HKEx)**
- **S.D. Indeval, Mexico**
- **London Clearing House (LCH)**
- **The Options Clearing Corporation (OCC), Chicago**
- **Singapore Exchange Limited (SGX)/The Central Depository (Pte) Limited**
- **Tokyo Stock Exchange (TSE)**
- **Chicago Mercantile Exchange Inc (CME), which joined in July 2001.**

A central counterparty is an organization that novates and guarantee trades or positions at or after the time of trade and through settlement.

Background on members:

Australian Stock Exchange Limited (ASX)

ASX provides integrated trading, clearing and settlement facilities for Australia's equities, warrants and equity options markets. It operates 2 clearing houses, one for cash market securities and another for equity derivatives. Both provide central counterparty guarantee facilities which are backed by Australia's National Guarantee Fund. ASX is a listed company with its ordinary shares publicly traded in Australia. More information on ASX is available on the web at www.asx.com.

The Brazilian Clearing and Depository Corporation (CBLC)

The Brazilian Clearing and Depository Corporation (CBLC), as the DNS clearinghouse for the Brazilian securities markets (equities and debt instruments), provides a modern and efficient infrastructure for clearing, settlement, depository and risk management for cash, options and forward markets. Aligned with international best practices, CBLC acts as central counterparty and guarantor of settlements. More information on CBLC is available at www.cbcl.com.br.

The Canadian Depository for Securities Limited (CDS)

The Canadian Depository for Securities Limited (CDS) is Canada's national securities clearing and depository service organization, established in 1970 to improve the efficiency of the financial sector through the provision of depository, clearing and related services in both domestic and international markets. CDS processes in excess of 57 million trades annually, holds nearly C\$2 trillion on deposit and offers value-added information services to the broader securities industry in Canada. More information on CDS and its services is available at www.cds.ca.

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Chicago Mercantile Exchange Inc. (CME)

Chicago Mercantile Exchange Inc. (www.cme.com) is an international marketplace that brings together buyers and sellers on its trading floors and GLOBEX^{®2} around-the-clock electronic trading system. CME offers futures contracts and options on futures primarily in four product areas: interest rates, stock indexes, foreign exchange and commodities. On Nov. 13, 2000, CME finalised its transformation into a for-profit, shareholder-owned corporation as it became the first U.S. financial exchange to demutualize by converting its membership interests into shares of common stock that can trade separately from exchange trading privileges. Through its wholly owned Clearing House, the exchange moves about \$1.5 billion per day in settlement payments, manages \$28.5 billion in collateral deposits and administers more than \$1 billion of letters of credit.

Clearnet

Clearnet is the clearing house and central counterparty of Euronext, the first pan-European bourse resulting from the merger of the Amsterdam, Brussels and Paris exchanges. As such Clearnet is pioneering in Europe the merger of several central counterparties into one single jurisdiction and one single operating platform, Clearing 21[®]. Clearing 21[®] is the only up-to-date software available that clears derivative and cash markets. Clearnet clears OTC bond cash and repo and will expand its services to other regulated markets. More information is available on www.clearnetsa.com.

The Depository Trust & Clearing Corporation

The Depository Trust & Clearing Corporation (DTCC) is the holding company for The Depository Trust Company (DTC) and National Securities Clearing Corporation (NSCC), which together provide the primary infrastructure for the clearance, settlement and custody of the vast majority of all equity, corporate debt, municipal bond, Unit Investment Trusts, mutual fund and insurance transactions in the United States. In 2000, NSCC processed nearly \$105 trillion in equity and bond transactions, while DTC, the world's largest securities depository and a major clearinghouse for institutional post-trade processing and settlement, processed more than 230 million book-entry deliveries valued at more than \$116 trillion. For more information, see DTCC's web site at www.dtcc.com.

Eurex Clearing AG

The Eurex Clearing House is acting as a central counterparty for trading financial derivatives on Eurex, the world's largest derivatives exchange and Eurex Bonds, an ECN for trading European Bonds. In the third quarter of 2001, Eurex Clearing plans to extend its services to equities and also to offer clearing facilities for Eurex-Repo trading in the second quarter 2001. More information is available on www.eurexchange.com.

Hong Kong Exchanges and Clearing (HKEx)

Hong Kong Exchanges and Clearing (HKEx) wholly owns The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Hong Kong Securities Clearing Company Limited. It provides a comprehensive range of pre- and post-trade investment services and market information services to subscribers of information vendors. More information on HKEx is available on www.hkex.com.hk.

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S.D. Indeval, Mexico

Since 1987, S.D. Indeval has been The Mexican Central Securities Depository providing custody, administration, clearing, settlement and book entry-transfer services for the Mexican financial industry. In a daily average, S.D. Indeval settles more than 80 billion dollars in transactions related with capital and debt markets which include equity, corporate bonds, debt instruments issued by Mexican Banks and Government Securities.

Last April, The Mexican Congress authorised the legal figure of a Central Counterparty. In a first step, Indeval is in the process to develop a CCP for the Mexican Equity Market.

London Clearing House (LCH)

LCH acts as a central counterparty to trades executed by its members on the London International Financial Futures and Options Exchange (LIFFE), the London Metal Exchange (LME), the International Petroleum Exchange (IPE); in certain classes of over-the-counter (OTC) products, specifically interbank interest rate swaps, repos and cash bonds; in equities traded on the London Stock Exchange's SETS system, and, in early 2002, in equities traded on virt-x, the new pan-European exchange. LCH is owned by its members and derivatives exchanges, 75% and 25% respectively. Further information on LCH is available on its web site, www.lch.com.

The Options Clearing Corporation (OCC)

The Options Clearing Corporation (OCC), founded in 1973, is the largest clearing organization in the world for financial derivative instruments and was the first clearing house to receive a 'AAA' credit rating from Standard & Poor's Corporation. Operating under the jurisdiction of the Securities and Exchange Commission, OCC is jointly owned by The American Stock Exchange, Chicago Board Options Exchange, International Securities Exchange, Pacific Exchange and Philadelphia Stock Exchange. OCC is headquartered at 440 South LaSalle Street, Chicago, IL. More information is available through its web site at www.optionsclearing.com.

Singapore Exchange Limited (SGX)/The Central Depository (Pte) Limited

The Central Depository (Pte) Ltd. (CDP), a wholly-owned subsidiary of Singapore Exchange Limited (SGX), provides integrated clearing, settlement, depository and computerised book-entry services for securities traded on Singapore Exchange Securities Trading (SGX-ST). The CDP also has links with foreign clearing and depository organisations such as DTCC, Japan Securities Clearing Corporation, Clearstream Luxembourg and Shenzhen Securities Registration Company to facilitate settlement of cross-border trades. More information is available on www.sgx.com.

Tokyo Stock Exchange (TSE)

Tokyo Stock Exchange (TSE), while being a leading equities and derivatives exchange, not only in Asia but globally, also serves as a clearing organization with the CCP function for transactions executed at its market. In 2000, the TSE, as a clearing organization, processed approximately JPY 1,808 trillion for transactions in its equities and derivatives market. More information on TSE is available at www.tse.or.jp.