



Eurex and Deutsche Börse joint Media Release

Eurex Repo continues expansion

Increase of market share in Euro Repo market/
5 new international participants for Eurex Repo/
New services from Eurex Repo/
Increased settlement efficiency

The Eurex subsidiary, Eurex Repo, a leading operator of electronic repo markets, continues along its growth path. In the first months of 2006, the company significantly increased its market share especially in the Euro Repo market. In addition, Eurex Repo connects new international participants and offers new services to market participants.

In February 2006, average outstanding volume of the two repo markets on Eurex Repo – the CHF Repo market and the Euro Repo market – was up 36 percent year-on-year to €78.5 billion (February 2005: €57.8 billion). The Euro Repo market displayed particularly strong growth, with average outstanding volume gaining 63 percent on the previous year to €34 billion in February (February 2005: €20.8 billion), thus showing stronger growth than the overall market.

With the connection of five new international trading participants - ABN Amro, Credit Suisse, Merrill Lynch, Royal Bank of Scotland and Rabobank - Eurex Repo has successfully pursued its aim of internationalizing the participant structure since the start of this year.

Euro GC Pooling makes Eurex Repo the only trading platform in Europe to offer cash-driven, international trading of a General Collateral Basket, which currently contains over 8,000 ECB-eligible German fixed-income securities. This segment set a new record in February with outstanding volume of €14 billion. Average outstanding volume currently totals €10 billion and accounts for some 30 percent of the total volume. The company has announced that the collateral basket will also include international securities in the future. Thus, Eurex Repo raises efficiency in the trading and collateral management of secured money market transactions, and supports repo market participants in optimizing their use of collateral.

In addition, Eurex Clearing will include a so called “close-out netting” rule in its clearing conditions. On the basis of this rule, Eurex Repo clearing participants will be able to reduce the company capital cost for repo transactions. With this rule it will also be possible for German and international institutions to implement on-balance-sheet netting.

Settlement efficiency on cross-border repo transactions has been increased significantly. In the context of their joint initiative launched in 2005, the European Repo

Council, Clearstream and Euroclear made further improvements to the settlement of German government bonds. Additional data exchange between Clearstream and Euroclear enabled settlement volumes to be brought forward from daytime processing to nighttime processing of the previous day. This raised the settlement efficiency in nighttime processing, with Clearstream achieving a rate of already 99.9 percent. Clearstream and Euroclear have also waived the intraday lending fee (up to 2pm) for cross-border settlement of German government bonds, enabling market participants to benefit from substantially reduced costs.

Thomas Wania, Global Head Securities Financing at Commerzbank in Frankfurt, explains: "Since the free intraday settlement lending facility was introduced by the international central depositories, cross-border trading has become significantly more efficient, particularly between German and English participants." Eduard Cia, Head of Short Term Interest Rate Desk at the Bayerischen HypoVereinsbank in Munich, adds: "The same rules apply to all counterparties, irrespective of their settlement location."

The German Finance Agency (*Deutsche Finanzagentur*) has welcomed these improvements in the settlement structure as an important step in further connecting the financial markets.

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