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## Clearstream waives fees for banks using German securities on repo market

Clearstream has decided to waive its intraday borrowing fees for all borrowers of German securities in Clearstream Luxembourg's fails lending system. This decision will take effect in January 2006. Lenders will continue to be remunerated for allowing their securities to be used in Clearstream's fails lending program.

It will allow Clearstream's customers to deal with banks in Germany without those banks being penalized for failed deliveries in the overnight processing. Clearstream's decision will thus increase the level of liquidity available to them and improve interoperability between the domestic and international markets.

Clearstream borrowers in the fails lending programme who receive in German debt securities up until 14.00 CET from either an ICSD or a domestic counterparty to close out an intra day loan will not be charged.

Banks and dealers using German bond repos can settle their trades in three different locations, the domestic CSD or the two ICSDs. But due to the difference in settlement cycles they cannot always settle overnight. As a consequence, their counterparty has to borrow the securities from the ICSDs fails lending program. This generates added costs to the transaction through intraday borrowing fees and hampers market development. The problem was particularly acute for German securities because the Bund is the biggest traded instrument in Europe.

The decision was announced at the European Repo Council (ERC) annual general meeting in Luxembourg on the occasion of Clearstream's 10<sup>th</sup> annual Global Securities Financing Summit dedicated to ten years of European Repo. The GSF Summit is the world's largest gathering of fixed income repo and collateral traders, treasury managers and money market professionals.

Volker Potthoff, managing director, Clearstream Banking stated "Clearstream has always strongly believed in the development of the European repo market. With this decision we want to contribute to market efficiency and reduce costs for market participants."

Eduard Cia, Bayerische Hypo und Vereinsbank, representing dealers at the ERC on this issue said "This is very good news. It will help the market to develop and illustrates Clearstream's commitment to listen to market participants and act accordingly."

Gotfried de Vidts, Chairman of the European Repo Council and president ACI Fortis Bank said "the ERC welcomes this very constructive move. We want a level playing field for all repo market participants regardless of where they are settling their securities."

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