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Frankfurt, Johannesburg, Luxembourg, Madrid, São Paulo, Sydney

**Liquidity Alliance launched to address global collateral crunch**

- The initial members of the Liquidity Alliance are ASX (Australia), Cetip (Brazil), Clearstream (Frankfurt/Luxembourg), Iberclear (Spain) and Strate (South Africa)
- The goal of the Liquidity Alliance is to exchange information, identify common needs and to extend global collateral solution
- Liquidity Alliance will be a dynamic forum and open to additional participants from all regions

The financial crisis in 2007/2008 prompted regulators to make risk avoidance their top priority which they then backed with a portfolio of new legislation. The consequence of the Dodd-Frank Act, EMIR, CRD IV and other regulations will be to leave the financial services industry short of liquidity and collateral at a time when new capital rules make banks unwilling to lend. According to April 2012 estimates by the Basel Committee on Banking Supervision, banks in Europe alone are facing an aggregate shortfall of stable funding of EUR 2.78 trillion in fulfilling the additional liquidity requirements of Basel III. Additionally, the IMF reported in April 2012 that sovereign downgrades would reduce the supply of general collateral by USD 9 trillion by 2016. Sourcing collateral is therefore a truly global issue for the industry now and for the years to come.

The nature of CSDs/financial infrastructures ensures they are well-positioned to provide solutions to the global collateral shortage through optimisation of collateral pools. It is in this spirit that Australian CSD ASX, Brazilian CSD Cetip, the ICSD and CSD Clearstream, Spanish CSD Iberclear and South African CSD Strate announced today that they have formed an association of industry peers which aims to create a sustainable international industry approach to address the global collateral crunch. The Liquidity Alliance believes that forging partnerships with other like-minded infrastructures is the most sustainable way of extending reach and enabling cross-border collateral optimisation on a short-time-to-market basis. This is key if market participants are to meet the new requirements and find effective global solutions to this ongoing global problem.

Accordingly, the five initial members of the Liquidity Alliance will exchange information, identify common needs and extend global collateral solutions while encouraging the development of informed research, which the Liquidity Alliance will promote as a neutral source of pan-industry information, ideas and opinions. The Liquidity Alliance members embrace open architecture and are therefore looking forward to integrating new members in the future.

Participants will meet each quarter to discuss partnership plans, key developments, commercial opportunities in collateral management and to share individual market news while also investing resources on studies and industry research. The fact that the members are from different regions of the world brings together a unique pool of global insight and expertise that is expected to be a trusted source of valuable information.

Peter Hiom, Deputy CEO of ASX Group, said: “Different markets have different needs and a truly global liquidity management solution needs to factor in these differences while still catering to the globally operating banks. It is our objective that the Liquidity Alliance will deliver an efficient value proposition for the worldwide industry enriched by local know-how and experience.”
Monica Singer, CEO of Strate, said that central securities depositories, as some other national market infrastructures, have traditionally been behind-the-scenes organisations that quietly and efficiently serve their markets. “But now the time is right to leverage their central position and expertise in a more proactive way to differentiate Liquidity Alliance members from their competitors,” she said.

Jesús Benito, CEO of Iberclear, noted that Europe was currently getting ready for TARGET2-Securities. “In the next few years, this is going to change the landscape for infrastructures and will also lead to greater demands and more competition in the collateral management space,” he said. “Working in association with other global infrastructures will ensure we can maximise our offer to our customers in an efficient and cost-effective way.”

Stefan Lepp, CEO of Clearstream Banking AG, said: “Clearstream is delighted to be able to bring its world-leading collateral management technology to the Liquidity Alliance and so benefit its partners and their customers. Optimising collateral means creating and utilising the widest possible collateral pools without jeopardising individual and country specific requirements and the Liquidity Alliance is a major step in delivering a truly global liquidity and collateral pool.”

Wagner Anacleto, COO Cetip, said that as the regulatory environment in Brazil continues to evolve, access to global collateral will become crucial to the further development of local financial markets. He added that his organisation’s experience with Clearstream demonstrates that the practical aims of the Liquidity Alliance are not only feasible but they are live and benefitting our market. “We look forward to the Liquidity Alliance taking this solution and making it global,” he said.

About the Liquidity Alliance

The Liquidity Alliance was formed in 2013 by five initial members:

- ASX, a financial infrastructure in Australia
- Cetip, a central securities depository specialising in 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.

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 domestic and 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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