

Bundesbank and Clearstream launch a self-collateralisation service

On 29 October 2007, the Bundesbank and Clearstream Banking AG, Frankfurt (CBF) will launch a self-collateralisation service for the German domestic financial market, which has been developed in close collaboration with market participants. The self-collateralisation service allows credit institutions to use additional central bank liquidity for the settlement of securities transactions without having to reserve central bank cash balances in advance. To do this, the Bundesbank will grant intraday credit against collateral as part of CBF night-time processing. Participants will be able to use the self-collateralisation service to optimise the management of their central bank liquidity for the CBF night-time processing and make up for any liquidity defaults by counterparties. The new service is based on existing CBF processing methods and can be used by customers without functional adjustments.

The service will be available to credit institutions which are both CBF customers and monetary policy counterparties of the Bundesbank or which are counterparties that act as a correspondent bank for CBF customers in the cash settlement of securities trading business.

Commenting on the introduction of self-collateralisation, Hans Georg Fabritius, Member of the Executive Board of the Deutsche Bundesbank, said: "With the self-collateralisation service, the Bundesbank is enhancing the options for providing intraday liquidity. Credit institutions can thereby reduce the extent of advance financing for settling certain securities purchases in Clearstream's night-time processing. Self-collateralisation therefore makes an important contribution to efficient securities settlement

on the financial market place by providing a higher level of flexibility for credit institutions' liquidity management.”

Andreas Wolf, Chief Executive Officer of the Executive Board of Clearstream Banking AG, Frankfurt, said: “With the introduction of self-collateralisation, Clearstream is expanding its range of products for the German market. This new product gives our customers additional flexibility to manage their securities liquidity in an even more efficient way. We are extremely glad that by introducing self-collateralisation we have been able to fulfil a financial market requirement and to underline our commitment to enhancing our product range for the benefit of our customers.”

The Bundesbank and Clearstream have posted further information on the self-collateralisation service on the Bundesbank's website at www.self-collateralisation.de, from which participants can also download all of the application forms needed to register for the self-collateralisation service.

Editorial note

The **Deutsche Bundesbank** is the central bank of the Federal Republic of Germany and, thus, the “bankers' bank”. Since 1999, it has been part of the Eurosystem, sharing responsibility with the other national central banks and the European Central Bank for the single currency, the euro. The Bundesbank implements the monetary policy decisions of the Governing Council of the ECB in Germany. Around two-thirds of all the banks participating in the Eurosystem's refinancing operations obtain their central bank money via the Bundesbank.

Clearstream Banking AG, Frankfurt (CBF) is a wholly owned subsidiary of Clearstream International, the securities settlement and depository organisation of the Deutsche Börse Group. Clearstream Banking Frankfurt is the central securities depository for German domestic securities and, in performing this function, provides the infrastructure for services downstream of trading, such as the settlement of securities transactions, as well as the safe custody and management of securities.

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