



Operational Approach to Credit Risk Mitigation

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OTC Derivatives and Euroclear

- Key market infrastructure and well placed to provide processing efficiency based on decades of asset servicing for many other asset classes
 - Leading provider of neutral, triparty collateral management services
 - Active discussion with key market members such as ISDA, DTCC, SWIFT...
- ➔ Euroclear has been asked by its Board to look at OTC Derivatives and has launched DerivManager in November 2007

OTC Derivatives

Automation, controls and transparency are key

Standardisation and automation needed

- OTC Derivatives growth and diversity not matched by standardization
- Outstanding trade confirmations still too high
- Total exposure/risk view on outstanding OTC derivatives contracts is often contested

Enhancing controls and transparency

- Effective work done by the market (e.g. Collateral Framework Group)
- Internal and external controls and confirmations are being reinforced
- Regulators and national authorities demand greater market transparency

OTC Derivatives

Operational initiatives to mitigate Credit Risks

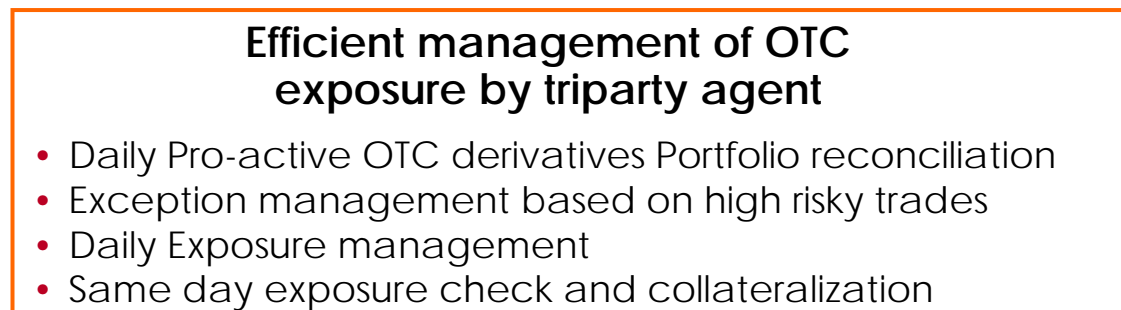
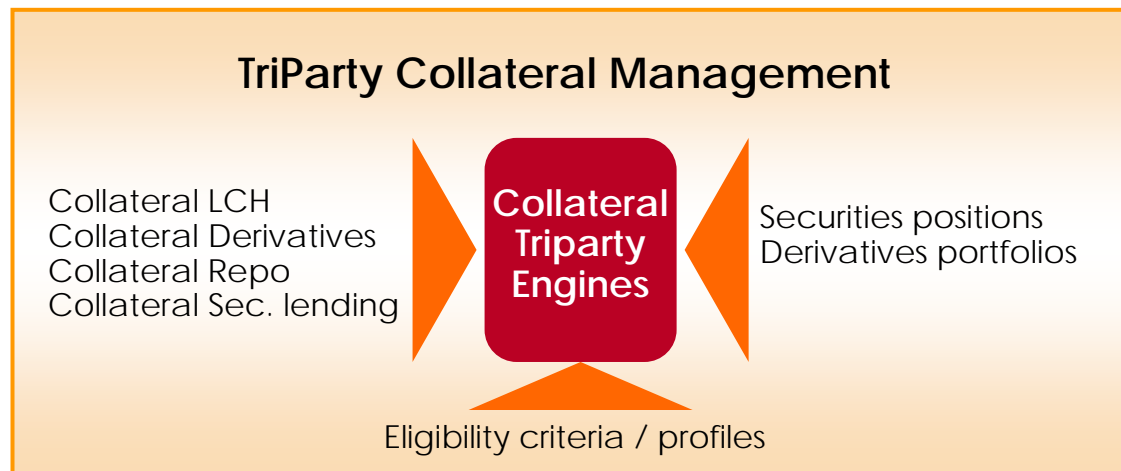
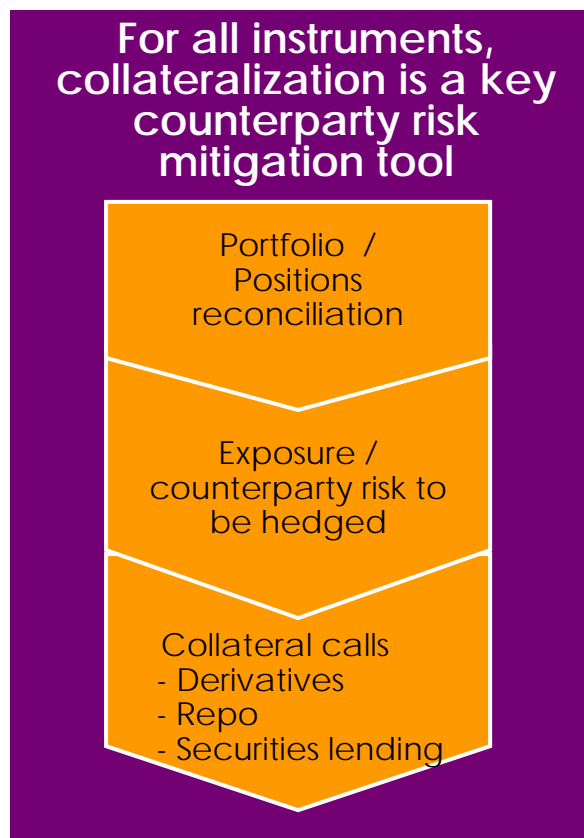


- TriOptima IR Swaps or CD Swaps tear-up

- LCH Swapclear
- Euronext BClear
- ...

- Cash collateral
- Securities collateral (bilateral or triparty)

Collateralization is a key component to Credit risk mitigation





euroclear