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Euroclear Group Funds Strategy

**TISA conference
October 2009**





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EMXCo





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Agenda

- EMXCo update
- Euroclear Group Fund Strategy
- Update on the TWG and FLG working parties





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EMXCo update

- EMXCo was established by AUTIF in 1999 to automate the funds industry to one standard
- Acquired by Euroclear in 2007
- Over 6,100 funds from 97 fund managers traded by 339 distributors
- 22.7 million messages in through the EMX standard in 2008
- Average fund flow of over €307 million per working day
- Currently experiencing strong growth - Over 2.4 million messages through the system in August 2009



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A leading position in 4 of the 5 largest European markets

- Funds are an integral part of the Euroclear mission and strategy
- The group is ideally positioned to develop a pan-European solution for the processing of investment funds
- France: Euroclear France, with close to Eur 1 trillion funds assets, acts as the established local infrastructure
- UK: EMX, with above 220,000 orders routed on a monthly basis, is the leading fund routing infrastructure for UK funds
- Cross border funds (Lux & Ireland): Euroclear Bank, with funds assets in excess of Eur 150 billion and close to 200,000 funds transactions per month, is the largest fund processing platform in Europe



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Short to medium term strategy

- An intensive development program with two axis of development to deliver benefits in the short and medium term:
 - Position Euroclear as the market infrastructure for the processing of open-ended investment funds in each market
 - Develop interoperability to provide distributors and promoters with a single access point to both domestic and cross-border funds, with a free choice of message protocol



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Long term integration

Group Distributors



UK funds
Dutch funds
French funds
Belgian funds
Other dom. funds
X-border funds
Hedge funds



Group
Router



Settlement



Asset
Servicing

Integrated with other asset classes

Group Fund providers





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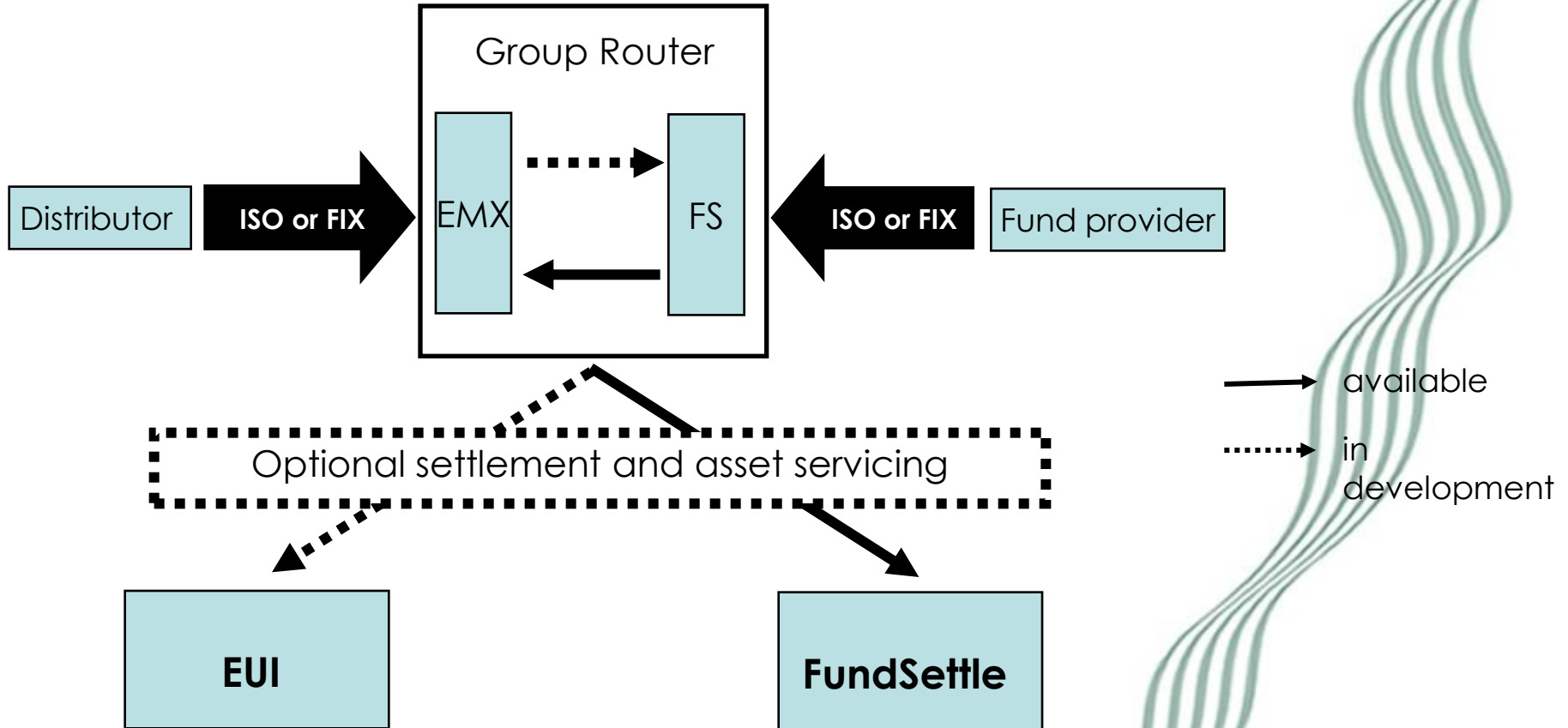
Development of the FundSettle-EMXCo link

- What: provide single access point for communication, allowing use of existing formats (ISO or FIX), independent of choice of counterparty
- How: implement a two-way link between EMX and FS, providing:
 - i. FS ISO- international based distributors access to FIX-based UK promoters (live);
 - ii. EMX FIX-based distributors access to cross-border ISO-based promoters for routing only;
 - iii. Vice versa, allow ISO-based cross-border promoters to distribute their funds to UK FIX-based distributors;



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Development of the FS-EMX link





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Benefits for UK distributors / buy side

- The automation of the full process, from order placement to cash and securities settlement to reconciliation will bring numerous benefits:
 - Cost reduction and scalability
 - Remove paper from processing
 - Risk reduction and full audit trail
 - Compliance with FSA requirements to reconcile monthly
- Access to more non-UK funds through their existing EMX connection: wider coverage without the need for any investment
- Open model, free choice of format between FIX and ISO



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Benefits for providers / sell side

- UK promoters and their agents will benefit in the same way from the full automation of the processing, reducing cost and risk.
- Promoters and their agents will be able to leverage their existing access to the Euroclear group to easily access distributors:
 - Promoters with a FIX-based connection to EMX can access all distributors clients of EMX and of FundSettle
 - Promoters with an ISO-based connection to FundSettle can in the same way access all distributor clients of both EMX and FundSettle
- Free choice of format between FIX and ISO means that providers with a link into both EMX and FundSettle can, over time, choose their connectivity and further reduce cost.



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Update on the TWG and FLG working parties - Achieving funds settlement in CREST

- Funds Liaison Group
 - Gained users commitment to the service
 - Resulted in the TWG sub-groups
- Technical Working Groups
 - Market Practise Group: Market users have defined how they wish to use the service. This has resulted in the Blue Book which has been published on the Euroclear website
 - Migration Group: This group have worked to define what has to be done to get holdings into CREST.
- CREST
 - Software is live (September 2009)
 - Legal documents have been updated
 - Ready for users to test, trial, and implement.
 - Pricing under review
 - Training can be provided



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Impacts of the strategy

- Allowing users choice of components
- Interoperability of message standards
- Cross border access
- Custody / asset servicing (full outsource)
- UK funds settlement in CREST
- Hybrid solutions

