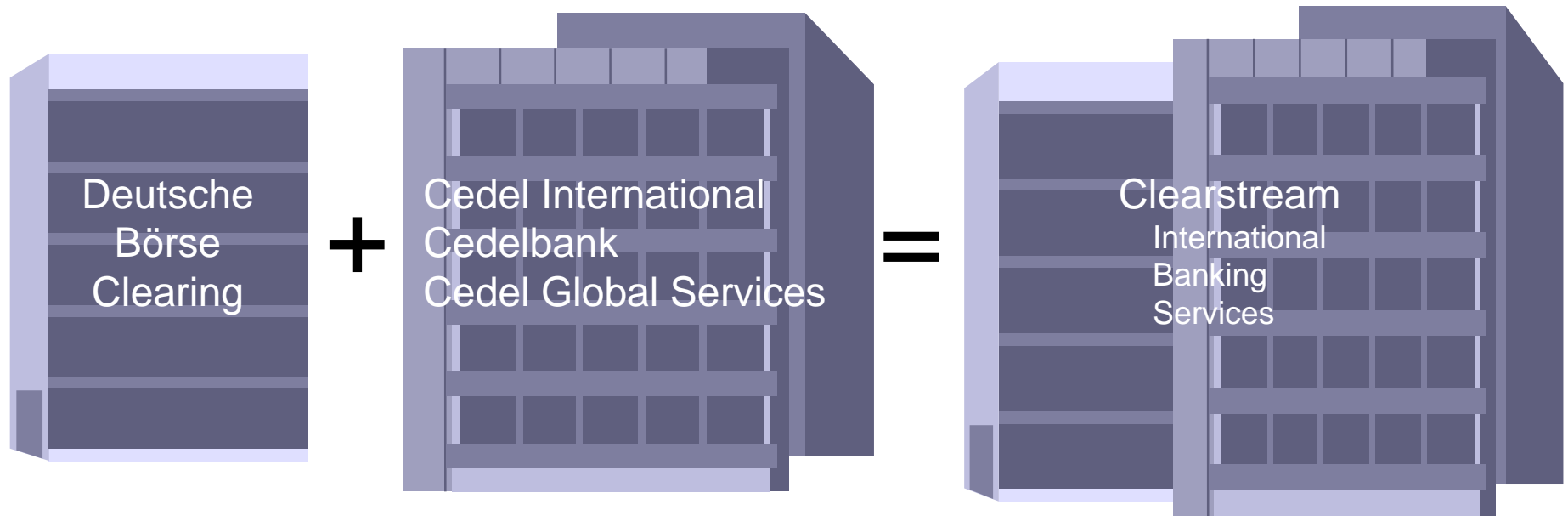


Workshop on developing Government Bond markets in Latin America

Securities settlement infrastructure

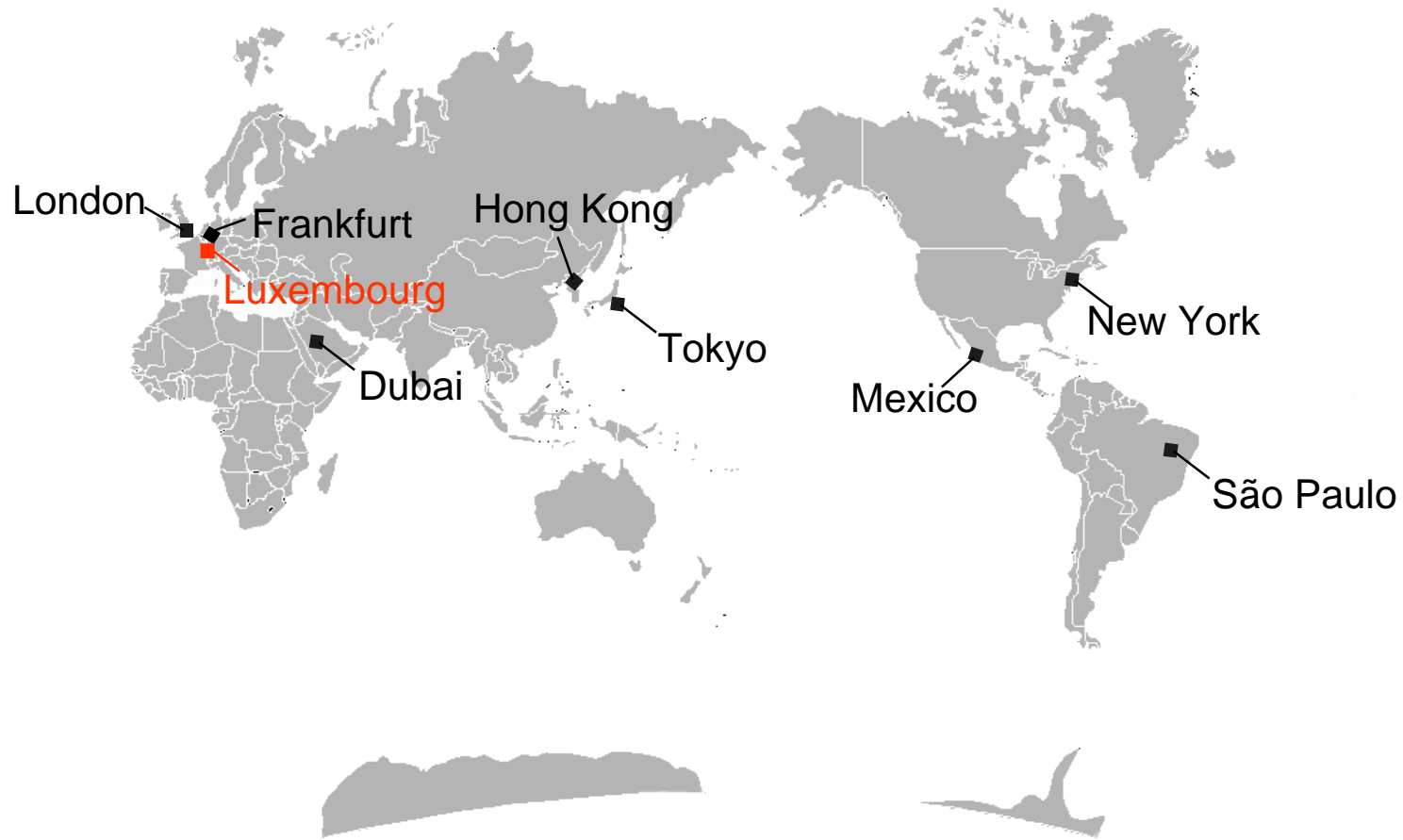
Who is Clearstream International?

We have started European drive towards consolidation



14 May 1999

1 January 2000



Euro is supposed to mean:

- efficient transactions at lower costs;

But, existing realities in Europe are:

- over 20 stock exchanges;
- over 30 clearing, settlement and depository organisations.

The U.S. reality



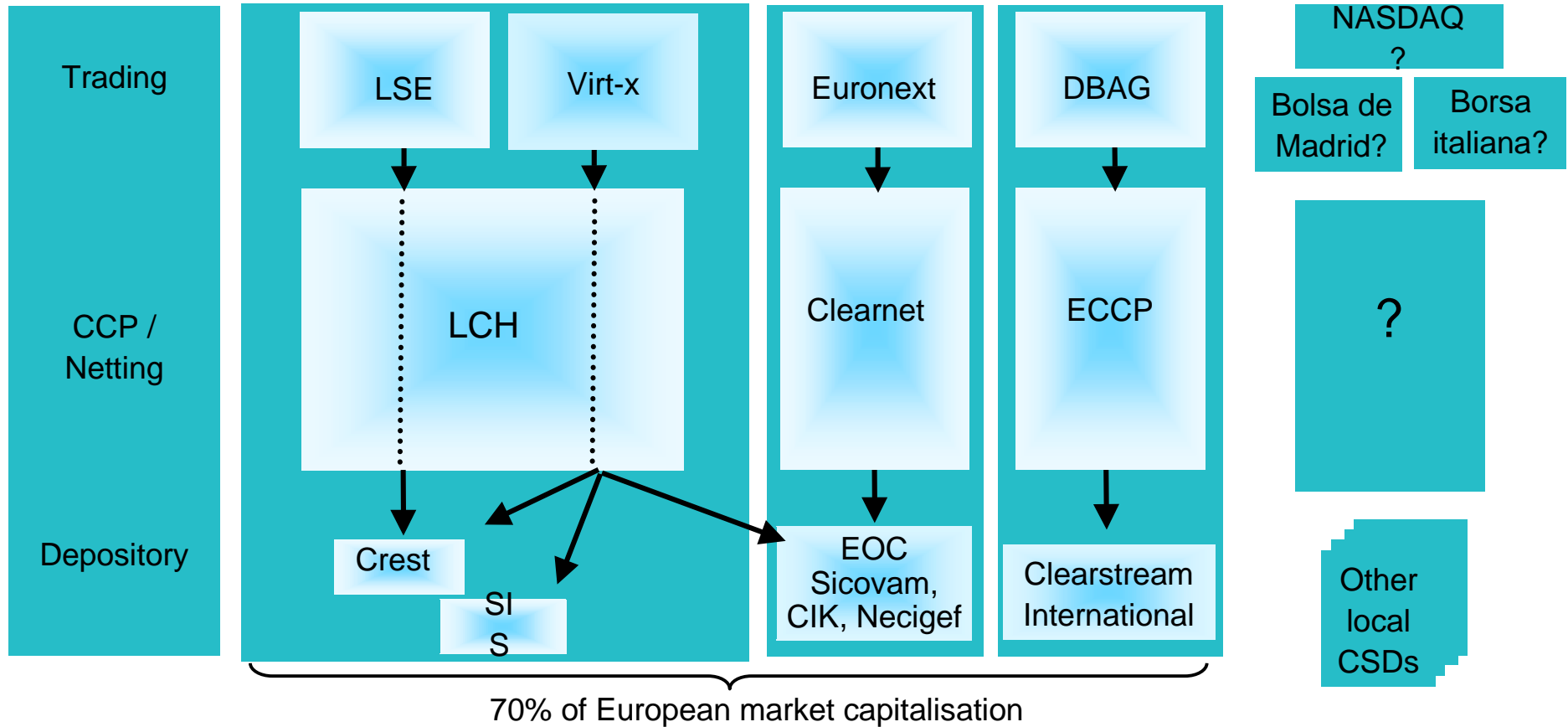
US: High volume and high centralisation
= efficient and low cost

The European reality



Europe: Low volume and high decentralisation
= inefficient and high cost

European vertical silo structures



- The cost of clearing securities is 9 to 10 times higher in Europe than in the USA;
- The euro remains weak and its promised potential remains stifled;
- Who pays?
 - We all pay !
 - ↳ Pensioners lose with the drop in pension fund values;
 - ↳ Companies have less ability to raise low cost capital in equity markets;
 - ↳ European companies have been allowed to become lethargic, undermining long-term competitiveness;
- NASDAQ enters Europe.

Current situation

- Dispersed and highly complex service chains (fragmentation of products and services);
- Multiple suppliers for clearing and settlement services (e.g. multiplied IT investments);
- Insufficient links between CSDs with high inefficiencies in European cross-border settlement;
- Increasing number of cross-border trades and collateral needs;
- Significant increase in number of equity transactions;
- High level of settlement costs (e.g. 10 times US market prices).

Liquidity, cost reduction, risk reduction and STP.

Cost-effective and overall accepted
CCP / Netting organisation

A consolidated clearing and settlement system with:

- lower cost;
- high customer value;
- speed;

and to value innovation.

- A multi-currency, multi-volume and multi-market system, built on a UNIX platform;
- Designed to be:
 - Flexible to meet new business requirements;
 - configurable to the requirements of any given market;
 - scalable to handle the expected increasing volume of transactions;
 - secure to minimise operating risks and associated costs;
- Continuous settlement processes evolving into real-time;
- Offers both cash and securities financing capabilities.

Similarities between Latin American and European situation:

- 42 exchanges and 28 CSDs and settlement agencies;
- fragmented markets;
- high cost of clearing and settlement;
- geography - multiple time zones;
- different legal, fiscal, accounting and regulatory environments.

Other factors restricted to Latin America:

- no common currency;
- different systems and settlement cycles;
- some markets not dematerialized;
- low volumes and very little cross-border trading;
- loss of business to more developed markets.

A time for definitions and choices.